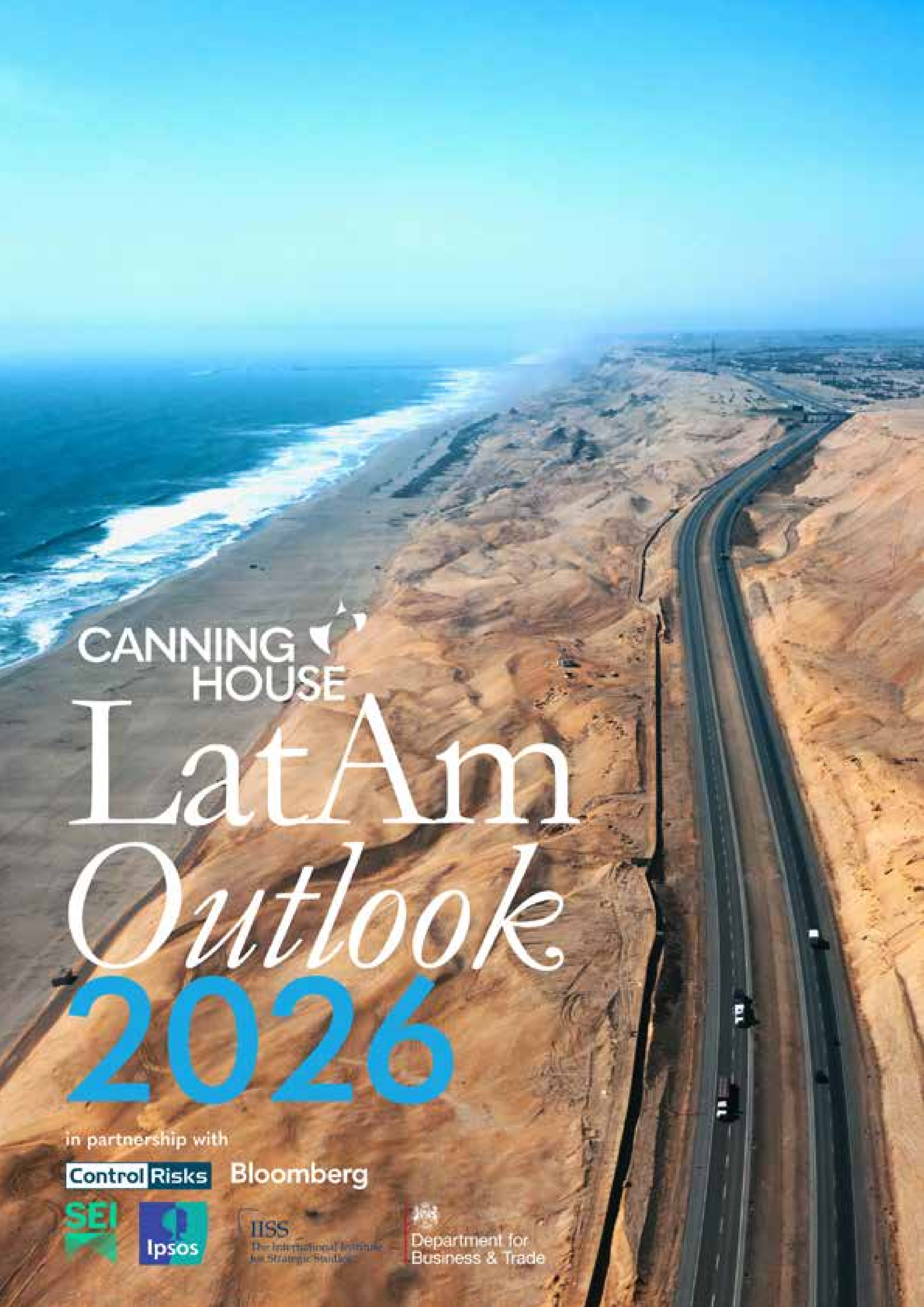

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Introduction

Jeremy Browne, CEO, Canning House

Canning House is delighted to welcome Bloomberg as our partner for the LatAm Outlook 2026. This publication is being launched officially in Bloomberg's awe-inspiring London offices, and Bloomberg are also bringing their expertise to the fore by authoring the Economic Outlook chapter.

We are very grateful to them, as we are to the writers of the other six chapters. The whole publication is packed full of insights and wisdom, and is essential reading for anyone interested in future developments across Latin America.

As well as the contributors, I also want to single out Ian Perrin, Canning House's Deputy CEO, for his expert curation of the LatAm Outlook 2026. Even an orchestra with the finest musicians benefits from having a brilliant conductor, and the consistency and polish of this publication is the result of his sensitive attention to detail.

It is hardly possible to believe - at the start of 2026 - that Donald Trump was not the President of the United States only a year ago.

This century is a quarter of the way through. So far it has seen a tectonic shift in Latin America's external orientation. That can be summarised simply: American retreat and neglect, and a remarkable growth in China's presence and importance.

There are exceptions to this trend. Mexico, the second largest Latin American economy, remains overwhelmingly orientated towards the United States. But South America now trades more with China than the US. That would have been unthinkable in the year 2000, just a generation ago.

And the growth of Chinese influence is not simply commercial. It manifests itself too in a greater political and diplomatic presence. That is a legitimate foreign policy ambition for China, and also reflects some strong compatibilities of interest, including China's vast demand for Latin American agricultural products.

But it is also a symptom of US indifference, which is sadly often also evident amongst other traditional Western powers. Latin America does not typically command the attention it deserves. Canning House works tirelessly to address this oversight, but it can sometimes feel like walking uphill.

But now all bets are off. President Trump has passionate supporters and passionate opponents. But nobody, on either side, can dispute that he has changed dramatically US relations with Latin America.

The list of US interventions is lengthy. In many places it is highly controversial. For some Latin Americans it is

unwelcome. But certainly not for all, and President Trump has both begrudging supporters and full-on admirers in Latin America.

For a start, there is the positive engagement. A remarkably close relationship with President Milei of Argentina, the first global leader to meet with Trump after his re-election. There is also a much closer institutional relationship between the US and Argentina. The President of El Salvador has been feted in the White House, and regarded as a partner for tackling serious crime. Productive and close working relationships exist with, amongst others, the Presidents of Ecuador and Paraguay.

Meanwhile, there have been tough, sometimes uneasy, but broadly stable relationships with, amongst others, the two biggest powers, Brazil and Mexico. Pressure has been exerted on Panama. And then, we have seen very discordant relations with President Petro of Colombia. And President Trump has awakened - to put it mildly - US interest in Venezuela.

And this is in under a year! It is reinforced too by a State Department under the leadership and firm direction of Marco Rubio, whose understanding of Latin America far exceeds that of many of his predecessors, including those with distinguished foreign policy credentials.

The influence has also spread in the opposite direction. President Bukele's blueprint is heralded as an inspiration for a more muscular US attitude towards crime and immigration. Elon Musk wields Milei's chainsaw as the US cites Argentina as a lodestar for cutting public spending.

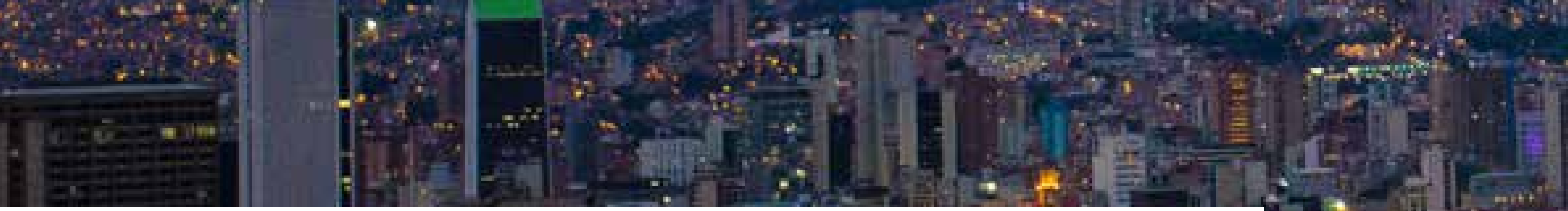
So Latin America suddenly feels much less marginal and overseen. It is now on the frontline of discussion about many of the great issues of our time. Even when it is not in synch with the current occupant of the White House - on climate change, for example - Latin America succeeds in projecting a global voice. And the UK needs to understand this new dynamic.

In 2025, Canning House hosted major Canning Lectures, in London, by both President Noboa of Ecuador and President Peña of Paraguay. We held a large-scale Mexico-UK Summit in Mexico City and a big Argentina-UK Summit in London. We hosted major commercial conferences on infrastructure, energy, finance, technology and mining. We facilitated countless dialogues between politicians, diplomats, economists, academics, journalists and others.

This is what is needed. A more concerted and energised national effort to connect better with Latin America. More trade, yes, and the UK joining the CPTPP should be seen as the beginning of our ambitions, not the realisation of them. But it also goes beyond the commercial, to encompass a need to see Latin American countries as democratic and liberal-minded partners. And this is not just a task for the British government, but requires too a broadening of horizons of people in academia, business, media and numerous other sectors.

Things are moving. Fast. Keeping up - or, better still, staying ahead - needs suitably dynamic movement.

Canning House's LatAm Outlook 2026 is the definitive guide to understanding what is happening in Latin America. It covers all the main sectors. Anyone who wants to be on top of how Latin America is moving to the centre-stage will benefit from having this manual to guide them. We hope you find it valuable and thought-provoking.



Executive Summary

Global Outlook

Latin America's place in the world

President Trump's return to the White House in January 2025 marked a significant shift in US policy towards Latin America, emphasising a more assertive stance. In response, Latin American leaders have faced challenges in responding to the change in direction of US policy, with divisions among them preventing a unified stance. Some leaders, like El Salvador's Nayib Bukele and Argentina's Javier Milei, aligned closely with Trump, while others, such as Brazil's Luiz Inácio Lula da Silva and Colombia's Gustavo Petro, adopted more pragmatic or oppositional approaches.

Many Latin American nations are seeking to diversify their international relationships, looking towards Gulf nations, India, and Southeast Asia to reduce dependence on both the US and China. The region's rich resources, including food and energy, are attracting investment from Global South countries, indicating a shift in economic power dynamics. Despite heavy reliance on China for trade, Latin American countries are wary of becoming overly dependent on another major power, reflecting historical lessons from US influence.

Latin America has the potential for economic revitalisation, with favourable geopolitical conditions suggesting a more dynamic future. The region's agricultural and energy resources position it as a key player in global markets, particularly in food production and critical minerals. Brazil's leadership in renewable energy and climate initiatives, alongside its oil and gas production strategy, highlights the region's dual focus on sustainability and economic growth.

The lack of cohesive political and economic unity in Latin America hampers its ability to respond effectively to external pressures and to capitalise on opportunities. Historical divisions and differing political ideologies among leaders complicate efforts for regional integration and collaboration. Organisations like the Organization of American States (OAS) and CELAC struggle to facilitate meaningful dialogue and cooperation, often reflecting the political divides within the region.

President Trump's approach may lead to either increased cooperation or further tensions, depending on how US policies are perceived and implemented. Latin America's traditional stance of neutrality and non-alignment could become an asset in a polarised global environment, allowing it to effectively navigate relationships with the US, China and beyond. The potential for greater regional integration and cooperation remains, but political fragmentation poses significant obstacles to achieving a unified strategy.

The interplay of domestic politics, international relations, and economic opportunities will shape the future trajectory of Latin America in the coming decades.

Political Outlook

The politics within Latin America

Latin America is undergoing a pragmatic shift in leadership across most countries, with political competition increasingly targeting middle class voters and moving away from extreme populism. Public frustration is being channelled through elections, reflecting a desire for stability and governability. Meanwhile, the US has adopted a more assertive stance in the region, countering China's influence through sanctions and military actions against organised crime, and will continue to do so under President Donald Trump.

In **Argentina**, President Javier Milei faces severe economic challenges, including inflation above 30% and rising unemployment driven by austerity. His administration seeks foreign investment, particularly in mining and energy, while managing public discontent. A recent rise in bond values signals investor confidence, but long term stability depends on Milei's reforms and political alliances.

In **Brazil**, President Luiz Inácio Lula da Silva is preparing for a fourth term amid economic difficulties and cooling ties with the US. The 2026 elections will likely pit Lula's leftist coalition against a younger right wing challenger, shaping future governance. Brazil is also pursuing new trade agreements to diversify economic partners.

In **Chile**, crime and immigration dominate voter concerns, boosting support for right wing candidates advocating tougher security. The government is developing lithium resources while balancing environmental issues and sustainable practices in data centres. The political climate reflects growing demand for law and order.

In **Colombia**, President Gustavo Petro struggles with political polarisation and a fragmented legislature. Rising organised crime and violence since the 2016 FARC peace deal highlight the need for a comprehensive security strategy. Upcoming elections may deepen divisions, with extreme candidates complicating coalition building.

In **Mexico**, President Claudia Sheinbaum enjoys high approval but faces internal party divisions and US pressure over trade and security. Morena remains dominant, yet factionalism could slow policymaking ahead of the 2027 elections. Economic growth is stable, but persistent security issues risk social unrest.

In **Peru**, President José Jerí confronts crime and governance challenges following Dina Boluarte's removal. While economic fundamentals are steady, public dissatisfaction over security and governance complicates the outlook for the 2026 elections.

Elsewhere, **Venezuela** faces worsening tensions with the US over drug trafficking and military actions. Its economy remains dire, with inflation and unrest rising as living conditions deteriorate. The territorial dispute with **Guyana** over the Essequibo region continues, though Guyana's strong electoral mandate supports stability and oil driven growth. **Ecuador's** government faces challenges in maintaining democratic governance amid rising crime and executive overreach.

Rodrigo Paz's 2025 election victory in **Bolivia** ended nearly two decades of MAS rule, ushering in a pro-business government focused on economic stabilisation, curbing organised crime, and attracting foreign investment, though major structural reforms will likely only begin after 2028 due to constitutional constraints. **Uruguay** faces rising crime linked to drug trafficking and labour unrest, with President Yamandú Orsi focusing on intelligence-based strategies amid slowing economic growth projected for 2026-27.

Honduras is likely to experience economic stability but may face political instability following the 2025 elections due to a fragmented Congress. **Costa Rica's** upcoming elections are marked by deepening party divisions and a focus on security reforms, while **Guatemala's** President Bernardo Arévalo struggles with internal opposition and declining approval ratings.

Economic Outlook

The macroeconomic forecast in Latin America

Latin America is entering 2026 with slowing economic momentum following post-pandemic stabilisation. Tight monetary policies, constrained fiscal space, and trade tensions with the United States are weighing on growth prospects. Global conditions, particularly US monetary policy, Chinese demand, and US-China competition for resources, will remain decisive factors. Regional growth is expected to be modest, with structural challenges continuing to limit long-term potential. Global growth is projected to fall to 2.9% in 2026, dampening demand and prices for Latin America's commodity exports. The US Federal Reserve is expected to lower interest rates, easing financing conditions and reducing pressure on regional central banks.

Country outlooks for 2026 show mixed prospects. Argentina is forecast to grow 3.9%, sustaining momentum despite inflation above 20%. Fiscal discipline and reforms are vital for restoring creditworthiness. Brazil's growth is expected at 1%, constrained by its tightest monetary policy in two decades and weak external demand. Fiscal fragility remains central to its presidential race. Chile is projected to expand 1.7%, with potential pro-business reforms after elections, though unemployment and inflation remain challenges. Colombia's economy may grow 1.9%, supported by pre-election stimulus but facing rising deficits and security risks. Mexico's growth is forecast at 1.3%, influenced by US trade policies and fiscal constraints, with limited reform progress capping long-term potential. Peru is expected to grow 2.6%, driven by strong domestic demand and low inflation, though political volatility could reshape fiscal priorities.

Inflation and monetary policy trends vary. Argentina remains an outlier with persistently high inflation, while most countries are expected to see easing pressures. Brazil's policy rate may fall to 11%, Colombia to 8%, Mexico to 6%, and Chile to 3%. Argentina's unconventional monetary strategy has kept rates high, but a more flexible approach is anticipated to stabilise growth.

Fiscal credibility is a key concern. Argentina and Mexico are expected to post primary surpluses, while Brazil and Colombia face deficits and rising debt. Electoral cycles in 2026 will be pivotal: Colombia's pre-election spending could weaken fiscal performance, while Brazil's race will spotlight candidates' fiscal plans. Structural challenges—inequality, institutional weaknesses, and aging demographics—continue to constrain long-term growth.

Looking ahead, Latin America's potential growth averages around 2%, with demographic shifts likely to slow expansion further. Opportunities lie in nearshoring, energy transition, and critical minerals, especially for Mexico, Chile, and Peru. To seize these, the region must strengthen fiscal credibility and regulatory predictability to attract investment and foster sustainable growth. Despite inflation, fiscal fragility, and political uncertainty, strategic reforms and sectoral investment offer paths to resilience.

Commercial Outlook

The business landscape in Latin America

Latin America is emerging as a reliable trade partner for the United Kingdom, offering opportunities to diversify economic relations and strengthen collaboration across strategic sectors. The region is projected to sustain steady GDP growth creating a stable environment for trade expansion. Ever more UK trade with Latin America is covered by trade agreements, such as the Comprehensive Progressive Trans Pacific Partnership (CPTPP), improving the competitiveness and market access for UK firms seeking to do business in the region

Trade and investment flows between the UK and Latin America have grown significantly in recent years. UK exports to the region have increased by 44% over the past five years, with record levels achieved in Brazil and Mexico. At the same time, Latin American foreign direct investment into the UK reached at least £126 billion in 2023, highlighting the two-way nature of the relationship. The UK's Modern Industrial Strategy identifies eight high-growth sectors - advanced manufacturing, clean energy, creative industries, defence, digital technologies, financial services, life sciences, and professional and business services - as areas where collaboration can deliver substantial benefits.

Sector-specific opportunities are diverse. In advanced manufacturing, UK firms can support Mexican producers in upgrading production lines and meeting sustainability standards. Clean energy presents major prospects, with Brazil decommissioning oil and gas fields, Colombia developing offshore wind, and Chile positioning itself as a leader in green hydrogen. Creative industries such as film, gaming, and design are expanding rapidly, offering scope for UK partnerships. Defence collaboration is also a priority, with potential for growth in exports. The region's digital transformation is driving demand for UK expertise in cybersecurity and artificial intelligence, while financial modernization creates opportunities in fintech and regulatory compliance. In life sciences, UK firms can contribute to healthcare modernisation, addressing infrastructure gaps and improving access to treatments. Professional and business services are equally critical, with UK advisory expertise supporting infrastructure development across the region.

Government support underpins these initiatives. The Industrial Strategy and Trade Strategy detail what the government will focus on, and how it will do so to achieve greater UK economic growth. UK Export Finance is one such tool and is helping improve UK competitiveness in the region. Successful partnerships, including infrastructure projects in Peru, demonstrate the effectiveness of government-to-government agreements.

The UK's ambition is to deepen commercial engagement with Latin America by focusing on sustainable growth and innovation. By leveraging local partnerships, strategic government support, and sectoral expertise, UK businesses are well positioned to capitalize on emerging opportunities and strengthen their role in the region's economic development.

Social Outlook

The social condition of Latin America

Latin America is undergoing profound social transformation as it navigates structural challenges and emerging opportunities. Public sentiment reflects cautious optimism, with one-third of citizens believing their countries are on the right trajectory. While crime, corruption, and inequality remain pressing concerns, improvements in social indicators are contributing to a more hopeful outlook.

Crime and violence continue to dominate public concern. The region accounts for one-third of global homicides despite representing less than 10% of the world's population, and more than one-third of citizens report personal victimization, nearly three times the global average. Perceptions of insecurity are particularly acute in Chile and Peru, sometimes exceeding actual crime statistics. Organized crime has diversified beyond drug trafficking, imposing significant economic costs and prompting governments to strengthen security measures.

Corruption remains pervasive, with many countries ranking poorly on global indices. Trust in institutions is low, with confidence in the police, judiciary, and political parties especially weak. Recent scandals have heightened public concern, yet support for democracy is rising, particularly in Mexico and Argentina, where elections have reinforced democratic sentiment.

Poverty has declined to historic lows thanks to targeted policies, but inequality persists as a critical issue. High disparities exacerbate insecurity, undermine institutional trust, and fuel social tensions. Demographic shifts add further complexity: by 2030, individuals aged 60 and above will outnumber those under 15, creating challenges for pension systems and healthcare infrastructure.

Healthcare spending has increased, but concerns about quality remain high, particularly in Brazil and Colombia. Mental health has emerged as a leading issue, intensified by the pandemic, with widespread reports of stress and anxiety. Satisfaction levels vary, with Argentina showing relatively high approval while Peru experiences declining confidence.

Progress in gender equality is evident, with women gaining representation in politics and education. However, support for LGBT+ rights has stalled, reflecting polarization in attitudes toward social inclusion. Education quality remains a top concern, hindered by uneven access to technology, particularly in rural areas. Despite this, optimism about AI and digital tools suggests potential for transformative improvements in learning outcomes.

Climate change is recognized as a pressing issue, though it ranks below immediate social concerns such as crime and inequality. Citizens expect governments to lead mitigation efforts, with higher-income groups more likely to prioritize environmental action.

Despite these challenges, individual optimism is rising. Many Latin Americans anticipate improvements in personal and family finances, driving entrepreneurial activity and social mobility. The region stands at a crossroads: success will depend on transforming resilience into proactive policy, tackling crime, corruption, education, and climate change. With credible reforms and innovative solutions, Latin America has the potential to redefine its global image and emerge as a leader in addressing contemporary challenges.

Environmental Outlook

Latin America's role in leading a global energy transition

Latin America's role in the global energy transition is increasingly significant as the world moves gradually from fossil fuels to renewable sources. Historical energy shifts suggest that this process will be slow, and recent political developments in the United States, particularly under the Trump Administration, have reinforced reliance on fossil fuels, raising concerns about a potential reversal in global narratives. Despite these challenges, fossil fuel consumption continues to rise worldwide, with natural gas positioned as a transitional fuel. Against this backdrop, Latin America's abundant renewable resources provide the region with a unique opportunity to lead in shaping a more sustainable energy future.

The region benefits from relatively low dependence on fossil fuels compared to other parts of the world, which allows for a smoother transition to renewables. Hydropower already plays a central role, and countries such as Argentina and Chile possess vast potential for wind and solar energy. Harnessing these resources could significantly reduce greenhouse gas emissions and strengthen energy independence. However, deforestation remains a critical obstacle, particularly in Brazil, Colombia, and Argentina, where land-use emissions undermine environmental progress. Responsible mining practices for critical minerals such as lithium and copper are also essential, as these resources underpin global renewable technologies. The Escazú Agreement, which promotes public participation and environmental justice in resource extraction, represents a step toward ensuring sustainability and accountability.

Country-specific dynamics highlight both opportunities and risks. Argentina's renewable sector is expanding, but fossil fuel investments in the Vaca Muerta field complicate its transition. Brazil's reliance on hydropower is complemented by growing wind and solar exploration, though new fossil fuel permits in the Amazon raise environmental concerns. Chile has emerged as a regional leader in renewable investment, aiming for energy independence and collaboration with neighbours. Colombia faces limited renewable penetration and must diversify its energy portfolio while addressing deforestation. Mexico's strong solar and wind potential is offset by its continued commitment to fossil fuels, while Peru, though reliant on hydropower, has achieved greater renewable penetration and is exploring lithium production despite troubling deforestation trends.

Latin America has the potential to lead a socially and environmentally responsible energy transition, but success will depend on balancing economic development with environmental stewardship. Addressing land-use emissions, strengthening community engagement, and committing to sustainable practices will be critical. Regional collaboration and credible governance can position Latin America as a central player in the global energy landscape, redefining its role through innovation, responsibility, and resilience.

Security Outlook

The evolving security landscape in Latin America

Insecurity in Latin America remains a concern, largely driven by organized criminal groups (OCGs) competing for territory, markets, and political influence. Despite democratic governance and security reforms, structural weaknesses such as fragile institutions, entrenched inequality, and limited economic opportunities persist. Global factors, including shifting drug demand and geopolitical rivalries, further reshape violence and state responses, creating insecurity patterns that transcend borders.

Armed violence is closely tied to criminal dynamics, with OCGs expanding beyond drug trafficking into illicit gold mining, human trafficking, and smuggling. The region accounts for nearly 30% of global homicides, with Brazil, Mexico, Ecuador, Haiti, and Colombia most affected. Major organizations like Colombia's Gulf Clan and Mexico's Jalisco New Generation Cartel sustain much of the violence. Ecuador has recently become a hub for drug trafficking due to its strategic ports, while Haiti faces a humanitarian crisis worsened by gang violence, prompting international intervention. The Dominican Republic has also seen rising fatalities linked to tensions with Haitian refugees.

Inter-state tensions have resurfaced, influenced by a shift in US foreign policy under President Trump, leading to border disputes and military threats. Rising global drug use, particularly cocaine, has fuelled production and trafficking in Colombia, while fentanyl trafficking - dominated by Mexican cartels - poses new challenges for US drug policy and public health. The geopolitical rivalry between the US and China affects security dynamics in Latin America, with implications for drug trafficking and organised crime. US policies may inadvertently exacerbate regional instability by driving criminal groups to diversify and adapt to punitive measures. The designation of OCGs as Foreign Terrorist Organizations by the US government expands the scope for sanctions but raises concerns about human rights and migration policies.

Criminal groups increasingly act as quasi-political entities, providing services and governance in areas with weak state presence. Their involvement in corruption and electoral violence undermines state authority, while the convergence of drug trafficking, environmental crimes, and political violence creates complex threats.

Governments in the region have adopted punitive security strategies, with varying degrees of success. El Salvador's "Territorial Control Plan" has reduced violence so far, but the country's militarised approach, and similar strategies elsewhere, risks generating long-term instability. States of emergency and heavy-handed tactics often fragment criminal groups, paradoxically increasing violence.

There is a growing recognition of the need for regional cooperation to address organised crime, with initiatives for intelligence sharing and capacity building. Bilateral and multinational frameworks aim to counter transnational crime, though political divides and resource constraints limit effectiveness.

Overall, Latin America's security outlook remains precarious. Sustainable stability requires a multidimensional approach that tackles root causes while strengthening regional cooperation.

Global Outlook

Latin America's place in the world

Michael Stott, Latin America Editor, Financial Times

Roundtable at COP30 (Credit: Ricardo Stuckert / PR)

Introduction

Any survey of Latin America's place in the world must start with President Donald Trump's triumphant return to the White House in January 2025, a moment which marked a turning point in US relations with the region.

It has forced Latin America to confront increasingly difficult choices: how it deals with a newly assertive Washington keen on re-establishing power and influence over the Americas and how the region should rethink its relations with China, Europe, the Gulf and the rest of Asia.

Any illusions that Trump's second term would be a rerun of his first were quickly shattered. With a clear plan for government worked out in advance and a hand-picked team of trusted acolytes ready to implement it, both the ambition and the pace of his second term were going to be very different.

Even before he returned to the White House, Trump was complaining about China's presence in strategic Panama and vowing to displace it. His initial picks for key roles also evinced a clear desire to focus on the Western Hemisphere to an extent no US president had done since Bill Clinton in the 1990s.

Trump chose Marco Rubio, the Spanish-speaking former Florida senator and son of Cuban immigrants, as his Secretary of State. For Deputy Secretary of State, he picked Christopher Landau, another fluent Spanish speaker who spent part of his childhood in Paraguay and served as US ambassador in Mexico.

The initial focus was on pressuring Panama to remove Chinese companies from managing ports at each end of the Panama Canal. Mexico too was targeted in the first weeks with 25% additional tariffs, suspended soon afterwards in return for promises to beef up border security, pursue aggressively those trafficking the synthetic opioid fentanyl and stem the flow of migrants from Central America into southern Mexico.

> *Trump's strong focus on Latin America left the region uncertain of how to respond to an aggressive display of US power not previously witnessed this century.*

Trump quickly showed his backing for allies such as El Salvador's President Nayib Bukele, a strong MAGA supporter, and Argentina's President Javier Milei, another ideologically aligned leader. There was punishment in the form of tariffs or sanctions for adversaries such as Brazil's leftwing President Luiz Inácio Lula da Silva or Colombia's Gustavo Petro.

Overshadowing everything was a rising crescendo of US pressure on Nicolás Maduro's authoritarian regime in Venezuela. For Trump, Maduro was unfinished business, a "narco-dictator" left over from his first term whom he had failed to remove. The US president deployed the biggest naval taskforce seen in the Caribbean since the 1962 Cuban missile crisis to pressure Maduro's regime, initially with a brief to fight drug trafficking but with firepower which far transcended anything needed for the war on drugs.

Trump's strong focus on Latin America left the region uncertain of how to respond to an aggressive display of US power not previously witnessed this century. Deep personal and political differences between Latin American leaders ruled out a united response. Any instinct to seek solace in a warmer embrace of Beijing was complicated by the fact that, after two decades of rapid expansion in trade and investment, many Latin American nations are already heavily dependent on China and have little appetite to make themselves even more vulnerable.

Instead, many regional leaders are choosing to beat a path to the Gulf nations, to India and to Southeast Asia in the hope of developing new trade and investment links which would diversify their markets and reduce their dependence on both the US and China.

President Javier Milei and President Donald Trump at the UN General Assembly (Credit: Official White House Photo by Daniel Torok)

The region finds itself increasingly the focus of attention for investors from Global South nations because of its food and energy resources, both in renewable and fossil fuel energy. This South-South trade and investment is set to grow in importance during the decades to come, as the balance of economic power shifts further to the developing world and an increasing number of countries pursue a policy of multipolar alliances.

Such trends create promising opportunities for Latin America, a region which remains more stable, peaceful and democratic than any other part of the developing world. Although the region's economic growth in the last decade has been disappointing when compared with other emerging markets, the favourable geopolitical and geoeconomic winds now blowing suggest that the next couple of decades may well prove more dynamic.

Why Trump's interest in Latin America?

President Trump's strong focus on Latin America is not accidental or whimsical; it reflects his broader political strategy and world view. Trump's domestic agenda is strongly focused on ending illegal migration, controlling the US land border with Mexico and staunching the flow of illegal drugs across the border into the US.

As the main source of migrants and illegal drugs to the US, Latin America plays a crucial role in this strategy. In his outlook on the world, Trump subscribes to the 19th century school of great power thinking in which major powers expect to exert control over their respective regions.

In Trump's mind, Latin America is clearly a US sphere of influence, just as it was for President James Monroe, author of the eponymous doctrine, when he announced it in 1823 with the intention of rejecting European intervention in the New World. Today's version means re-asserting US economic, military and strategic supremacy over the region and pushing back China, particularly in the military sphere.

Top among US concerns is Mexico, the immediate and biggest source of migrants and drugs. Trump moved quickly to exert heavy pressure on President Claudia Sheinbaum to deliver measurable results on reducing migrant flows and hitting drug cartels and threatened crippling tariffs if those results were not forthcoming.

Dependent on the US market for over 80% of its exports, Sheinbaum had little choice but to comply. Mexico expelled more than 50 cartel leaders to the US in 2025, including key figures in some of the biggest drug syndicates, and seizures of fentanyl rose sharply. Trump kept up the pressure, flying spy flights over Mexican territory to gather intelligence and threatening drone strikes against cartel leaders.

> *Trump's interest in the region goes well beyond controlling migrants and drugs or pushing back Chinese military encroachment. With his dealmaker and business tycoon hat on, Trump also has a strong interest in opening Latin America up to increased investment by US companies, particularly in the strategic areas of oil and critical minerals.*

The militarisation of Trump's relationship with the region was made evident by a pair of key appointments in the early months. The post of White House senior director for the Western Hemisphere, the president's top adviser on Latin America, went to Michael Jensen, a retired Air Force commander with no prior experience in the region but an extensive background in counter-terrorism and special operations.

The post of ambassador to Mexico, Washington's most important diplomatic post in Latin America, went to Ronald Johnson, another ex-military officer who worked in El Salvador in the 1980s as a US military adviser to the Salvadoran army. Neither Jensen nor Johnson has experience in trade, economic policy or traditional statecraft; their background is military.

Trump decided in his first year to militarise the US war on drugs to an extent never seen since the campaign was launched by President Richard Nixon in the early 1970s. He declared the region's biggest drug cartels "narco-terrorist" organisations which represented a threat to US national security, claiming that this gave him legal authority to treat them as military targets at war with the US and eliminate them.

US forces in the Caribbean and the Eastern Pacific struck with missiles dozens of speedboats which Washington said were carrying cocaine, killing almost all their occupants. The intention was to create a dramatic demonstration of US determination to choke the drug trade and to show the lethal consequences of continuing to traffic cocaine and other drugs towards the United States.

Trump also focused on broader military concerns relating to Latin America. Beijing's space observation station in Argentine Patagonia, established during the Peronist government of Cristina Fernández de Kirchner, has been identified by the US security community as a critical Chinese military asset, used to spy on satellites and missile launches across the southern hemisphere (China rejects this characterisation, saying the station is for peaceful space observation purposes).

The giant Peruvian port of Chancay, built and operated by a Chinese-led consortium and inaugurated by President Xi Jinping in 2024, symbolises the kind of infrastructure project which worries the US security establishment. Their fear is that China could use such a port as a naval supply point in times of conflict and could also use the abundant data on shipping movements harvested from it for espionage purposes. The same thinking lies behind Trump's opposition to China controlling ports at either end of the strategic Panama Canal and his determination to move Venezuela out of the Chinese and Russian orbit.

But Trump's interest in the region goes well beyond controlling migrants and drugs or pushing back Chinese military encroachment. With his dealmaker and business tycoon hat on, Trump also has a strong interest in opening Latin America up to increased investment by US companies, particularly in the strategic areas of oil and critical minerals, such as the rare earths where China currently has a stranglehold over global supply (Brazil has the world's third biggest reserves of rare earths, mostly unexploited). This offers the region considerable opportunities.

Latin America's response to Trump

Latin America has not acted in a united or cohesive way since the Pink Tide years of the early 2000s, so its fragmented and contradictory response to Trump's reassertion of US power and pressure to reduce Chinese influence was unsurprising.

The region's leaders took three different positions: ideological alignment with Trump, outright hostility, and in the middle, a more pragmatic group who mostly disagreed with Trump's positions but avoided open hostility and sought to bargain mutually advantageous deals.

The Trump allies emerged quickly, many of them figures active in the Conservative Political Action Conference (CPAC) international movement prior to Trump's return to power. Foremost among them is El Salvador's President Nayib Bukele, whose harsh law and order stance and willingness to rent out his large, modern, purpose-built jail facility CECOT to receive deported migrants from the US marked him out in Trump's mind.

Despite being president of a small country with virtually no economic or strategic significance for the US, Bukele became the first Latin American leader to be received at the White House in Trump's second term, where the US president showered him with praise.

Bukele was important for Trump because he speaks fluent English, is a highly successful social media communicator with a large following, has an uncompromising stance on crime which has little truck with human rights, and a track record of accumulating power in the presidency. He has attempted to eliminate constitutional checks and balances by bringing the judiciary, the security forces and congress under his control.

Argentina's President Javier Milei is the other key Trump ally. His libertarian philosophy, with its emphasis on slashing the state, deregulating, and pursuing a strongly pro-business agenda, led him to quickly realise the value of courting the US president.

A friendship between Milei and Elon Musk, Trump's appointee in early 2025 to cut the US federal bureaucracy, helped. Washington quickly settled on Milei as its most important South American ally, something which was not just a reflection of Argentina's size but also of the lack of other sympathetic conservative leaders of major nations in the region at that point.

When Milei hit trouble a few weeks before crucial midterm elections, with investors selling the peso aggressively after he lost a key provincial election, Trump's Treasury Secretary Scott Bessent rode to the rescue with the offer of a bailout of up to USD $40 billion. (In the event, Milei won the election and did not need to draw on the money immediately).

Milei vowed to remain Trump's most important ally in the region, pledging full support for the US leader's strategy of using the military to eliminate drug trafficking boats in the Caribbean and the Pacific, as well as his attempts to squeeze Venezuela's Nicolás Maduro from power.

Also in the category of US allies are two conservative pro-business leaders of smaller nations, Ecuador's Daniel Noboa and Paraguay's Santiago Peña, who are less committed to the MAGA agenda but need US help in the war against drugs, broadly share Trump's world view, and want US investment in their countries.

Luis Abinader, the pragmatic, pro-business President of the Dominican Republic, also fits into this group. Bolivia's newly-elected centrist President Rodrigo Paz, who badly needs investment and support after inheriting an economy on the verge of collapse, has re-established ambassador-level diplomatic relations with the US after a 17-year break.

> *"The region's most important leaders, Brazil's Luiz Inácio Lula da Silva and Mexico's Claudia Sheinbaum, opted for a different, more pragmatic strategy vis-à-vis Trump, and have chosen to make clear in public their differences over policy using a firm but respectful tone, while offering to negotiate in private and reach agreements in areas of mutual interest."*

Taking the opposite view are the Latin American presidents firmly and publicly opposed to Trump and prepared to accept the consequences of attacking him publicly. Colombian President Gustavo Petro is the main exponent of this strategy, in large part because it suits him politically to pursue an aggressively nationalistic and anti-US line.

This motivates his political base and allows him to paint his government as a victim of US aggression and interference. Petro has even taken the fight to the United States, making fiery speeches at the United Nations and joining a pro-Palestinian demonstration in New York in September 2025 at which he called on US troops to disobey Trump and "obey humanity" by pointing their guns towards "tyrants and fascists", a move which led to his US visa being revoked.

The consequences, both for Petro and for Colombia, have been lasting. Washington designated Petro for sanctions, citing links to drug trafficking. This made him persona non grata and forced US banks and companies to cut links with him. Trump also threatened high tariffs and cuts in security assistance to Colombia, though strong private sector lobbying appeared to have averted this for now.

Above all, Trump has dedicated himself to publicly attacking Petro and his government, highlighting Colombia as a major drug producer and its president as a "thug". This very public fight and its negative consequences for the country go a long way towards explaining why no other leader has been as strident in his condemnation of Trump as Petro; the cost is simply too high.

Even Venezuela's Nicolás Maduro, the target of much of Trump's ire in the first year of his second term, has responded with repeated offers to negotiate with Washington and to keep the peace, rather than by attacking or insulting the US leader.

This reflected a hope on the part of the Chavista leadership in Venezuela that their previous tactic of offering talks and the lure of oil deals, instead of confrontation, would prove successful. This time, however, Trump seemed more interested in removing Maduro, rather than doing a deal, as evidenced by his big military build-up in the Caribbean and his decision to order his special envoy Richard Grenell to close down - for a time - negotiating channels with Caracas.

The region's most important leaders, Brazil's Luiz Inácio Lula da Silva and Mexico's Claudia Sheinbaum, opted for a different, more pragmatic strategy vis-à-vis Trump. They have chosen to make clear in public their differences over policy using a firm but respectful tone, while offering to negotiate in private and reach agreements in areas of mutual interest.

Sheinbaum won plaudits for her early dealings with Trump, speaking frequently to him and averting the worst tariff threats to Mexico at the eleventh hour by offering Trump concessions on border security and the war on drugs. Much is still at stake, with the US-Mexico-Canada (USMCA) free trade agreement likely to be renegotiated in mid-2026.

Trump's aim will be to secure more favourable terms for the US. He is likely to demand a higher level of North American content in Mexican vehicle exports and to tighten labour standards. With so much at risk, Sheinbaum will inevitably be forced to tread a careful line with Trump, avoiding public confrontation wherever possible.

Lula faces a different challenge. Brazil is far less dependent than Mexico on the US market, with only around 12% of its exports heading there. Trump's determination in 2025 to try to defend his MAGA ally, Brazil's former president Jair Bolsonaro, from trial and then conviction on charges of organising a coup plunged US-Brazilian relations into their worst crisis in more than a century.

Trump's decision to impose 50% tariffs on many of Brazil's exports and sanctions on most of the Supreme Court judges trying Bolsonaro triggered a strong reaction from Lula, who rejected US interference in Brazil's internal affairs and insisted that his country would make its own sovereign decisions.

Lula's defence of sovereignty and his nationalistic stance proved successful, at home and abroad. Within Brazil, his poll ratings improved measurably, and his government gained a fresh spring in its step. Brazil's conservatives were put on the back foot, caught between endorsing Trump's moves which had hurt their economy and damaged their businesses, or siding with Lula against Trump and against Bolsonaro. The left was quick to exploit the right's discomfort, painting sections of it as anti-Brazilian and selling out to the US.

After the Supreme Court found Bolsonaro guilty in September 2025 and sentenced him to a long jail term, Trump's threat of still higher tariffs did not materialise and negotiations between the two governments restarted, resulting in Trump and Bolsonaro's first face-to-face meeting in Malaysia on the fringes of the ASEAN summit. Some tariffs were later lifted.

Lula and Sheinbaum's more pragmatic approach towards Trump found admirers in the region and beyond. It seemed set to become a popular approach towards dealing with the famously mercurial US president, particularly among smaller nations which dislike his style and disagree with his goals but fear the consequences of confronting him.

Other Latin American nations have yet to loom on Trump's radar. The left-wing government of Gabriel Boric in Chile was drawing to a close at the end of 2025 without triggering any reaction from Trump and the troubled presidency of Peru's Dina Boluarte - impeached by Congress in October 2025 - did not elicit US reaction.

More surprisingly, the region's two other left-wing dictatorships - Cuba and Nicaragua - were virtually ignored by Trump in his first year of his second presidency. Washington took limited measures to tighten the economic screws further on Cuba, threatening sanctions on officials which participate in Havana's programme of exporting doctors to work abroad in allied countries in return for hard currency.

But there was no action from Washington against Mexico after Sheinbaum stepped up donations of oil to keep the Cuban economy afloat. Part of the explanation may lie in the fact that Venezuela has the world's largest proven oil reserves, with the US major Chevron a long-time operator there, as well as substantial reserves of gold and coltan, the ore from which the elements niobium and tantalum – used in electronic devices -- are extracted. Cuba has virtually no natural resources which interest President Trump.

President Claudia Sheinbaum speaking at the Anniversary of the Mexican Revolution (Credit: Juan Carlos Buenrostro)

China and Europe as alternative allies for Latin America?

China, the main trading partner for most South American nations, believes Trump may represent an opportunity to try to prise the region further away from Washington but early predictions that Trump's new Monroe Doctrine might end up delivering the region to Beijing seem overdone.

South America is already heavily dependent on China for trade and infrastructure investment and has no illusions about Beijing's willingness to use economic leverage to pursue political goals or to punish behaviour it deems unacceptable.

> *Having experienced the negative consequences during the nineteenth and twentieth centuries of being heavily influenced by a regional power - the United States - Latin Americans have little appetite for finding themselves in hock to another - Beijing.*

A few examples: Beijing's refusal to supply COVID-19 vaccines to countries such as Guatemala which recognise Taiwan, false rumours about COVID-19 contamination of Chilean cherries circulating on social media in 2021 after the Chilean government backtracked on the idea of having a Chinese firm build a major undersea internet cable, or the suspension of supplies of a key raw material for COVID-19 vaccines to Brazil during the pandemic when Bolsonaro was critical of China.

Having experienced the negative consequences during the nineteenth and twentieth centuries of being heavily influenced by a regional power - the United States - Latin Americans have little appetite for finding themselves in hock to another - Beijing.

Lula, the region's foremost political and diplomatic leader, gave voice to such concerns in none other a forum than the Latin America-China conference in China in 2025. Lula's solution was for the region to pursue greater integration to make itself less dependent on external powers.

Like other nations in the region, and indeed elsewhere in the Global South, Brazil is pursuing a policy of trying to diversify political and business ties and build closer links with other key developing nations. The most immediate focus of attention is the Gulf nations, whose financial wealth and appetite for investment makes them particularly attractive partners, as well as India and southeast Asia, where the potential is longer-term.

> *It is clear that Europe's aspirations to provide an alternative source of economic and political alliance for Latin America are, at best, open to serious question.*

Europe ought to be another obvious avenue for trade and investment diversification, given its long history of relations with Latin America. Lula and other leaders in the Mercosur bloc of south American nations have attempted to get a long-stalled trade treaty with the European Union over the line in the face of concerned opposition from European farmers and protectionists but the battle has been long and arduous.

After reaching agreement in principle in 2019 following nearly 20 years of negotiation, it took another five years for full political agreement to be reached. The European Commission then stalled for almost another year before finally putting the treaty forward for ratification by the European Parliament and national parliaments. As is often the case, the EU's demands for stringent environment, labour and human rights standards stand in contrast to the much greater willingness of Global South partners to ignore these issues. At the time of writing, it remained unclear whether the effort would be successful.

If a treaty with such clear geopolitical and geoeconomic logic could be held hostage for so long to European farming and protectionist interests, it is clear that Europe's aspirations to provide an alternative source of economic and political alliance for Latin America are, at best, open to serious question. It is also worth noting that the EU's Global Gateway programme which promised up to EUR €45 billion of investment into green energy and key infrastructure projects, has been slow to deliver significant amounts of capital in its first two years.

President Gustavo Petro speaking at the CELAC-EU Summit

European companies have been disinvesting from key assets in Latin America in recent years to reduce debt loads, refocus operations on higher priority areas elsewhere or to reduce business risk. UK companies have seldom invested. The result has been a divergence between the political priorities expressed by European leaders and the investment patterns of the private sector – a divergence not seen in China or in the Gulf, where the state's leading role in guiding long-term investment leads to greater coherence.

The very poor attendance at the November 2025 EU-CELAC conference between the EU and Latin American and Caribbean leaders, when many leaders from both blocs stayed away, underlined the relative weakness of Europe at a time when Trump is reasserting US hegemony over the Western Hemisphere. Many European leaders fretted about angering Trump by appearing at a summit hosted by Colombian President Gustavo Petro, a high-profile foe, and at travelling to a summit location so close to the border with Venezuela at a time of high tension.

What remains unclear after the first year of Trump's second term is whether his renewed focus on Latin America will result in more carrots or sticks for the region. The focus in the first 12 months has been far more on threats and punishments for countries seen by Washington as stepping out of line than on making funds available for the region to pursue major infrastructure projects or to buy strategic assets.

This is something which could change over time - particularly if, for example, a new government in Venezuela showed greater openness to oil investment, or a deal were struck with Brazil over critical minerals. But countries like Mexico and Central American nations are having to contend with a US approach far more focused on homeshoring - bringing industrial production back to the US - than on nearshoring.

The most positive economic signal sent by the US in Trump's first year was a support package of up to USD $40 billion announced by Treasury Secretary Scott Bessent for Argentina's free-market government when it was experiencing a run on the peso after an election defeat in September.

Yet even this support for a key South American ally was highly conditional. Bessent signed a USD $20 billion swap line, spent around USD $2 billion buying pesos to support the currency and talked of another USD $20 billion in money from the private sector. But at the same time, Trump made clear that this support depended on Argentines voting for Milei in October 2025 midterm elections and that, in the event of an adverse result, Washington would walk away.

In the wake of Milei's surprisingly strong victory in that election, it will be important to watch for signals showing the depth of Trump's commitment to his key South American ally. A complication was that September's support package was highly unpopular with US soybean farmers, who view Argentina as a major competitor, and with Trump's MAGA base, who could not accept using US government funds to bail out a distant South American nation.

Latin America's other options in the Global South

Against the uncertainty clouding US and European investment, the opportunities for Latin America in the Gulf and in Asia stand out. The GCC countries have an enviable reputation as long-term investors and a strong interest in putting money into Latin American food production, given their need to secure food supplies in a century when these are likely to become scarcer, owing to population pressures and climate change.

The BRICS forum of developing nations is one avenue for greater Latin American cooperation with like-minded nations in the Global South. Brazil used its presidency of the body in 2025 to advance this agenda and strengthened links with new BRICS nations such as the UAE, Saudi Arabia and Indonesia, as well as maintaining ties with traditional allies and trading partners such as Russia and China.

Less immediately visible than the summitry and official visits is a comprehensive BRICS agenda of cooperation across a wide range of areas, such as energy, financial integration, using yuan to settle trade and payment systems, renewables and technology. As the BRICS evolve into a more institutional framework, this kind of joint effort is likely to continue.

Within Latin America, Brazil seems set to remain the only major BRICS nation for some time. Mexico feels constrained by its very close relationship with its northern neighbour to join a body Trump sees as anti-US, and Milei turned down BRICS membership negotiated by his left-wing predecessor Alberto Fernández for the same reason. Venezuela's attempt to join the BRICS was effectively vetoed by Brazil.

Perhaps more surprisingly, Latin America is still struggling to achieve greater regional economic and trade unity. A vision

> *The BRICS forum of developing nations is one avenue for greater Latin American cooperation with like-minded nations in the Global South.*

long cherished by Lula, progress has been painfully slow, with nations reluctant to give priority to inter-regional projects over individual ones with non-regional actors.

There are a few exceptions, notably the bi-oceanic projects being pursued to link Brazil with Chilean Pacific ports via Paraguay (the Trans-Chaco) and to connect Brazil with Peru's Amazon ports via the Amazon, but these are relatively isolated examples. It remains rare to hear Brazilian companies talking about other Latin American markets as key opportunities.

In part, this is because of a geopolitical reality: Mexico, the region's second biggest economy, is closely tied to the US and Canada via the USMCA treaty and is thus heavily constrained in its ability to pursue trade deals with South America. Argentina has been historically too unstable to attract regional capital. Many of Latin America's other markets are too small to merit serious attention or investment.

On the political and diplomatic stage, Latin America also struggles to make its voice heard because of the relative dysfunction of its regional organisations. The Organisation of American States in Washington remains moribund, with the Trump administration openly questioning whether it serves any worthwhile purpose. Although it is in theory Latin America's turn to propose a new UN secretary-general, it was not clear whether the region would be able to bridge ideological divides to back a common candidate.

The OAS elected a new secretary-general in March 2025, Albert Ramdin of Suriname. While his appointment was backed by a wide range of Latin American and Caribbean nations and Ramdin has prior experience as deputy secretary-general, he faces an almost impossible task in trying to bring together a body which includes both the United States and some of its fiercest regional critics.

> *"The lack of a strong regional voice remains the biggest obstacle to Latin America making its voice heard on the global stage in key issues."*

The Latin American and Caribbean coordinating body CELAC is seen as politicised, with leaders meeting infrequently to agree long communiques with few concrete outcomes. Attempts to convene the body ad hoc to respond to regional crises, such as the US attacks on speedboats carrying drugs, have not proved fruitful, in part because of the reluctance of key nations in the region to associate themselves with strident or conflictive positions. Conservative governments in the region tend to shun it.

The G20 might offer another opportunity but Mexico's reluctance to attend at presidential level – a policy since the left-wing populist 2018-24 presidency of Andrés Manuel López Obrador – and the sharp divergences between the region's other members, Brazil and Argentina, make it impossible for the region to speak with one voice in this forum.

Indeed, the lack of a strong regional voice remains the biggest obstacle to Latin America making its voice heard on the global stage in key issues such as that of Israel/Palestine or Ukraine in the way that better articulated blocs such as Africa, the Middle East or Southeast Asia do.

Latin America's opportunity for energy and climate leadership

One area in which the region has a strong claim to offer global leadership is on the energy transition and climate policy. Latin America's enormous natural resources and its role as the guardian of the world's biggest remaining tropical rainforest give it obvious credentials in this area.

Brazil has taken a lead, using its role as the host of the 2025 COP30 summit and the host of the BRICS summit to advance its ambition to climate leadership. Brazil's uniquely clean power matrix, with nearly 90% of electricity generated from renewable sources, and its extensive biofuels programme lend that ambition credibility.

Part of Brazil's leadership is a matter of luck. The biofuels programme was started under the military dictatorship in 1975 as a nationalist programme to reduce dependence on imported oil during the OPEC price shocks by growing sugarcane and distilling it to make ethanol. The programme was technically successful but ended in 1990 when lower oil prices undermined the economic rationale and ethanol production slumped. The scheme was then revived in 2003 with the promotion of "flex fuel" technology which allowed engines to run on any mixture of petrol and ethanol.

The scheme's rebranding as a sustainable biofuel programme and its expansion, coupled with greater production efficiency using corn as well as sugar for distilling, have given it new life. Today, Brazil's standard blend of petrol contains 30% ethanol produced from sugar cane and most cars have "flex" engines which can burn both petrol and ethanol.

On the electricity front, Brazil was fortunate in that the huge Itaipu hydroelectric dam on the border with Paraguay supplies about 10% of its electricity, with other hydro dams filling in another 40%.

Nonetheless, Brazil has advanced significantly with a programme of solar and wind power and today the country's electricity generation has around 24% coming from solar and wind, more than double the proportion in 2019.

"Brazil's strategy of boosting oil and gas production while arguing that it needs these revenues to fund a "just" energy transition has proved far more popular, with not just other Latin American nations but developing nations around the world adopting variations of it."

Brazil's climate ambitions, though, stretch much further than conserving the Amazon, promoting biofuels and increasing the share of renewables in electricity generation. The Latin American powerhouse has become a hotbed of experiment around the concept of the "bioeconomy" - sustainable agricultural production which can work in harmony with nature and make forest and land conservation profitable.

Brasília has promoted the idea of the Tropical Forest Forever Facility (TFFF) - a fund into which nations would make initial donations, with this money leveraged through investment into higher-yielding emerging market debt and the income used to fund regular payments to countries which keep deforestation below an agreed benchmark. The intention was to secure donations worth USD $25 billion to announce the TFFF's launch at COP30 in Belém but initial pledges fell well short of that figure.

The government has also attempted to launch a carbon market in Brazil, although progress has been slow in Congress and various exemptions, including one for agriculture, have dented its credibility. Nonetheless, Brazil remains a global innovator among developing nations on climate and sustainability issues.

President Lula at COP30 (Credit: Ricardo Stuckert / PR)

Elsewhere in the region, other countries have also tried to showcase their green credentials. Colombia's President Gustavo Petro has attempted to position himself as a global climate leader by making a commitment to halt all new oil, gas and coal exploration. Like Brazil, he wants to promote a bioeconomy, but unlike Brazil, he has tried to phase out oil, gas and coal without developing other alternatives quickly enough.

Petro's strategy has been fatally undermined by a failure to develop an alternative source of revenue for the government first - a costly error in a country where minerals, coal, oil and gas make up around half of exports. Even renewable projects have suffered lengthy delays owing to problems in agreeing permits and objections from local residents demanding a share of income from the new projects. Efforts to promote an alternative economy based on agriculture and ecotourism have been fitful.

These errors have made Petro's energy policies unpopular with most Colombians. As a result, most of the candidates to succeed him in the 2026 presidential election were vowing to abandon his policy and return to allowing new oil, gas and coal exploration to boost the economy - a strategy which would align them more closely with other countries in the region.

Brazil's strategy of boosting oil and gas production while arguing that it needs these revenues to fund a "just" energy transition has proved far more popular, with not just other Latin American nations but developing nations around the world adopting variations of it.

Lula argues that Brazil must develop its considerable oil and gas reserves fully over the next couple of decades in order to maximise incomes for development and to fund a transition to alternative energy sources. Brazil's abundant reserves are a highly attractive source of revenue, with the country aiming to become the world's fourth or fifth biggest oil producer by the end of the decade.

Critics have pointed out that the strategy is flawed, as the country has no sovereign wealth fund or other pot of money set aside to fund the energy transition, so there is no guarantee that additional oil revenues will not simply be incorporated into general government spending.

Nonetheless, other Latin American nations are following in Brazil's footsteps. Mexico, Argentina, Venezuela, Ecuador, Guyana and Suriname are all committed to boosting oil exploration and production in the coming two decades. Argentina's large reserves of shale gas and oil mean it could become a significant exporter, while Guyana and Suriname are two nations which are new to oil and gas production, having made significant discoveries recently.

Only Chile, Costa Rica and Uruguay, all nations without significant hydrocarbon reserves, have committed to boosting renewable energy without joining the dash for oil and gas exploration. (Paraguay already has access to more electricity than it can use, thanks to its share of the power from the Itaipu dam it shares with Brazil).

Petro's Colombian experiment in dashing for a fossil-free future appears likely to stand as an isolated example of what can go wrong than as a model for other nations. It highlights the problems which arise when a country tries to move too fast to abandon oil and gas without having a properly funded and achievable strategy for developing an alternative sustainable economy which can replace lost fossil fuel income and exports.

Latin America's other assets – food production, critical minerals and soft power

The region is rich not only in oil, gas and renewable energy; it is also a major global player in other key areas. This is leading to increased interest from the United States and Europe, who have belatedly realised they left the region largely to the Chinese over the past two decades.

Soy farming, Brazil

Interest from Washington and Brussels has focused on areas such as lithium (where Chile is the world's second biggest producer and Argentina the fifth biggest), copper (where Chile is the world's top producer and Peru the third biggest) and rare earths, where Brazil has the world's third biggest reserves but has barely exploited them.

Other nations in the Global South have also shown interest in these strategic assets, with Chile's President Gabriel Boric visiting India to try to sell lithium and Brazil's President Lula also going to New Delhi to boost trade. But the interest from the Global South goes well beyond minerals. The Gulf nations want to increase the security of their food supply in what promises to be a difficult century and are investing in Latin America's huge potential as a food producer.

“*Food exports are a key regional asset and one likely to grow in importance during the 21st century but they are by no means Latin America's only undervalued asset.*”

Latin America is already a powerhouse for exports of soybeans, meat, sugar, cocoa, coffee and fruit. Brazil has led the way, with a sophisticated export-focused agro-industrial sector but other nations such as Colombia still have considerable potential to increase agricultural exports.

The region's abundant supplies of good quality agricultural land and water give it a huge natural advantage at a time when the pressure of rising populations and climate change are making it harder for some Middle Eastern and Asian nations to feed themselves. They also help it balance the relationship with China; Beijing may be the top buyer of Brazilian produce, but it also depends on Brazilian meat and soybeans, as no other global producer apart from the United States is in a position to replace the volumes of food Brazil sends to China.

Food exports, then, are a key regional asset and one likely to grow in importance during the 21st century but they are by no means Latin America's only undervalued asset. The region also has a large reservoir of soft power, expressed in the popularity of Latin American music, cuisine, films and books all over the world.

As well as generating significant income, the region's cultural soft power also helps open doors for business and creates a positive image which helps open doors for negotiations. Latin American nations generally enjoy a good reputation globally, possessing few enemies because of a foreign policy historically oriented towards non-alignment and non-interference in the affairs of other nations.

Conclusion: the winds of global change are blowing in Latin America's favour

In an increasingly polarised world, which is being pressured to pick sides in a Cold War-style confrontation between the United States and China, there are big attractions in maintaining a strategy of "multipolarity", pursuing shifting alliances depending on the topic and avoiding excessively close alignment with either of the big powers.

As noted earlier, not all Latin American nations are free to pursue "multi-alignment". Brazil is the best placed, because of its size, its relatively low dependence on external trade and its more diversified trade relations. Mexico is the least well placed because of its huge dependence on the United States. Most other nations lie somewhere in between, though Argentina has been at pains to demonstrate close alignment with the United States in as many foreign policy areas as possible, such as Israel's policy in Gaza or non-attendance at climate summits.

What is becoming clearer are the limits which the United States appears to be drawing on the freedom of Latin American nations to pursue independent foreign and trade policies. Extensive trade and investment links with China are tolerated, but what is not acceptable to Trump's administration are strategically vital interests passing into Beijing's hands, such as major ports, satellite facilities, arms purchases or 5G phone infrastructure - in short, infrastructure which could have a military use.

Trump's strong pressure on Panama over the canal and his first administration's (ultimately not very successful) pressure on Latin America over its choice of 5G vendor offer powerful illustrations of these issues. But there has not been significant lobbying of Latin American nations over, for example, their large food exports to China. Washington's focus thus far has been relatively selective.

As global instability deepens, Latin America's enduring strengths are becoming increasingly prominent. The region's traditional posture as a zone of peace free of inter-state conflict, committed to neutrality and non-alignment has a clear value in a world divided between pro- and anti-China camps. It is particularly attractive to other Global South nations which are acquiring ever-greater weight in the world economy.

Latin America's traditional strengths as a commodity producer have acquired fresh relevance with its reserves of critical minerals and its enormous potential to produce food for a world which will increasingly struggle to secure adequate supplies.

Yet the region's chronic lack of political and economic unity and the difficulty of key nations in coordinating adequate long-term planning of the infrastructure needed to take maximum advantage of these natural assets raises the question of how far the region can go to exploit these opportunities.

Trump's attempts to reassert US dominance over the hemisphere have an uncertain future. If they come with clear support for Latin American nations, such as the Argentine currency rescue in October, they may win backing. But if they are mainly about threats, coercion and military intervention, there is a sizeable risk of them being counter-productive.

With Europe weakened and distracted by the Ukraine conflict and confronting poor growth and worsening social problems, it is clear to most Latin American nations that they must look to faster-growing partners in the Global South to diversify trade and investment and avoid excessive dependence on either the US or China.

> *"The hope must be that regardless of which political winds are blowing, the region succeeds in making more of its immense economic potential and acquires fresh global relevance and the ability to influence world affairs more meaningfully than in past decades."*

The Gulf nations, India and Southeast Asia are clearly the most attractive future trade and investment partners. But the enormous physical and cultural distance separating these nations from Latin America, as well as the relative lack of historical links, are complicating factors.

The long-mooted idea of greater Latin American integration, both commercial and economic, has never been more relevant - nor more distant. With the region's leaders polarised between close Trump allies and sworn Trump foes, it has become increasingly difficult to organise even a regional meeting of heads of state, as evidenced by the cancellation in November of the Summit of the Americas in the Dominican Republic planned for December 2025.

Were the region to swing in the same direction politically, such coordination might be easier but the chances of that occurring look slim. Mexico will remain under a populist, left-wing direction until at least 2030. Towards the end of 2025, Lula was fancied to win an unprecedented fourth term in 2026, while in Argentina, Colombia, Peru and Chile, right or centre-right governments appeared more likely to prevail.

In such an unforgiving political environment, the work of international organisations and multilateral development banks acquires outsized importance. More neutral agendas, such as those focusing on infrastructure projects, agroindustry and power generation and distribution, offer ways to stimulate economic development while skirting pointless polemics.

But overshadowing these longer-term issues is the more immediate question of how Trump's "Donroe Doctrine" will play out in the region. Were it to result in change in the region's most durable repressive regimes, such as Cuba and Venezuela, the effects could be seismic. It is also possible that those regimes outlast Trump, as they did in his first term, and the region turns more anti-US and more nationalistic in response to what some leaders see as excessive US interference. Opinion polling suggests that this is already happening.

The hope must be that regardless of which political winds are blowing, the region succeeds in making more of its immense economic potential and acquires fresh global relevance and the ability to influence world affairs more meaningfully than in past decades.

This should be Latin America's century. Can the region seize the opportunity?

Political Outlook

The politics within Latin America

Daniel Linsker, Partner, Control Risks

President Nayib Bukele of El Salvador and President Javier Milei of Argentina at the Casa Rosada, Buenos Aires

Regional outlook

Latin America's political outlook is shaped as much by regional dynamics as by events and policies within individual jurisdictions. While each country faces its own political and economic pressures, the region as a whole contends with broader forces – from shifting political alignments and evolving public demands to the influence of external actors and global economic trends. These shared challenges and opportunities will set the tone for the years ahead. As we turn to country-specific developments, three regional dynamics likely to shape Latin American politics over the longer term are worth keeping in mind:

A pragmatic shift:

Amid persistent polarisation, weakening institutional checks and balances, and the erosion of traditional parties in parts of Latin America, political projects now face constraints that are pushing policy towards less radical paths. Populist leaders and mainstream candidates across the political spectrum, regardless of their fiery rhetoric, are focusing on winning middle-class centrist voters to build broader coalitions and improve governability. The collapse or retreat of some of the more radical projects or presidencies across the region – including Chavismo in Venezuela, President Daniel Ortega in Nicaragua, former president Rafael Correa (2007-17) in Ecuador, former president Evo Morales (2006-19) in Bolivia, President Gabriel Boric in Chile, former president Jair Bolsonaro (2019-23) in Brazil, President Gustavo Petro and Uribismo in Colombia, President Javier Milei's struggle to advance sweeping reforms in Argentina, and even the slowing pace of policymaking under President Claudia Sheinbaum in Mexico – highlights the limits facing ambitious reform agendas on both the right and left, beyond the divisive narratives and hard-line messaging that dominate current campaigns.

Pacified anger:

Closely tied to this shift, political systems are absorbing public frustration more effectively. While the grievances that fuelled unrest in countries such as Chile and Colombia before the pandemic remain unresolved – and less widespread demonstrations are likely in several countries – most societies appear intent on avoiding a return to large-scale protests, instead channelling demands for change through the ballot box.

A new Monroe Doctrine:

Under the second administration of President Donald Trump administration, the US is taking a more assertive stance in the region – not only to counter China's growing influence, but also to pursue its own interests more directly. This includes the designation of 11 organised criminal groups (OCGs) as foreign terrorist organisations (FTOs), visa revocations and US Office of Foreign Assets Control (OFAC) sanctions targeting selected individuals, and attacks on alleged drug-trafficking vessels in the Caribbean and Pacific. These actions signal a shift towards more active US interventionism, including in election processes – as seen in the recent offer of conditional financial support ahead of Argentina's legislative polls.

Argentina

President Javier Milei appeared to be losing both economic and political momentum ahead of the 26 October legislative elections, but a strong showing by his La Libertad Avanza (LLA) party reinvigorated his reform agenda. He is seeking to institutionalise changes despite persistent economic challenges and steadily declining popularity. His austere approach – including dissolving government agencies and laying off tens of thousands of public employees to curb spending – helped reduce annual inflation from nearly 300% at the start of his term, but the rate has proven stubborn around the 30% range. After the Central Bank spent foreign reserves to defend the value of the country's peso, Argentina is once again exposed to the risk of sovereign default. However, the US government in October extended a financial lifeline that will support Argentina's reserves in the short-term.

Civil unrest and labour strikes – a prominent feature of Argentina's political landscape – have surged in response to Milei's policies, leading to highly charged and, in some cases, violent clashes between police and protesters. Candidates from the coalition of the leftist Peronist movement rode public outcry to a decisive victory in Buenos Aires' provincial elections in early September, prompting Milei to agree to allow for some social spending growth in the pending 2026 budget.

Governability Challenges

Until now, Milei and the LLA have relied on a narrow and fragile legislative coalition – and, when that failed, the blunt force of executive action – to push through major spending cuts and block efforts to sustain or increase public expenditure. Overcoming economic headwinds and corruption scandals, the LLA significantly expanded its presence in both the Senate (upper house) and the Chamber of Deputies (lower house) following the 26 October legislative elections. While the party retains power to veto opposition bills and shield the administration from impeachment, it will still depend on inter-party alliances to pass legislation as Milei prioritises tax and labour reforms. To win support from governors for his effort to restrain the fiscal budget, Milei is likely to use a post-election cabinet reshuffle to elevate provincial leaders into his administration.

The US government helped reassure markets and counter the opposition's electoral momentum with a currency swap deal. Ultimately, however, the burden of restoring long-term market confidence falls to the administration in Buenos Aires, which must show it can overcome internal divisions and implement reforms that investors and markets trust will endure beyond Milei's tenure.

Stalled Economic Recovery

Although Argentine bonds rose following the elections – signalling renewed investor confidence – economic risks still loom large for Argentina. While inflation has fallen dramatically since Milei took office, the current annual rate – still above 30% – would be considered unacceptably high by any other national standard. Compounding high living costs and stalled wage growth, Argentines have also been forced to swallow the bitter pill of increased unemployment resulting from Milei's severe austerity measures. Sustaining

US Treasury Secretary, Scott Bessent, was instrumental in orchestrating the US-Argentina currency swap

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austerity in the name of fiscal responsibility will likely become increasingly unpopular, particularly as overcoming this lingering, "sticky" inflation has proven far more difficult than the initial push.

"To entice investors to look past Argentina's history of nationalising strategic private enterprises and reinject capital into the economy, the government is offering a suite of financial benefits and legal assurances to projects valued at USD $200 million or more under the Incentive Regime for Large Investments (RIGI), established in July 2024."

The government will continue trying to reduce its heavy reliance on the agricultural sector, whose role in the country's boom-bust cycles will only worsen in a climate change-afflicted future. Developing lithium, oil and gas reserves will require convincing investors that liberalisation will be stable enough to make long-term investments viable. This courtship forms a key part of Milei's plan to shore up Argentina's foreign exchange reserves – a goal made more urgent by looming debt servicing deadlines in 2026, including the first scheduled payments on the IMF's share of the USD $42 billion funding package it provided alongside the World Bank and the Inter-American Development Bank.

On top of the USD $20 billion credit swap deal finalised the week before the midterms, which will support these repayments, US Treasury Secretary Scott Bessent raised the possibility of doubling that support by coordinating an additional, privately financed USD $20 billion deal. In addition to influencing the extent of US government backing, this year's elections will also hold important implications for the government's goal of increasing foreign investment, particularly if investors lack confidence that the administration can improve economic conditions to attract foreign capital.

Foreign Investment

Milei's economic ambitions rest not only on deficit hawkishness but also on boosting growth by courting foreign investment. To entice investors to look past Argentina's history of nationalising strategic private enterprises and reinject capital into the economy, the government is offering a suite of financial benefits and legal assurances to projects valued at USD $200 million or more under the Incentive Regime for Large Investments (RIGI), established in July 2024. Critics note that the RIGI could harm Argentina's domestic labour market by allowing firms to bring in foreign workers to develop and operate approved projects, rather than requiring them to hire locally.

Over the last year, the government has received 20 project proposals – the vast majority (98%) in mining and energy – cumulatively valued at USD $34.4 billion. Holding firms and subsidiaries based in the US, UK/Australia, China, Canada and Norway have already secured project approval, while firms from Switzerland, Colombia and Korea are among those still awaiting clearance. In October, the government announced it was working with OpenAI to begin construction on a new 500-megawatt AI data centre next year as part of the company's multi-country Stargate initiative. With a dozen RIGI proposals still awaiting approval, more large-scale investments are likely to be announced in the year ahead. As projects begin implementation, the government is counting on the influx of foreign currency to help relieve liquidity pressures, at least during the initial years before firms are allowed to take 100% of their profits offshore.

Brazil

President Luiz Inácio Lula da Silva will wind down a historic third term and ramp up his campaign for a fourth as Brazilians go to the polls in October 2026 to elect their next president, governors and federal and state legislators. Meanwhile, the successful prosecution of Bolsonaro over his attempted 2022 coup will likely deter renewed attacks on democratic institutions by political or military elites.

After Trump imposed 50% tariffs on Brazilian exports to the US, China picked up the slack by increasing imports of Brazilian goods such as soya – further entrenching itself as the country's top trade partner – while Lula's administration introduced a policy in August to offset lost revenue through credit lines and tax relief worth billions of dollars. Now, bilateral US-Brazil tensions have cooled, with Lula's negotiating team assuring that a tariff deal will be reached in the weeks ahead, even as Trump's public comments suggest less certainty. Unemployment is at record lows, and a remarkably high benchmark interest rate (at 15%, among the highest in the world) is bringing inflation under control as the Central Bank seeks to reduce it to 3%. Under these conditions, economic development has been meagre, with the Central Bank revising down its 2025 growth forecast from 2.1% to 2% in September and projecting 1.5% growth in 2026.

> *By opening lucrative new markets for agricultural goods and other key regional exports while lowering its own barriers to foreign firms and investors, Brazil intends to build a more resilient economy for itself while reducing reliance on both US and Chinese buyers.*

Elections

The 2026 presidential election is poised to pit Brazil's left-wing old guard against a younger generation on the right. The octogenarian incumbent Lula formally announced his highly anticipated candidacy on 23 October. With Bolsonaro ruled ineligible to run for office until 2030, São Paulo Governor Tarcísio de Freitas is favoured to lead his right-wing movement. However, Bolsonaro has not named a successor, leaving the field open to contenders – including his son and wife – who will need to appeal to both a far-right base and centrists and conservatives.

Meanwhile, by removing political issues (including Bolsonaro's prison sentence) from the scope of bilateral tariff negotiations, the Trump administration has signalled waning interest in supporting the former president's personal cause. That does not necessarily mean it will stay out of Brazil's electoral fray in 2026, however – particularly after putting a finger on the scale in Argentina's latest elections to support Milei's party.

Lula's resurgent popularity – boosted by his full-throated defence of Brazilian sovereignty against US economic coercion egged on by congressman and Bolsonaro's son Eduardo Bolsonaro – is likely to recede over the year ahead as the trade war fades from the headlines. If the administration cannot find common ground with Congress (legislature) and reduce the deficit, it would face public frustration over a possible government spending freeze. While Lula will contend with pressure from the more activist wing of his coalition to deliver more on land reform and climate goals, candidates on the right will face demands to support amnesty for people arrested after the 8 January riots that targeted Brasília in 2022.

Trade deals

With Lula holding the rotating presidency of the Southern Common Market (Mercosur), Brazilian leadership is on the verge of unlocking economic relevance for the regional trade bloc beyond South America. By opening lucrative new markets for agricultural goods and other key regional exports while lowering its own barriers to foreign firms and investors, Brazil intends to build a more resilient economy for itself while reducing reliance on both US and Chinese buyers.

As the European Commission overcomes lingering internal opposition to an EU-Mercosur trade deal, the South American bloc signed another free trade agreement in September with the four-member European Free Trade Association. Looking ahead, it will be worth monitoring the deal's ratification by each signatories' national legislature.

Yet Europe is only the beginning of the bloc's ambitions. Next on the docket is the United Arab Emirates, with a deal likely to be completed by year-end, according to Brazil's Foreign Affairs Minister Mauro Vieira. Further down the line, the bloc has its sights set on additional agreements with India, Canada, Japan, Indonesia and Vietnam, while Brazil aims to develop a separate bilateral, sector-specific deal with Mexico in 2026.

Spending Freeze

Under a fiscal framework adopted in 2023 to constrain ballooning national debt – intended to balance the budget by the end of 2024 and achieve a 0.5% surplus (excluding interest payments) in 2025 – Brazilian government expenditures are pegged to revenue. Over 94% of the budget is non-discretionary, making it difficult for the administration to seduce voters with new public works programmes as election season gets under way without cutting costs elsewhere. As the administration tries to work with the legislature to improve its budgetary position, including through ongoing efforts to offset increased spending by implementing more progressive taxation, the opposition and Lula's potential 2026 rivals are using their influence in Congress to undercut negotiations and deny political wins to their adversaries. If the budget cannot be balanced, expect government spending freezes, which would in turn trigger protests by the state's large workforce.

Chile

Following the first round of the November 2025 presidential election, far-right candidate José Antonio Kast will face off with Jeannette Jara of the Communist Party in a runoff vote on 14 December. As supporters of his conservative and far-right competitors are highly likely to consolidate around him, Kast will most likely replace Boric's government in March 2026. After two failed attempts to rewrite the constitution, the near-revolutionary fervour of recent years has faded, and voters are seeking a government focused on a practical agenda.

In this context, Chile's next president will likely speak openly about his admiration for the regime of the former dictator Augusto Pinochet for the first time in decades. While this risks more hardline policing and military policies, the legislative resistance that moderated Boric's agenda is likely to temper some elements of any future right-wing government. Nonetheless, the next administration will likely pursue privatisation and deregulation to boost Chile's relatively disappointing economic growth.

Security and Immigration

Crime has become the top concern for Chilean voters – followed closely by immigration and unemployment – driving the popularity of far-right "law and order" candidate José Antonio Kast of the Republican Party. Violent and property crimes – those involving firearms – have risen sharply since 2021, while OCGs such as Tren de Aragua have established a foothold in the country. In response, Boric in 2024 created a centralised office for organised crime prosecutors, increased police patrols in high-crime areas and built a new high-security prison.

Conversely, the threat of violent extremism – traditionally linked to Mapuche Indigenous groups in rural areas and anarchists in cities – has declined significantly, suggesting that the government's state of emergency, renewed continuously for the past four years, has been effective. However, the right's leading candidates are unlikely to abandon Chile's militarised security policy. Both Kast and his rival Evelyn Matthei of the Chile Vamos coalition have proposed using military forces for domestic objectives, including border enforcement, support for police operations against organised crime and reasserting state authority in areas affected by crime and extremist violence.

Salt flat in the Atacama Desert, Chile; a critical source of Lithium

Chile's immigrant population has doubled since 2018 to nearly 9% of the national total. Kast is taking a hardline approach in the vein of Trump, promising to detain and deport the country's 330,000 undocumented immigrants and indicating he would build a wall along the border with Bolivia. Both Kast and another leading right-wing candidate, Johannes Kaiser, have rejected proposals to regularise the status of undocumented immigrants already in Chile as a solution to the agricultural sector's labour shortage.

Data Centres & Water Scarcity

While Chile's reliable renewable energy supply and other factors make it an attractive location for data centres, the growing number of sites has clashed with environmental priorities, particularly as the country faces its fifteenth consecutive year of drought.

> *Under its National Data Centre Plan, launched in 2024, Chile aims to provide private-sector stakeholders with greater certainty when planning new facilities.*

For example, four years after Google received initial approval to build a data centre, a Chilean environmental court in 2024 temporarily revoked the project's authorisation, forcing the company to revise its plans and commit to more sustainable cooling methods.

Under its National Data Centre Plan, launched in 2024, Chile aims to provide private-sector stakeholders with greater certainty when planning new facilities. The plan includes guidance on the permitting process and collaboration with industry players to establish voluntary sustainability targets, as the country seeks to have around 30 new data centres operational by 2028.

Minerals

Boasting the world's largest known lithium reserves, Chile aims to reclaim its position as the leading national producer of this critical mineral. Under its new national lithium strategy, the Boric government has partnered state-owned enterprises with foreign firms to develop lithium fields in the Atacama Region, ensuring Chileans capture a greater share of resource profits. The strategy also seeks to move the country up the value chain, from raw lithium exports to battery production. While foreign investors remain wary of the state's growing role in the sector, the government has reduced regulatory risk by streamlining the licencing process.

Earlier this year, a public-private partnership involving the state mining company ENAMI became the first strategic contract to clear regulatory hurdles. Two more contracts – including another joint venture – are awaiting approval. However, one deal involving the state copper miner faces political uncertainty, as presidential candidates across the spectrum have criticised the opacity of the bidding process and threatened to retender, renegotiate or cancel the contract if it is not finalised before they take office.

Colombia

As Colombia approaches its 2026 congressional and presidential elections, the country is navigating a complex and increasingly volatile landscape. Under Petro, political polarisation, institutional tension and legislative fragmentation have intensified, undermining governability and complicating prospects for the next administration. These dynamics, coupled with deteriorating security and fiscal performance, will shape electoral discourse and policy priorities in the year ahead.

Weak governability and institutional tensions

Petro's tenure has been marked by growing antagonism between the executive and other branches of government. His repeated portrayal of Congress (legislature) and the judiciary as instruments of an entrenched economic elite has fuelled regular calls for mass mobilisations, referendums and constitutional reforms aimed at bypassing regular institutional channels to advance his agenda. Although these efforts have largely failed, Petro's rhetoric has deepened political polarisation and strained otherwise relatively stable institutions. His narrative is likely to be echoed by left-wing candidates in the upcoming campaign, further entrenching divisions.

President Gustavo Petro hosting the EU-CELAC Summit in Colombia

Simultaneously, Colombia's political system has fragmented significantly over the past decade, with a proliferation of poorly institutionalised parties, movements and alliances. According to the Latin American Observatory of Political Reforms, Congress now ranks among the most fragmented legislatures in the region. Ahead of the 2026 elections, a record 105 presidential pre-candidates have emerged, many representing new or personalist platforms. This erosion of traditional party structures complicates candidate selection and weakens the foundations for stable governance.

Consequently, the next president will likely inherit a fractured legislature with no clear majority, making coalition-building a formidable challenge. Polarisation will further hinder consensus, especially if an extremist candidate wins. Without political experience or a commitment to cross-party negotiation, the incoming administration risks deepening institutional tensions and undermining governance.

Security challenges

Colombia's security outlook remains deeply challenging. Since the 2016 peace agreement with the now-disbanded Revolutionary Armed Forces of Colombia (FARC), the country has shifted from a centralised conflict to a decentralised, highly fragmented criminal ecosystem.

"While lethal violence is lower than in the early 2000s, non-lethal forms such as threats, extortion and mobility restrictions have become widespread."

At least 22 armed and criminal groups now operate across more than 400 municipalities, pursuing profit-driven violence and embedding themselves within local communities. Their revenue streams have diversified beyond drug trafficking to include extortion, illegal mining, fuel theft and other illicit activities.

While lethal violence is lower than in the early 2000s, non-lethal forms such as threats, extortion and mobility restrictions have become widespread. These tactics allow criminal groups to exert territorial and social control without resorting to overt violence, posing serious risks to private-sector operations. Terrorist attacks, particularly by the National Liberation Army (ELN) and the Central General Staff (EMC), have surged since 2024, aimed at defending illicit revenues and retaliating against or deterring state interventions.

Looking ahead, the next administration will face an entrenched and adaptive landscape of organised violence and crime. With elections looming, security matters will dominate the political discourse. Right-wing and centrist candidates are advocating a return to militarised strategies reminiscent of the Democratic Security policy of the 2000s. However, such approaches are unlikely to succeed against today's decentralised networks. A sustainable solution will require a multi-pronged strategy: intelligence-led disruption of financial flows, international co-operation and investment in social reintegration and development to address the underlying drivers of organised violence and crime.

Fiscal performance and 2026 general election

Colombia's fiscal outlook has worsened considerably since 2024, driven by structural constraints and erratic macroeconomic management under Petro. The country has struggled to recover from the pandemic-induced deficit spike in 2020, failing to return to a path of fiscal consolidation. Spending rigidities – including mandatory transfers, debt servicing and social programmes – combined with an inefficient tax system have severely limited fiscal performance. Despite high corporate and individual tax rates, widespread informality and VAT exemptions continue to undermine revenue collection.

Recent tax reforms have focused on formal businesses and high-income earners but have not expanded the tax base. According to the Central Bank, revenue shortfalls pushed the deficit to 6.8% of GDP in 2024 as a result, and the 2025 budget – issued by decree after congressional rejection – left significant funding gaps. The Bank estimates deficit will likely reach 7.1% of GDP by year-end. The next administration will inherit high debt, elevated borrowing costs and investor scepticism. A new fiscal reform will be essential but politically fraught, given congressional fragmentation and past unrest over tax changes.

The 2026 general election will take place in a highly polarised and fragmented environment. Petro's moderate approval ratings, deteriorating security and legislative gridlock weaken – but do not eliminate – prospects for a left-wing re-election. Far-left and far-right candidates have gained traction, particularly on social media, while centrist figures struggle for visibility. This trend risks producing polarised nominees with limited appeal to moderate voters in a likely run-off. However, if the right nominates a hardliner and the left presents a more moderate candidate capable of building centre-left alliances, the latter will likely prevail. Coalition-building will be critical, as internal divisions risk splitting votes and hindering progress to the second round.

Petro has bet that a confrontation with Trump will bring political and electoral benefits, sustaining his incentives to antagonise the US president over the coming months. This instinct will be reinforced by the very strong turnout for the 26 October primary of the ruling Pacto Histórico coalition, which improves Petro and the government's political standing – although it is too early to conclude that the left's chances of retaining the presidency have increased as a result.

While standing up to Washington generates enthusiasm and can drive mobilisation among the left's base, it is unlikely to broaden support for Petro's candidate among more moderate or centrist voters. That could change if the US were to take measures that damaged the Colombian economy more broadly – for example, harsh tariffs – or provoked widespread condemnation, such as a military strike in Colombian territory.

Despite these challenges, Colombia's institutional resilience remains solid. The judiciary, central bank and civil society continue to uphold democratic checks and balances, providing a stabilising force amid political and security turbulence. As the country heads into a pivotal election cycle, the next administration's ability to navigate fragmentation, restore fiscal discipline and address entrenched insecurity will be decisive in shaping Colombia's trajectory in the medium term.

Mexico

President Claudia Sheinbaum completed her first year in office with an approval rating above 70%, according to multiple pollsters. Her popularity is anchored in the continuity – and expansion – of social programmes and labour policies that characterised former president Andrés Manuel López Obrador (AMLO)'s administration. Moreover, Sheinbaum said more than 13.5 million people have been lifted out of poverty since the beginning of AMLO's administration in 2018. This speaks directly to the ruling National Regeneration Movement (Morena)'s support base and helps sustain Sheinbaum's popularity.

However, Sheinbaum has inherited multiple challenges from her predecessor: growing public debt driven by extensive social programmes and insufficient economic growth to sustain them; the implementation of a judicial overhaul, with the 2025 elections of judges and magistrates; the continuation of major infrastructure projects; corruption scandals involving Morena members; human rights violations against journalists; rising levels of violence linked to the expansion of organised crime; and an unopposed ruling party shaking up the country's institutions.

In addition, Trump has renewed pressure to address border security and adopted a protectionist stance on trade that dents Mexico's growth prospects. Even though Sheinbaum has navigated old and new issues with pragmatism, they are likely to intensify in the coming year, testing her leadership skills.

Growing factionalism within the ruling party

Morena holds an overwhelming majority in both houses of Congress and governs 24 of Mexico's 32 states. In the absence of a strong opposition, de facto counterweights are increasingly emerging from within Morena itself. Counterintuitively, this dominance poses a political challenge to the president.

Internal currents – ranging from hard-left positions to business-friendly centre-left pragmatism – compete to shape the party's direction, though no single bloc, nor Sheinbaum herself, has asserted dominance. Under Sheinbaum, internal divisions have become more visible, though rarely acknowledged publicly. She avoids framing these tensions as factionalism, aware that doing so could damage the party's image.

Sheinbaum's approach will likely prevent a full split within Morena, making a rise in political stability risks unlikely. However, as factionalism deepens over time, internal counterweights will intensify – particularly ahead of the 2027 elections, when judges, governors and lawmakers will be elected and party members and allies will dispute nominations. The main consequence will likely be a slower policymaking rhythm than seen so far, due to occasional clashes between opposing priorities. Morena is unlikely to moderate the substance of most bills and will remain the dominant force in policymaking.

US Secretary of State, Marco Rubio, meeting President Claudia Sheinbaum

US-Mexico bilateral relations

The impact of Trump's tariffs has so far been less severe than anticipated, despite Mexico's deep economic dependence on the US. This resilience stems mainly from Mexico's manufacturing sector and robust export performance over the past six months. The country has avoided recession, with the International Monetary Fund (IMF) projecting 1% growth in 2025 and 1.5% in 2026.

> “*Sheinbaum will remain committed to maintaining a constructive relationship with the US to secure a favourable trade deal for Mexico – as preserving the current terms of the USMCA appears unlikely.*”

However, Mexico's reliance on US trade gives Trump significant leverage, compelling Sheinbaum to make concessions on sensitive issues. Her conciliatory approach has prevented tensions from escalating, though it has not eliminated tariff threats. Mexico has particularly conceded on Trump's demands for increased border security and operations against organised criminal groups to strengthen its bargaining position in trade negotiations.

Looking ahead to the 2026 review of the United States-Mexico-Canada Agreement (USMCA), Trump will continue pressuring Mexico. Through threats of military intervention, tariffs, mass deportations and US withdrawal from the USMCA, he will attempt to coerce Sheinbaum into ensuring Mexican support on all these issues. Sheinbaum will remain committed to maintaining a constructive relationship with the US to secure a favourable trade deal for Mexico – as preserving the current terms of the USMCA appears unlikely. Yet US-Mexico relations will continue to face strains in the coming year, mainly due to underlying security issues.

Organised crime

Despite her reluctance to acknowledge it, Sheinbaum's administration has taken a different approach to security compared with AMLO's "hugs, not bullets" mindset, driven largely by Trump's rising pressure. Unlike her predecessor, she does not centralise all decision-making in this area. Instead, she delegates most responsibilities to Security Minister Omar García Harfuch, who heads an empowered Security Ministry with more budget and authority than under the previous administration.

The ministry has focused more on intelligence gathering to identify and dismantle criminal cells. The militarisation of security forces that began under AMLO continues, with heavy deployments of the armed forces at the border aimed at seizing drugs and impeding irregular migration.

However, increased arrests, seizures and even a bilateral security agreement with the US will not be enough to reverse Mexico's deteriorating security environment. Entrenched criminal networks will not be dismantled in the next five years; on the contrary, criminal governance in Mexico will likely keep expanding and becoming more sophisticated. This includes the involvement of politicians and public officials with OCGs, among them members of Morena. If and when uncovered, these scandals will pose political quandaries for Sheinbaum, forcing her to choose between investigating and removing party members or avoiding confrontation – a dilemma that will complicate her already fragile leadership role within the party.

Peru

The removal of former president Dina Boluarte (2022-25) from office on 9 October marked a dramatic moment in Peru's ongoing political turbulence. Her departure followed a week of social unrest and a surge in extortion, underlining how seriously Peru's security situation has deteriorated. This event opens yet another chapter in the country's history of instability: in the past ten years, Peru has seen eight different presidents. Despite this, the financial impact was limited and macroeconomic variables have remained stable.

Boluarte's fall stemmed largely from an environment in which citizens no longer trusted the state's capacity to protect them or provide effective governance. Her approval rating plunged to historic lows, with just 3% of the population supporting her government. Boluarte's inability to stem the surge in violent crime – including homicides, contract killings, extortion and rackets linked to illegal mining – spelled the end of her tenure. The incoming president, José Jerí, a legislator who assumed office following Boluarte's removal, has pledged to tackle what he describes as a "wave of criminality".

> *Despite political and security strain, Peru's macroeconomic fundamentals remain solid. Over the two decades since 2003, the country moved from a low-income to an upper-middle-income economy.*

However, with less than a year in power and the transition occurring in chaotic circumstances, it is unlikely he will implement far-reaching national policy reforms. Instead, he will rely on emergency measures in key urban centres such as Lima and Trujillo, a familiar strategy that has so far proven ineffective in addressing the underlying drivers of crime.

General election

The general election scheduled for 12 April 2026 is highly uncertain. The political party landscape is deeply fragmented: around four dozen parties are officially registered, and dozens more are seeking approval. A divided Congress is likely, while the presidency will be won by one of two candidates with relatively low public support, emerging from a run-off vote on 7 June. This means the winner will face serious legitimacy issues from the outset. One recent Ipsos poll found that over 80% of Peruvians prefer to vote for a new political party not represented in the current Congress. The return of a bicameral legislature in 2026 – with 130 deputies in the lower house and 60 senators in an upper chamber – adds further complexity.

The legislative process will become slower and costlier. Bills must now pass both houses, making urgent reform more difficult. Paradoxically, this institutional redesign will strengthen formal constraints on the executive but also heighten governance risks. The new system should theoretically bring political stability. Over the past 15 years, Congress has forced out four of the country's last five presidents – a reflection of strong checks and balances. However, this scenario was driven by the dominance of opposition parties in Congress, a situation much harder to replicate in a larger, more fragmented legislature.

Rising crime

Crime has emerged as Peruvians' major concern. The erosion of security began in earnest during the COVID-19 pandemic: between 2019 and 2024, reported extortions increased more than six-fold and homicides more than doubled. In the first half of 2025, Peru registered a record number of killings according to the Peruvian National Police. Homicides and organised crime are concentrated in coastal departments such as Tumbes, Piura, La Libertad, Lima and Ica, while inland regions like Madre de Dios, Ucayali and Loreto are dominated by illegal mining and extortion rackets.

Some business sectors – for example, land transport – staged a nationwide strike to protest the absence of state protection. In the last months of 2025, members of Generation Z began violent demonstrations demanding solutions from the government, making continued social unrest highly likely as the state remains unable to meet social demands. Peru lacks a coherent national security policy, and state forces are increasingly overwhelmed by escalating crime across both urban and regional areas.

Economic stability

Despite political and security strain, Peru's macroeconomic fundamentals remain solid. Over the two decades since 2003, the country moved from a low-income to an upper-middle-income economy. GDP per capita rose from about USD $2,126 in 2003 to roughly USD $7,790 in 2023. The state has kept public debt low, built large international reserves and maintained a stable financial system. According to Oxford Analytica, the economy grew 3.9% year-on-year in the first quarter of 2025, with primary sectors expanding 4.9% and non-primary ones 4.3%. Inflation is under control: after peaking at 8.5% in 2022, it fell to 2.4% in 2024. For 2025, growth forecasts hover around the 2.5% to 3% mark, whilst projections for 2026 stand near 2.4%, reflecting election-year uncertainty and ongoing political instability.

Other Countries to watch

Venezuela

Tensions between the US and Venezuela have escalated sharply since July, following Washington's designation of the Los Soles Cartel as a Specially Designated Global Terrorist (SDGT) entity, accusations that Nicolás Maduro leads the cartel, and the increase of Maduro's bounty from USD $25 million to USD $50 million – the highest ever offered for an individual by the US government.

> *Trump is unlikely to limit his actions to targeting drug boats in the Caribbean and will likely escalate his strategy to include precision airstrikes on facilities or assets allegedly linked to the drug supply chain inside Venezuela, as part of the White House's crackdown on regional drug-trafficking networks.*

Despite international condemnation and scepticism in Congress over its legality, US President Donald Trump's administration intensified military action on 14 August, launching a major Department of Defence operation in the southern Caribbean and Pacific to disrupt drug routes and pressure governments accused of supporting cartels, particularly Maduro's. The situation worsened on 2 September when a vessel allegedly operated by the Tren de Aragua organised criminal group was struck near Venezuela, killing 11 people. By November, at least 21 alleged drug boats have been targeted – nine off the Venezuelan coast – leaving 83 dead.

Trump is unlikely to limit his actions to targeting drug boats in the Caribbean and will likely escalate his strategy to include precision airstrikes on facilities or assets allegedly linked to the drug supply chain inside Venezuela, as part of the White House's crackdown on regional drug-trafficking networks. Likely targets include sites used for stockpiling, transport and production of drugs, as well as criminal hubs such as the Aragua Penitentiary Centre near Maracay (Aragua state) and the RAMPA-4 bunker near Maiquetía airport (Vargas state), reportedly used for drug operations.

In response to an attack on its territory, Maduro's government is likely to target US assets inside Venezuela, including sabotaging Chevron's oil refineries or infrastructure. Additional crackdowns and arbitrary arrests of foreign nationals will likely follow. Other retaliatory actions will probably be symbolic, such as staged air or naval operations. A major military response is unlikely given Venezuela's limited capabilities. Preparedness has eroded over the past decade due to economic collapse and rampant corruption within the armed forces.

At the same time, Maduro is likely to continue seeking negotiations with Washington, offering Trump more favourable oil and gas deals and increased flights to repatriate Venezuelan migrants in the US. His aim is to avoid open conflict or further military escalation that would severely damage infrastructure and drain military resources. However, short-term negotiations are unlikely, as Trump ordered US Special Envoy Richard Grenell – who favours talks to safeguard US interests – to halt all discussions, while US Secretary of State Marco Rubio, who advocates maximum pressure and opposes any negotiation, holds greater influence over Trump's decisions.

Although Trump's ultimate goal with the military escalation remains unclear, he is likely seeking to destabilise Maduro's government. However, the US is unlikely to sustain the level of military pressure needed in the coming months to topple the president. Airstrikes on Venezuelan soil will be insufficient to fracture Maduro's coalition or spur key powerbrokers to move against him. His grip on power rests on a tightly knit network of loyalists in government and state institutions that have consistently upheld his rule, supported by extensive intelligence control and a web of mutual dependence among elites, where defection carries severe personal and political risks. Without sustained internal pressure or a co-ordinated international effort that threatens the regime's survival on multiple fronts, limited military actions will fail to create significant fractures.

Oil exports – the main source of foreign exchange and government revenue – have grown modestly since 2025, averaging 1.09 million barrels per day (bpd) in September 2025, the highest monthly level since February 2020. September exports were 13% higher than the previous month and 39% above September 2024. According to data reported by Venezuela to the Organisation of the Petroleum Exporting Countries (OPEC), crude production in August 2025 reached 1.1 million bpd, the highest level since February 2019. The authorisation granted by the Trump administration to Chevron at the end of July 2025 has also contributed to the rise in exports, with Venezuelan crude shipments to the US increasing significantly after the approval. Production and exports will likely remain above 1 million bpd, and China will continue to be Venezuela's largest crude buyer for the rest of 2025, purchasing around 85% of its oil.

Social unrest leading to protests – which have remained low since the contested July 2024 presidential election due to repression by the armed forces and government-aligned gangs, including detentions and torture – is increasingly likely in the coming months, alongside continued migration. Worsening economic conditions, with hyperinflation approaching 230%, a widening gap between official and parallel dollar rates, and widespread incomes below USD $100 per month, are further eroding purchasing power and worsening living conditions.

Nicolás Maduro of Venezuela (Credit: Eneas De Troya)

Venezuela's dispute with Guyana centres on the Essequibo region west of the Essequibo River, claimed by Venezuela since the 19th century but administered by Guyana. Tensions resurfaced in 2015 after major offshore oil finds, prompting Maduro to decree the annexation of Guyanese waters. Guyana condemned the move as illegal, and by 2018 both countries had strengthened their border presence. Although the International Court of Justice (ICJ) affirmed its jurisdiction over the case in December 2020, Venezuela has repeatedly challenged this – with its objections rejected in April 2023. Despite nationalist rhetoric and symbolic actions, including the 2023 referendum and the appointment of military administrators for the region, the likelihood of open armed conflict remains low.

The dispute has evolved into a geopolitical and criminally intertwined issue. The Essequibo's strategic and economic value – particularly in oil and gold – drives Venezuela's determination to assert control, while Guyana's rapidly expanding oil sector has heightened the stakes. Maduro's government uses the claim to consolidate domestic support and legitimise military and political activities near the border.

Meanwhile, Venezuelan criminal groups (known as sindicatos) have extended their presence into the Essequibo, exploiting illegal gold mining operations with the tacit support of the Maduro regime and military actors – as seen in the Orinoco Mining Arc. Their operations blur the line between state and organised crime, creating a hybrid model that reinforces Venezuela's territorial ambitions. This criminal infiltration has contributed to insecurity in Guyanese border towns, where violent incidents and extortion have been reported. Although Venezuela's capacity for a conventional military incursion remains limited, these hybrid networks serve as informal instruments of influence, complicating the security landscape and prolonging the dispute well beyond courtroom proceedings at the ICJ.

Guyana

President Irfaan Ali's re-election in September has consolidated the People's Progressive Party/Civic (PPP/C)'s dominance and ensured strong political continuity over the next five years. The PPP/C not only secured a decisive presidential victory but also expanded its parliamentary majority, giving the administration significant legislative backing to advance its economic and infrastructure agenda. This outcome strengthens the government's ability to implement policy without major resistance, sustaining investor confidence – particularly in the oil, gas and mining sectors.

Unlike previous election cycles, ethnic voting patterns played a less decisive role in the 2025 poll. Instead, voter preferences reflected growing concern over unresolved social demands and the uneven distribution of oil wealth. Ali's campaign capitalised on this shift by framing the PPP/C as the only party capable of managing rapid economic transformation while preserving social stability.

Meanwhile, the opposition faces unprecedented challenges. The main opposition leader, Azruddin Mohamed, faces a formal US extradition request on charges including money laundering and tax evasion, undermining both his credibility and his party's cohesion. The We Invest in Nationhood (WIN) movement, though the second-largest bloc in the National Assembly (legislature), lacks internal organisation, a clear leadership structure and a coherent policy platform. With traditional opposition parties now politically irrelevant, the PPP/C will encounter limited institutional oversight, further concentrating executive power. While this configuration will facilitate decision-making and policy continuity – especially in extractive industries – it also heightens risks of reduced checks and balances.

President Daniel Noboa delivering the Canning Lecture

Ecuador

Ecuador's democratic institutions remain vulnerable to vested interests and executive overreach, with weak checks and balances that often fail to prevent or sanction misconduct by government officials. Although concerns about democratic governance under President Daniel Noboa, including reliance on states of emergency and centralised decision-making, have been raised, the results of the November 2025 referendum – where voters decisively rejected his key proposals like the authorisation of foreign military bases – show that institutional accountability mechanisms remain operative.

As the criminal landscape continues fragmenting, with transnational partnerships expanding and illegal funds flowing into OCGs and the legal economy, these groups will retain strong incentives and opportunities to adapt, reinvent and innovate to survive Noboa's "war on crime".

This resilience underscores the shortcomings of the executive's security policies, which have failed to dismantle OCGs or significantly reduce violence. Indicators show that terrorist acts during Noboa's intermittent states of emergency in 2023-24 increased in almost all major cities. Homicides between January and September 2025 rose by 7.2% compared with the same period in 2023.

Hardline security measures also risk undermining democratic governance and human rights. By relying on expanded executive powers, increased use of lethal force by state actors and the deployment of military equipment, tactics and personnel to address domestic security issues – rather than civilian forces – the government threatens the separation of powers, accountability of state forces and intelligence agencies, and safeguards on due process.

Despite significant progress in fiscal management during 2024-25, macroeconomic structural constraints will continue limiting the government's ability to implement policy in 2025-29. The fiscal deficit fell sharply in 2024, from 3.1% of GDP in 2023 to 1%, primarily due to stronger tax collection. Tax revenue rose by 13%, driven by an increase in VAT from 12% to 15% and the introduction of temporary taxes – a trend sustained in the first half of 2025. The fiscal deficit this year will reach 0.4% of GDP, a substantial adjustment also supported by cuts in public spending, particularly fuel subsidies. Coupled with stronger domestic demand and robust growth in non-oil exports, GDP this year will rise by 3.7%, according to Oxford Economics.

However, the country remains heavily reliant on oil revenues (32% of total income in 2024), which have continued to decline due to falling output and lower international prices – from USD $62.2 per barrel, as projected in the 2025 national budget, to USD $57.5 by mid-October. In addition, persistent institutional, operational and integrity challenges mean that budget allocation, oversight and execution will keep underperforming and fail to address pressing socioeconomic demands.

Bolivia

President Rodrigo Paz defeated former president Jorge “Tuto” Quiroga (2001-02) in the presidential election of October 2025, ending nearly two decades of rule by the Movement Towards Socialism (MAS) party and signalling a shift in economic and foreign policy. The new government will adopt a pro-business approach to open the economy and attract international investment. Paz’s cabinet comprises professionals with strong technical expertise in public management. The group is comparatively young, with few members holding deep political roots or ties to unions and social movements.

However, Paz’s government will face urgent challenges across multiple fronts. Economic priorities include halting inflation, addressing fuel shortages and stabilising the boliviano (currency) amid sharp monetary pressure. The new president will also seek to curb Bolivia’s role as a cocaine transit country and reduce expanding domestic production of the drug, as well as dismantle contraband networks and crack down on illegal mining. The latter is driven by high global commodity prices.

On the investment front, Paz’s administration plans to attract foreign and private capital by reducing state control in strategic sectors such as mining and reforming the regulatory framework. He also intends to trim subsidies and cut state expenditure to reduce national debt and restore eligibility for international funding, including IMF loans.

While Paz will hold a majority in the Legislative Assembly (legislature), structural reforms that will reshape the country’s economic system are more likely to begin in 2028, as they require constitutional amendments. For reference, the MAS introduced the current Constitution in 2009 – entrenching its state-centred governance model – after a 30-month process. It will take a similar timeframe to build political consensus, draft amendments, secure legislative approval, engaging regional and Indigenous stakeholders and complete the required referendums or votes to pass the relevant constitutional reforms this time around.

Uruguay

Having failed to contain its growing crime problem – particularly homicides – for years, as OCGs have sought to expand drug-trafficking operations, the Uruguayan government will face continued political pressure to crack down on crime in the months ahead. Security risks escalated to new heights in September after unidentified assailants entered the home of anti-narcotics prosecutor and acting Attorney General Mónica Ferrero and opened fire, though no one was injured during the attack. Calls for more forceful police interventions will persist, especially from right-wing actors, as left-leaning President Yamandú Orsi insists on an intelligence-based security strategy targeting criminals’ financial networks.

After a 20-year high in labour unrest in 2023 led to a substantial dip in 2024, related protests rebounded during the first year of Orsi’s government, surprising those expecting the leftist administration’s historic union ties to keep such discontent in check. Yet if the past five administrations are a reliable guide, there is likely to be less disruption during the second year of Orsi’s five-year term – even if data also shows unrest tends to increase in the second half of a presidency. In particular, the likelihood of further protests will grow on the back of World Bank projections showing a cooling of GDP growth, down from 3.1% in 2024 to 2.2% in 2026-27.

Honduras

Honduras has shown progress and continues to project economic stability for 2026, with IMF forecasts of 3.5%-4% growth driven by domestic demand, public investment, exports and remittances. Inflation will likely remain stable and the current account deficit is forecast to narrow. Following the November 2025 election, the country will likely face political instability in 2026 – driven by delays in the vote count and the weak mandate of the incoming government. While the former challenges the government’s legitimacy and its ability to represent the broader electorate, the latter will complicate efforts to build consensus in Congress (legislature), where no single party holds a majority. These dynamics are likely to result in legislative gridlock and delays in policy implementation.

Despite these challenges, widespread instability remains unlikely. Past presidents have governed effectively with limited mandates. Even so, the new administration will face significant pressure to address long-standing public concerns – including insecurity, high living costs and limited access to quality public services. As the government is unlikely to deliver meaningful improvements in these areas throughout 2026, sporadic social unrest and erosion of public trust in institutions will emerge as key challenges.

Costa Rica

Although the economy remains stable, challenges in poverty and insecurity will likely continue shaping the political landscape. The road to the general election on 1 February 2026 and the post-election transition will dominate the political agenda in the next 12 months. Amid entrenched polarisation and widespread public disillusionment, a first-round victory is highly unlikely, making a second round on 5 April almost certain. Laura Fernández of the Pueblo Soberano party – aligned with President Rodrigo Chaves, who became the first sitting Costa Rican president to face a formal process to lift his immunity – is the front runner. Her campaign focuses on consolidating existing reforms and introducing structural changes, particularly in security (a top voter concern). Fernández has pledged to continue Chaves's agenda while moderating his confrontational rhetoric, especially toward the legislative and judicial branches.

However, her candidacy unfolds in a context of deepening party divisions and institutional strain, which will make governance increasingly difficult – particularly on issues such as persistent legislative gridlock, the rise of transnational organised crime and declining institutional integrity. Even so, widespread political instability is unlikely. Regardless of the election outcome, all three branches of government will remain committed to preserving political stability.

Guatemala

Almost two years into his term, President Bernardo Arévalo has failed to deliver on key campaign promises – including rooting out corruption, reducing social inequality and strengthening democratic institutions. His most significant anti-corruption proposals – such as removing Attorney General María Consuelo Porras from office, have been systematically blocked in Congress, where mainstream parties benefit from judicial protection. His voter base is growing increasingly impatient and his approval rating has dropped sharply, falling from 78% in January 2024 to 39% in February 2025, according to pollster CID Gallup.

However, tensions with the judiciary will likely ease in 2026, when Arévalo appoints a new attorney general, names Constitutional Court magistrates, oversees the selection of Electoral Tribunal members and appoints the general comptroller – reshaping institutions that opposed his victory in 2023. For the new attorney general, Arévalo will choose from a list of nominees compiled by special commissions comprising representatives from public and private universities and professional organisations, including the influential Lawyers' and Notaries' Bar Association. Despite these appointments, Arévalo's approval rating will continue to decline in the coming year, as internal divisions within the ruling Seed Movement deepen – driven by widening ideological rifts and varying levels of support for the president.

Economic Outlook

The macroeconomic forecast in Latin America

Adriana Dupita, Deputy Chief Emerging Markets Economist, Bloomberg Economics

Itaim Bibi Business District, São Paulo

Regional Trends

Shared Headwinds, Diverging Paths

Macroeconomic stabilisation achieved after the post-pandemic rebound is giving way to slower momentum across Latin America as tight monetary settings, limited fiscal space and US trade friction weigh on activity.

Four forces will shape 2026 for the region's largest economies. First, shocks from the US - whether tailwinds such as a weaker dollar and lower rates or new surprises from President Donald Trump's trade policy. Second, the pace of the global slowdown - particularly in China - which will determine export volumes and hard-currency inflows. Third, the region's position in the US-China tug-of-war for mineral resources and consumer markets. Finally, local political transitions that will test fiscal discipline and policy continuity.

Global Backdrop

Global growth is projected to slow to 2.9% in 2026 from 3.2% this year, led by a deceleration in China to 4.4% from about 4.8%. Softer global demand will likely keep both prices and quantities of Latin America's commodity exports subdued.

Lower US rates should provide relief. The federal-funds rate is expected to fall toward 3% by end-2026, easing external financing conditions and weakening the dollar. That, in turn, reduces pressure on Latin American central banks to maintain restrictive stances.

US trade policy remains a wildcard. Most large Latin American economies currently face the lowest tier of reciprocal tariffs (10%). The exception is Brazil, subject since August to an additional 40% levy, partly offset by a long list of exemptions. Mexico, initially targeted by sectoral and fentanyl-related duties, remains largely shielded through USMCA exemptions for compliant goods - an advantage over its peers. Colombia could face higher tariffs if the Trump-Petro feud intensifies.

Growth

The backdrop implies cooler growth, easing inflation and gradual rollback of monetary constraints. The six largest economies will expand modestly next year, though the distribution is uneven.

- Argentina should post the fastest growth - 3.9%, repeating 2025's pace - as stabilisation gains traction. Even so, years of volatility leave GDP per capita near USD $14,000, little changed since 2012.
- Brazil will likely record the region's weakest expansion, near 1%, reflecting the tightest monetary policy in two decades and weaker external demand.
- Chile, Colombia and Peru will grow between 1.7% and 2.6%, with rate cuts cushioning the drag from softer trade.
- Mexico should edge up about 1.3%, supported by lower borrowing costs and less fiscal drag, but capped by uncertainty around US policy and modest domestic investment.

The Business District of Bogotá, Colombia

Regional Economic Table

	GDP Growth (%)			Inflation (annual average, %)			Policy Rate (end of period, %)		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Global	**3.2**	**3.2**	**2.9**	**6.1**	**3.4**	**2.9**	**6.1**	**5.1**	**4.1**
Emerging Markets	4.5	4.4	3.9	8.9	4.0	3.3	8.1	6.8	5.4
Emerging Markets Excluding China	4.1	4.1	3.7	14.7	6.8	5.2	12.6	10.6	8.4
Argentina*	-1.3	3.9	3.9	235.2	44.0	25.6	32.0	*	*
Brazil	3.4	1.9	1.0	4.4	5.1	4.1	12.3	15.0	11.0
Chile	2.4	2.5	1.7	3.9	4.4	3.5	5.0	4.5	3.0
Colombia	1.6	2.5	1.9	6.6	5.1	4.3	9.5	9.0	8.0
Mexico	43.1	43.6	44.0	44.5	44.9	45.4	45.8	46.2	46.2
Peru	3.3	2.9	2.6	2.4	1.6	1.9	5.0	4.0	4.0

**Argentina discontinued its policy rate in July 2025.*
Source: Bloomberg Economics. Forecasts as of October 29, 2025

CANNING HOUSE

Inflation and Policy

Disinflation is broadening, though speeds vary. Argentina remains the outlier: inflation is expected to slow sharply but stay in double digits, topping 20%. Peru, on the opposite end, will likely continue to see price gains around 2%. For most others, 2026 will bring slower - but still above-target - inflation. Weaker dollar and lower global fuel prices - trends that helped moderate 2025 inflation - could, if sustained, support convergence toward targets.

Policy settings mirror the region's inflation dispersion. Nearly all major central banks are expected to cut rates in 2026, with most keeping them above neutral by year-end; the pace of easing, however, will differ significantly.

- Brazil's policy rate should drop to about 11% (from current 15%), remaining the region's tightest stance.
- Colombia, constrained by fiscal fragility and indexation effects, may ease only to 8%.
- Mexico is set to end near 6%, down from 7% in late 2025.
- Chile has room to cut to around 3%, provided expectations stay anchored.
- Peru, already near neutral at 4%, may hold steady.
- Argentina's unconventional strategy led to triple digit rates in some moments of 2025, as a tool to support the peso. In 2026, rates are expected to remain mostly positive in real terms, as part of the disinflation effort.

Fiscal Discipline and Elections

Fiscal credibility is the main differentiator. Argentina and Mexico - led by ideologically opposite presidents - share a commitment to discipline, each expected to post primary surpluses in 2026. Elsewhere, budgets remain in deficit: small in Brazil, larger in Colombia, moderate in Chile and Peru.

All face the tension between rising social demands and revenue uncertainty. Fiscal risks will dominate politics in an unusually heavy electoral calendar:

- In Colombia, pre-electoral spending should weaken fiscal performance ahead of the March–June 2026 vote.
- Brazil's October presidential race will keep markets focused on candidates' fiscal plans.
- In Argentina and Chile, outcomes of 2025 elections will shape fiscal credibility in 2026.
- Peru's April 2026 elections - coupled with the return of a bicameral congress - may calm political volatility, but reform progress is uncertain.

Long-Term Prospects

The region's main challenges are structural rather than cyclical: slowing potential growth, fiscal vulnerability, inequality and uneven institutions. Potential growth averages around 2% across major economies and is set to decline as demographic dividends fade.

Reforms that raise productivity and private investment could alter that trajectory. For intervention-heavy economies such as Argentina and Mexico, more predictable, market-friendly policies would help. Brazil's ongoing tax and labour reforms, Chile's innovation and education agenda, and Peru's institutional strengthening could each lift potential growth modestly. Colombia's priority is restoring security and fiscal trust.

Opportunities remain significant. Nearshoring may have lost its shine with the trade war, but still offers a strategic opening for Mexico, provided infrastructure and energy bottlenecks ease. The energy transition and demand for critical minerals present upside for Chile and Peru, whilst Argentina's gradual stabilisation could unlock long-stalled investment in hydrocarbons and lithium.

To seize these gains, Latin America must pair credible fiscal anchors with predictable regulation and institutions capable of converting global realignments into durable growth.

Analysts discuss Argentina's economic future at the Canning House DLA Piper Argentina-UK Summit.

Argentina

The Return of the Not-So-Prodigal Son

- After a seven-year hiatus, Argentina is likely to tap global capital markets in 2026. The terms of that return will shape the outlook for years to come.

- Improved investor, business and consumer sentiment should sustain stronger growth, even if interest rates stay high to keep disinflation on track. The economy may expand 3.9% in 2026 - matching 2025's pace but with less volatility. Inflation should slow further but remain in double digits.

- Continued fiscal discipline, greater currency flexibility and progress on structural reforms are key to restoring Argentina's creditworthiness and unlocking its long-term potential.

2025: Changing Gears

For libertarian President Javier Milei, 2025 was a bittersweet year. Inflation fell to its lowest since 2018, the economy exited recession and tight currency controls dating from 2019 were finally eased. Those successes reflected diligent fiscal policy, which delivered a second straight primary surplus after 15 years of deficits.

But 2025 also underscored the program's limits. The government leaned on massive external support - a USD $20 billion IMF loan in April, a USD $20 billion swap line with the US Treasury in October and another USD $20 billion in promised bank lending - along with direct US Treasury dollar sales in local markets.

That contrast captures Milei's central challenge: fiscal and monetary tightening drained excess pesos but failed to bring in the dollars Argentina needs. To curb dollarised prices, authorities kept the peso strong - first with a costly crawling peg and capital controls, then, after lifting them, by burning reserves and allowing rates to soar into triple digits. The firm peso halved the trade surplus within a year, eroding the ability to meet external obligations.

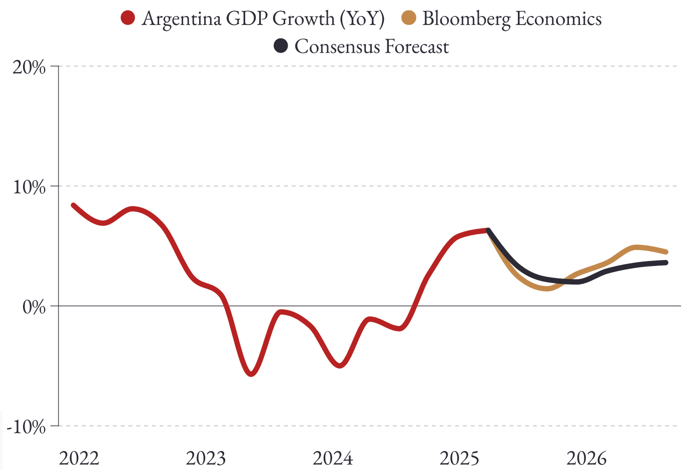
Investor unease over social backlash to austerity kept country-risk spreads high and external issuance out of reach, delaying the decisive step of re-entering global markets.

Milei's plan is now entering a third phase. The first relied on fiscal shock therapy and financial repression; the second eased controls but maintained a managed exchange rate. The new phase - centred on reforms, remonetisation, and reserve build-up - could support momentum. But it's unclear how the government can advance these goals within a rigid FX framework. At the same time, an opaque monetary policy risks fuelling rate instability and undermining a smooth disinflation process.

2026: Facing the Global-Markets Test

The coming year will show whether stabilisation can evolve into durable recovery. Growth of 3.9% is predicted in both 2025 and 2026, assuming market calm, a more competitive real exchange rate and prudent fiscal policy. A modest recovery could gather pace late in 2025, supported by cheaper exports, firmer sentiment and renewed capital access following US backing.

Argentina GDP growth

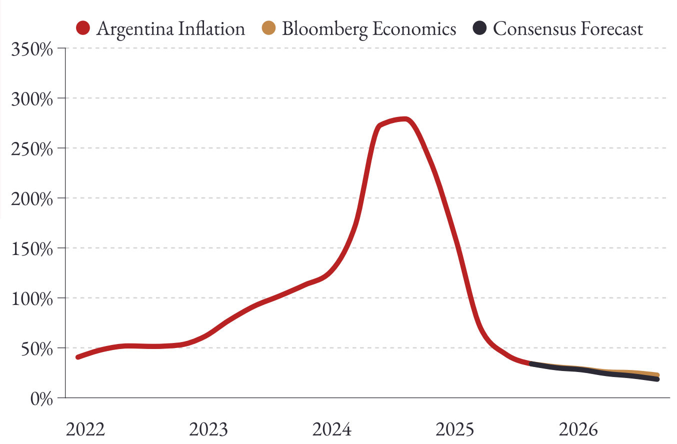


Sources: Statistical authorities and Bloomberg Economics. Forecasts as of October 29, 2025.

Finance Minister of Argentina, Luis Caputo

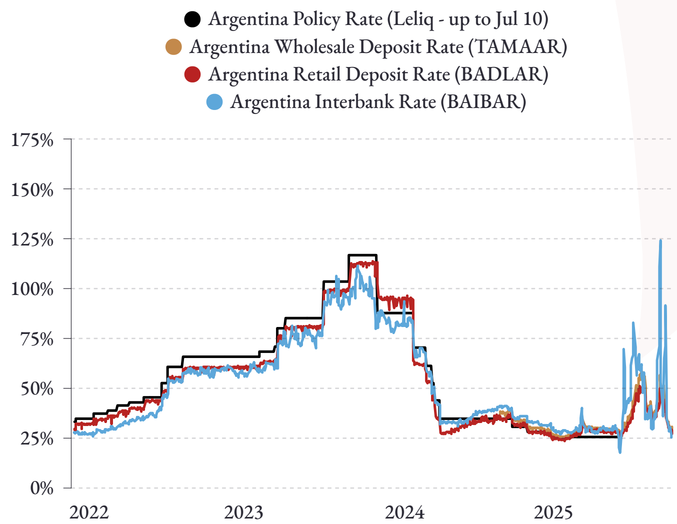
Inflation may tick higher late in 2025 after currency weakness but should resume a slow decline through 2026 as monetary discipline takes hold. The central bank's tight control of liquidity and positive real rates will remain critical. Price gains are expected to slow to 21.9% by end-2026, from 30.4% in 2025 and 117.8% in 2024.

Argentina Consumer Prices



Sources: Statistical authorities and Bloomberg Economics. Data presented as quarterly averages. Forecasts as of October 29, 2025.

Argentina Interest Rate



Sources: BCRA and Bloomberg.

Fiscal consolidation should continue, though gains will be harder won. The IMF program targets a 2.2% of GDP primary surplus in 2026, up from 1.6% this year - challenging but achievable. Extending the drop in public debt - to 76.3% of GDP in 2Q25 from 155.7% at end-2024 - will be tougher given higher borrowing costs.

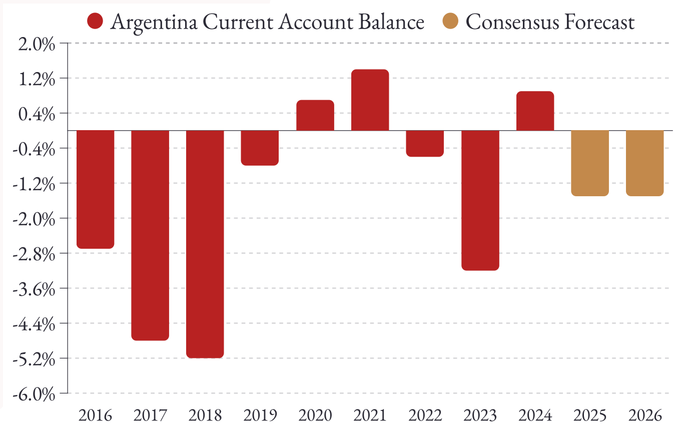
The key test will be Argentina's return to global markets. The government is unlikely to over-borrow but must cover about USD $12 billion in external debt payments in both 2026 and 2027, excluding IMF and multilateral obligations. With thin reserves and a moderate current-account deficit, some new issuance will be unavoidable.

Long Term: Regaining Lost Ground

Argentina's structural challenge is to break its cycle of boom-and-bust and inconsistent macro regimes. Fiscal repair has advanced, but productivity remains weak and policy volatility deters investment. Demographics will turn less favourable as population growth slows, trimming potential output.

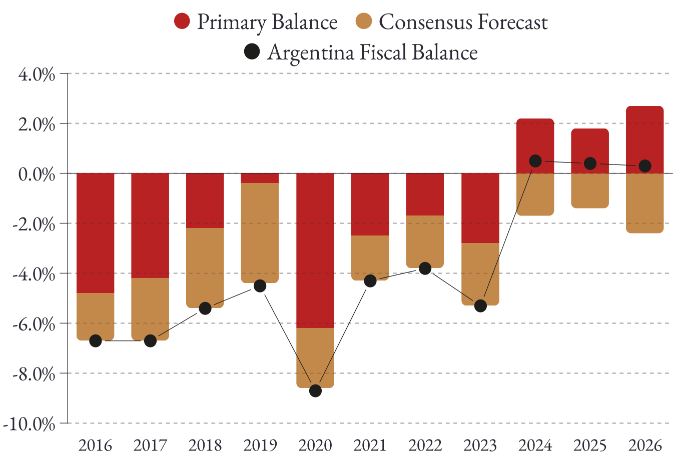
Still, opportunities remain. Continued stabilisation, a competitive exchange rate and incremental reform in tax, labour and productivity could lift potential growth to about 2.3% annually over the next decade - more than double the pace of the past ten years. Closer alignment with the US and renewed access to capital markets would further bolster investment and export diversification.

Argentina Current Account Balance



Sources: IMF and Bloomberg. Consensus forecasts as of October 29, 2025.

Argentina Fiscal Balance



Source: IMF. Forecasts from the October 2025 Fiscal Monitor.

Brazil

Tariff, Fiscal Clouds Shadow an Otherwise Clear Sky

- Brazil's tightest monetary policy in nearly two decades will bring inflation closer to target in 2026- but at the cost of slower growth.
- Fiscal policy will remain the main market focus. Weaker activity, tax changes and election-year spending will complicate delivery of fiscal targets.
- Refinancing risks are low, but persistent fiscal concerns may weigh on the real and put presidential candidates' fiscal proposals under scrutiny ahead of the October vote.

2025: High Rates, Cooler Growth to Lower Inflation

Economic conditions were unusually favourable in early 2025. Growth extended for a 16th straight quarter - the longest on record -, unemployment hit historic lows, and the real was among the best-performing major currencies. The flip side: excess demand kept inflation above target for most of the past three years.

Facing scepticism over its inflation-fighting resolve, the central bank under Gabriel Galípolo, in office since January, delivered the tightest policy in almost 20 years. That stance should lower inflation but cool the economy, with the added drag of 50% US tariffs on Brazilian exports raising the risk of a shallow technical recession.

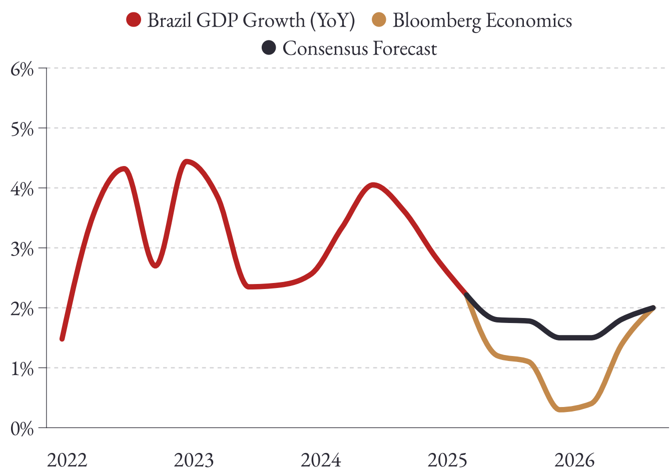
Fiscal fragility remains Brazil's main vulnerability. Despite stronger tax collection, the government continues to post primary deficits, whilst high rates worsen debt dynamics. There's no imminent refinancing risk, but market impatience with slow consolidation has weighed on the currency and long-term yields.

Business district of São Paulo, Brazil

2026: The Year of Fiscal Reckoning?

Growth is set to slow further next year as tight credit, weaker external demand and election uncertainty curb investment and consumption. GDP is projected to rise 1% in 2026, after nearly 2% in 2025 and more than 3% in 2022–24.

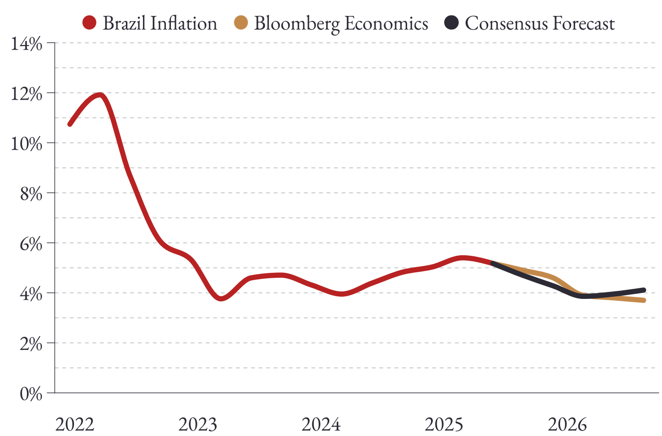
Brazil GDP growth



Sources: Statistical authorities and Bloomberg Economics. Forecasts as of October 29, 2025.

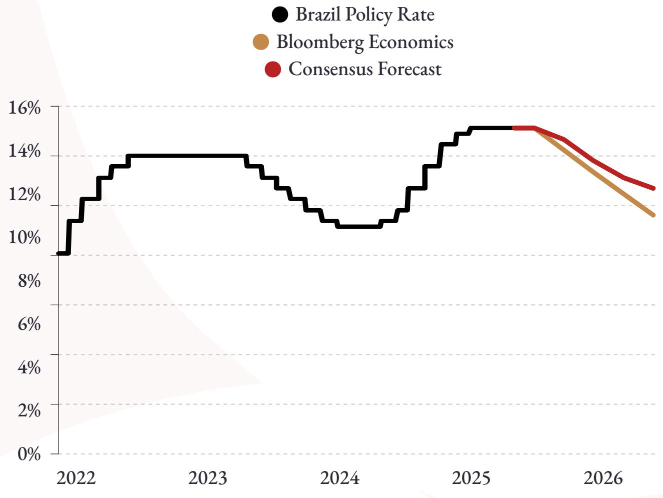
Inflation should keep moderating, ending 2026 near 3.7%, down from just under 5% this year. Softer wage pressures will help bring inflation back within the tolerance band, allowing the central bank to start easing cautiously. The policy rate is expected to be 11% by year-end, from 15% currently - still above the estimated neutral range of 8.5–9.5%. Given lags in transmission, most growth support will come only in 2027.

Brazil Consumer Prices



Sources: Statistical authorities and Bloomberg Economics. Data presented as quarterly averages. Forecasts as of October 29, 2025.

Brazil Interest Rate



Sources: Central bank and Bloomberg Economics. Forecasts as of October 29, 2025.

Whilst funding stress appears unlikely, fiscal dynamics will stay at the forefront for markets. Sustained rate normalisation hinges on credible fiscal adjustment - not only stabilising debt but also avoiding policies that reignite inflation. The current fiscal framework, reasonable politically, has yet to convince investors or analysts that debt stabilisation is within reach.

President Lula has taken steps to improve public finances, though rigid expenditures mean most adjustment has come from higher revenues. The 2026 target of a 0.25%-of-GDP primary surplus will be tough to meet. Cooler growth and changes to income and consumption taxes cloud the revenue outlook. Markets will watch how Lula manages these risks - and how presidential candidates propose longer-term solutions to Brazil's structural fiscal weakness.

That debate, along with shifting electoral odds, could fuel currency volatility throughout the year. Despite recent strength, the real remains roughly 20% weaker than its inflation-adjusted historical average, limiting room for further depreciation even if fiscal plans disappoint.

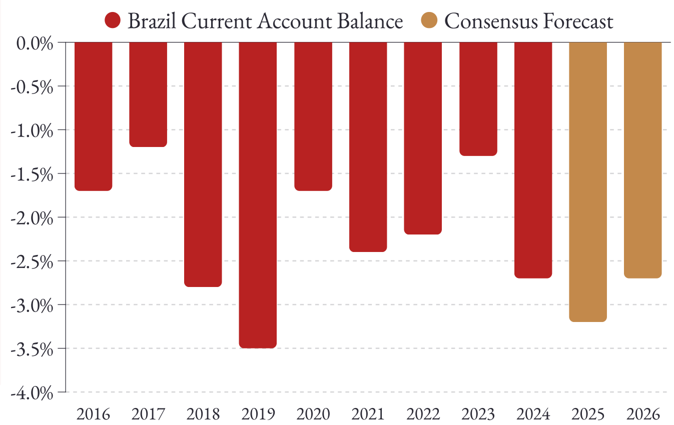
The 50% US tariffs will hurt regions and sectors dependent on American demand, though for Brazil's relatively closed economy the aggregate impact is only moderate. Solid external fundamentals - high reserves and strong foreign direct investment inflows - continue to shield the economy from global turbulence, despite a widening current-account gap.

Long Term: Fiscal Fragility, Demographic Headwinds, Reforms Boost

Beyond 2026, Brazil's high debt and rigid spending could constrain investment and slow potential growth. Demographics add another headwind: whilst the labour force will keep expanding through the early 2030s, it will begin to shrink by mid-decade, likely pulling potential growth below 2% from 2040 onward.

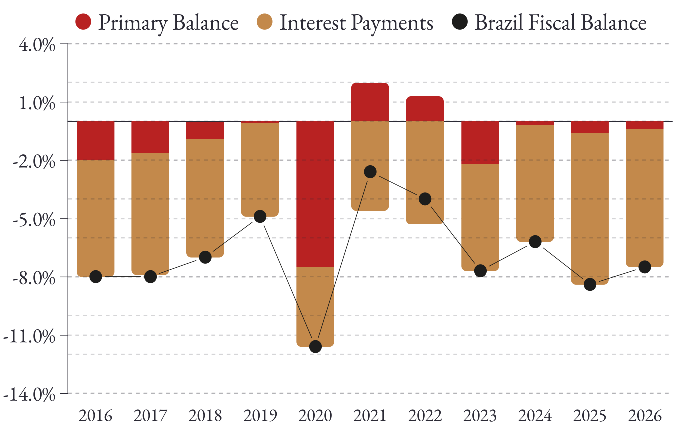
That said, Brazil retains scope for progress. Continued reform in recent years - including a unified value-added tax and labour-market modernisation - could lift productivity. Broader adoption of digital technologies and artificial intelligence may also support long-run gains. Combined with a stable macro framework and diversified trade ties, these changes could sustain moderate, durable growth into the next decade.

Brazil Current Account Balance



Sources: IMF and Bloomberg. Consensus forecasts as of October 29, 2025.

Brazil Fiscal Balance



Source: IMF. Forecasts from the October 2025 Fiscal Monitor.

Chile

Elections and Weak Fiscal Metrics Keep Outlook in Check

- Fiscal slippage, high unemployment, and above-target inflation marked Chile's 2025 pre-election landscape.
- The 2026 transition could usher in pro-business reforms and stronger investment, but near-term growth will remain moderate.
- Long term, institutional stability and openness to trade underpin potential growth, though aging demographics will slow momentum.

2025: Weak Growth and Pre-Election Jitters

Anxiety over the November 2025 presidential vote defined Chile's economy this year. Conditions were middling - not recessionary, but far from robust - as growth cooled, unemployment stayed high, inflation exceeded target, and the peso underperformed peers. Fiscal constraints and concerns over potential US tariffs added to uncertainty.

Growth began the year strong, supported by domestic demand, but lost momentum by midyear amid weak mining activity. The resulting economic slack was reflected in an above-average, though declining, unemployment rate.

Inflation eased but remained above the 3% target. Core inflation was lower than the headline, suggesting underlying pressures are gradually subsiding as soft labour demand restrains wages. After substantial easing in 2024, the central bank moved more cautiously in 2025, cutting its policy rate just once - by 25 basis points in July - to 4.75%. Monetary conditions remain restrictive, and future flexibility will depend on inflation dynamics and the Federal Reserve's policy path.

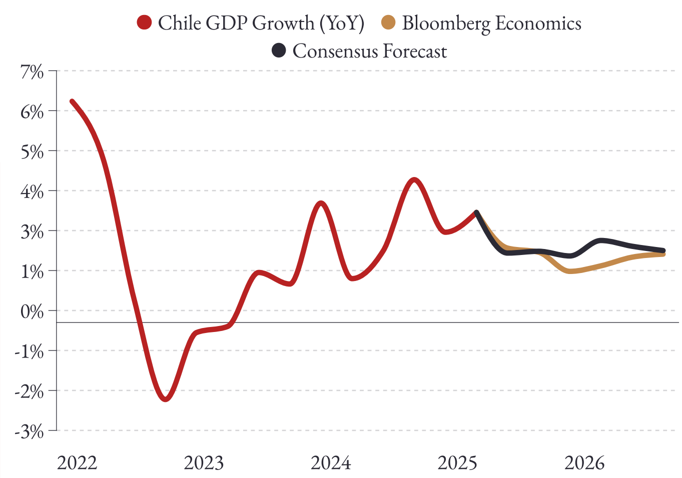
Fiscal performance has weakened over the past decade but remains far from crisis levels. The public accounts have been in the red for most of the past ten years as revenues fell and social demands rose. Debt remains low by regional standards. A fiscal adjustment in 2022 under President Gabriel Boric reinforced Chile's reputation for policy discipline, though the country is expected to miss its fiscal target for a third straight year in 2025. Structural reforms to boost revenues and growth could allow for more social spending without undermining sustainability.

Chile's open economy remains sensitive to global trends. Slower Chinese growth and rising US protectionism are key headwinds given Chile's reliance on copper exports. Whilst US tariffs have had limited direct impact, they add to global uncertainty. A planned 50% tariff on Latin American copper exports would likely have a muted effect due to some exemptions and inelastic demand, but could heighten volatility.

2026: Pro-Business Agenda to Support Growth

The near-term outlook hinges on the policies of the new administration taking office in March 2026. A pro-business agenda - focused on lower taxes, lighter regulation, and a smaller state - could bolster confidence and investment, though most benefits would materialise beyond 2026.

Chile GDP growth



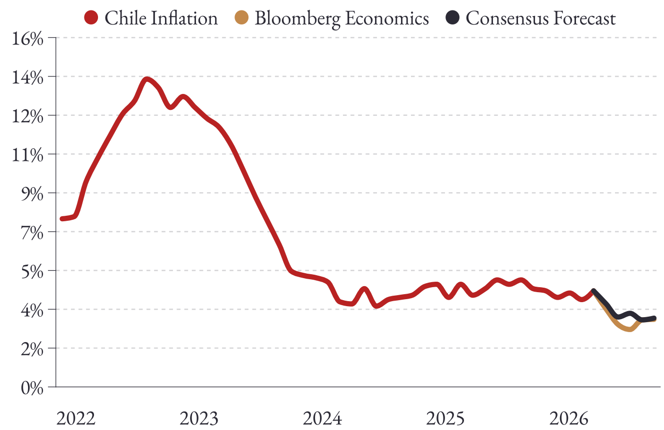
Sources: Statistical authorities and Bloomberg Economics. Forecasts as of October 29, 2025.

GDP growth of 1.7% is projected in 2026, following an estimated 2.5% in 2025. Activity should recover gradually, supported by easing inflation, lower US rates, and further domestic monetary accommodation. Inflation is set to continue its descent but remain slightly above target for most of the year, reaching 3.3% by end-2026 from 4.2% expected at end-2025. That path, combined with a softer global backdrop, should allow the central bank to reduce its policy rate to around 3% from 4.5% by the end of 2025 - assuming inflation expectations remain anchored.

CANNING HOUSE

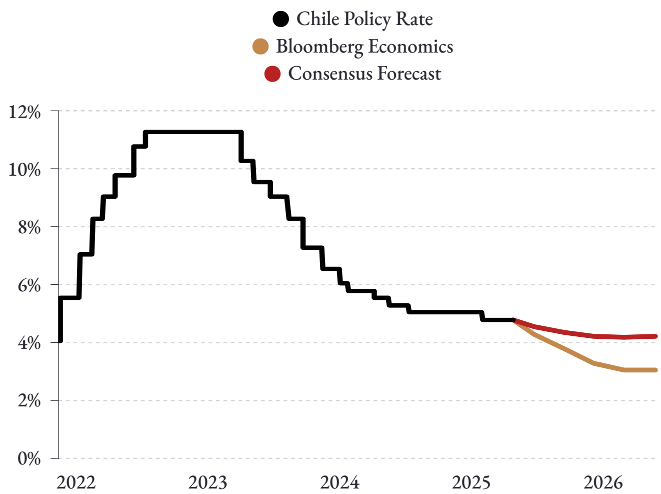
Business district of Santiago, Chile

Chile Consumer Prices



Sources: Statistical authorities and Bloomberg Economics. Data presented as quarterly averages. Forecasts as of October 29, 2025.

Chile Interest Rate



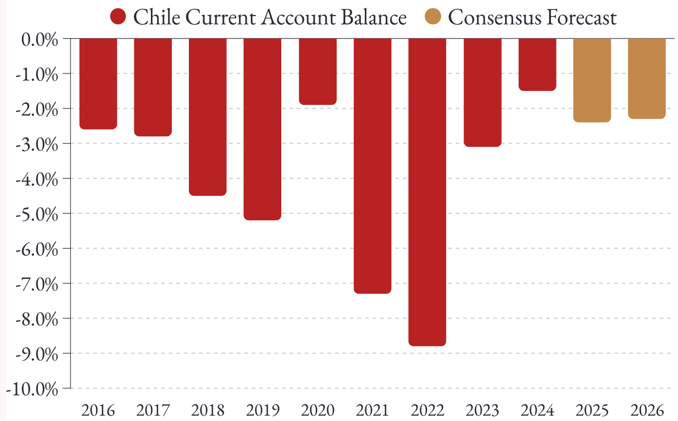
Sources: Central bank and Bloomberg Economics. Forecasts as of October 29, 2025.

Long Term: Structural Strengths, Demographic Headwinds

Chile's potential growth is estimated near 2% in 2025, edging up to 2.2% over the next five years before declining below 1% by the late 2040s as the population ages. Capital accumulation and gradual productivity gains will drive near-term improvements, but demographics will increasingly constrain labour supply.

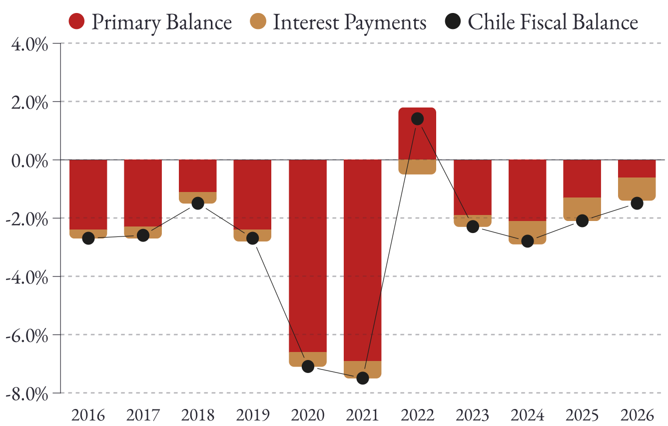
Institutional stability, fiscal prudence, and openness to trade remain key advantages. Sustained progress will depend on maintaining investor confidence and addressing persistent inequality. Continued reforms in taxation, labour flexibility, and innovation could boost competitiveness and productivity. Over the long run, Chile's challenge will be to offset demographic drag by leveraging its diversified resource base, human capital, and global integration to sustain inclusive growth.

Chile Current Account Balance



Sources: IMF and Bloomberg. Consensus forecasts as of October 29, 2025.

Chile Fiscal Balance



Source: IMF. Forecasts from the October 2025 Fiscal Monitor.

Colombia

Fiscal and Security Risks to Dominate Electoral Debate

- Fiscal stimulus ahead of the 2026 vote is supporting growth but widening the deficit, highlighting Colombia's fiscal fragility and rising debt trajectory.

- Inflation is easing only gradually; the central bank is likely to keep policy tight, with rates above neutral throughout 2026.

- Escalating tensions with the US and a deteriorating security environment could weigh on investment and confidence, shaping the debate before next year's elections.

2025: Fiscal Stimulus Boosts Growth, Widens Deficit Ahead of Elections

Colombia's economy continues to expand moderately, supported by resilient domestic demand but constrained by rising fiscal and institutional risks. Higher government spending ahead of the 2026 elections is fuelling growth, yet masking underlying fragilities. External performance and private investment lag amid investor concern over government intervention and the weakening rule of law. Tight monetary conditions and cautious sentiment continue to weigh on capital formation. US tariffs have had only a small negative effect so far but remain a looming risk.

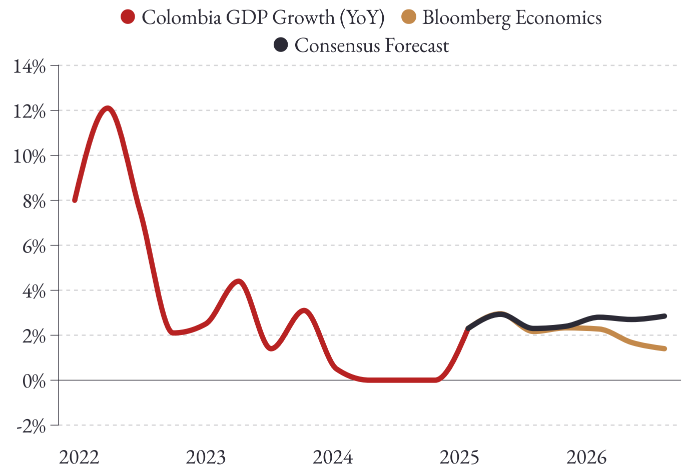
Economic slack is limited. The country posted a positive output gap in mid-2025, and unemployment remains below its historical average. Despite an incipient slowdown, inflation remains stubbornly above the central bank's 3% ± 1 ppt target range. Structural factors - including natural gas shortages, food taxes and regulated utility prices linked to past inflation and peso depreciation - have slowed disinflation. Core inflation is easing gradually, restrained by persistent services prices and rising labour costs. Peso appreciation has capped imported inflation, but indexation and wage adjustments remain key constraints.

In this context, the central bank has been keeping monetary policy tight. The real policy rate is roughly twice the estimated neutral level, reflecting policymakers' focus on restoring price stability and credibility. Meanwhile, fiscal conditions are becoming a major macroeconomic risk. The deficit widened to 4.9% of GDP in 2025 from 4.3% in 2023, driven by higher spending and interest payments. Rising debt and weak revenue growth demand a significant adjustment to stabilise public finances. Pension and healthcare reforms have expanded obligations, whilst potential declines in oil revenue threaten long-term sustainability.

2026: Election Year Brings Mounting Fiscal and Security Risks

Colombia faces rising macroeconomic imbalances heading into the 2026 elections. Growth is set to slow further as spending likely fades and fiscal consolidation begins after the electoral cycle. GDP growth of 1.9% is projected in 2026, following an estimated 2.5% in 2025 and an average 3.2% in the prior three years.

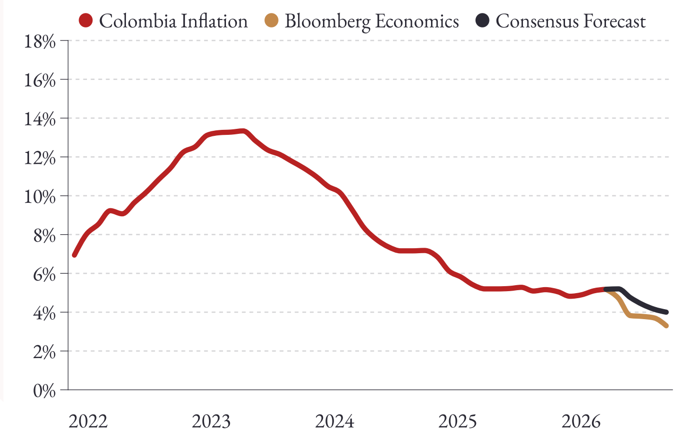
Colombia GDP growth



Sources: Statistical authorities and Bloomberg Economics. Forecasts as of October 29, 2025.

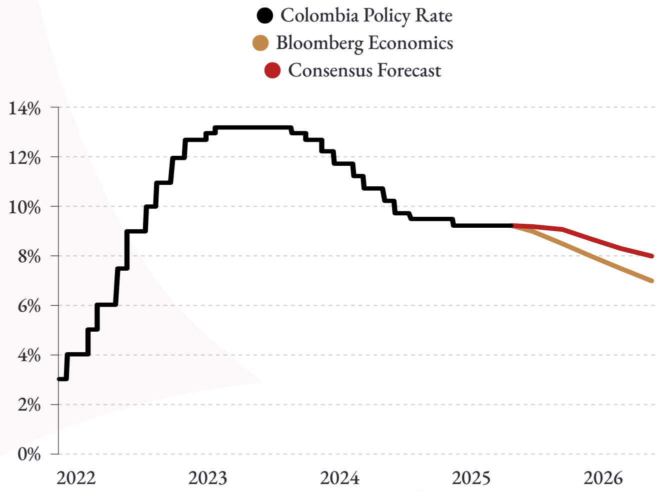
Inflation should continue to ease but stay above target, limited by indexation and lingering second-round effects from previous shocks. Consumer prices are expected to rise 4.6% in 2026, down from about 5% in 2025. The central bank may resume limited rate cuts if expectations stabilise, but policy will remain restrictive, with the rate likely falling to 8% by year-end from 9% in late 2025. A temporary fiscal improvement could occur through lower fuel subsidies, but the underlying trajectory remains worrisome. The peso may depreciate modestly as fiscal and political risks reprice, reducing monetary flexibility.

Colombia Consumer Prices



Sources: Statistical authorities and Bloomberg Economics. Data presented as quarterly averages. Forecasts as of October 29, 2025.

Colombia Interest Rate



Sources: Central bank and Bloomberg Economics. Forecasts as of October 29, 2025.

Two major risks stand out. First, tensions with Washington have escalated after the US president labelled President Gustavo Petro a "narcoterrorist." Petro's threat of retaliation raises the risk of reciprocal tariffs. Colombia, which initially faced 10% levies, could see higher duties that would hit exports to the US, its largest market — representing 29% of total exports and 3.4% of GDP. Tariffs on US imports would add to price pressures, lifting inflation expectations and limiting scope for rate cuts.

Second, security conditions are deteriorating. The government's lenient approach to criminal groups - aimed at fostering peace negotiations - has coincided with surging cocaine production and kidnappings. The worsening security backdrop is weighing on investment and sentiment. A breakdown in negotiations could push growth below 2%, echoing the early 2000s downturn.

The 2026 legislative elections in March and presidential vote in May–June will be pivotal. Petro cannot seek re-election, and early polls point to a competitive race with the potential for a shift toward more market-friendly policies. Whoever wins will inherit a difficult agenda: restoring fiscal credibility, strengthening the rule of law and addressing security risks.

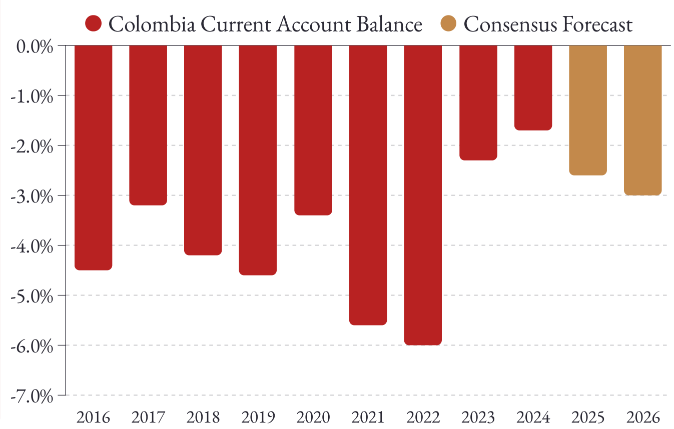
Finance Minister of Colombia, Germán Ávila (Credit: Andrea Puentes and Ovidio González - Presidencia de la República)

Long Term: Better Policies Could Boost Structural Growth

Colombia's structural outlook is constrained by fading demographic support and weak investment. Potential growth, estimated at 2.3% in 2025, is projected to decline gradually to below 1% by mid-century as the population ages and labour-force growth slows. Recent policies have eroded investor confidence and dampened capital accumulation, whilst post-pandemic productivity gains have been modest.

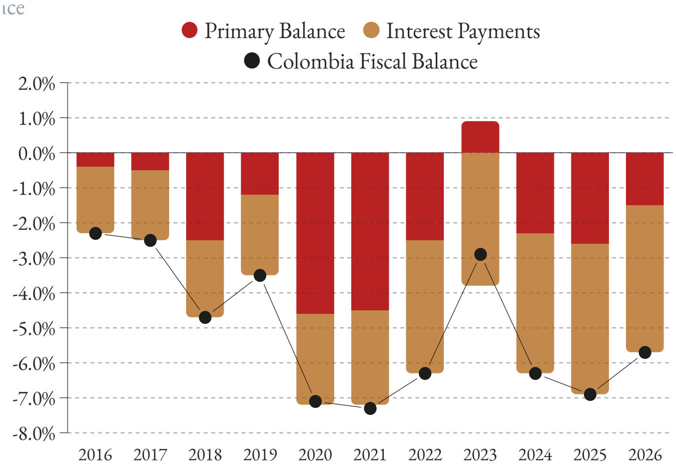
Rebuilding a stable, predictable policy environment is essential to reversing this trend. A credible fiscal consolidation plan, stronger security institutions and improved regulatory clarity could revive investment and boost productivity. With its diversified economy and large domestic market, Colombia has the capacity to sustain moderate growth - but only if fiscal and institutional weaknesses are addressed.

Colombia Current Account Balance



Sources: IMF and Bloomberg. Consensus forecasts as of October 29, 2025.

Colombia Fiscal Balance



Source: IMF. Forecasts from the October 2025 Fiscal Monitor.

Mexico

Fiscal Strains Meet US Headwinds

- Deep trade and financial links with the US make Mexico highly exposed to Trump-era tariffs and immigration policies, weighing on growth and confidence.

- Fiscal constraints and slowing investment leave limited room for stimulus, even as monetary easing and lower US rates offer modest relief in 2026.

- A stable macro framework supports resilience, but state intervention and weak reform momentum cap long-term potential and investment appetite.

2025: Trump Threats, Fiscal Fragility Dampen Growth

Mexico's economy entered late 2025 under heavy external and domestic headwinds. Deep ties with the US leave it particularly exposed to trade, immigration and security policies under President Donald Trump. Fiscal constraints and eroding investor confidence further complicate the outlook.

Growth is losing momentum, and GDP may finish the year only slightly above 2024 levels. Capital formation remains weak amid trade uncertainty and lower public-sector investment. On the export front, corporate front-loading ahead of US tariffs provided temporary support but left a drag for the rest of the year.

The negative output gap is widening, and risks remain tilted to the downside. Unemployment remains below its historical average but is trending upward. Structural factors compound the weakness: recent labour-market reforms have reduced flexibility and raised costs through higher minimum wages and social-security contributions.

Inflation remains contained but above the central bank's 3% midpoint target, whilst core inflation stays above the tolerance band. Service price gains are slowing as domestic demand cools, but persistent inflation expectations and elevated labour costs limit further declines. Monetary policy is easing gradually yet remains restrictive.

Fiscal policy remains a delicate balancing act. The 2026 budget bill envisions modest consolidation after the major adjustment of 2025. Optimistic assumptions for growth and oil output risk overstating revenue, whilst higher spending could widen the deficit. Without additional measures, meeting fiscal targets will be difficult. Public debt remains manageable, but long-term sustainability will require continued discipline and credible reform.

Externally, tariff threats and potential deportations of undocumented immigrants could disrupt exports, remittances and consumption. If implemented, the 30% US tariff announced in mid-2025 may be partly offset by USMCA exemptions for compliant goods, leaving Mexico relatively insulated but vulnerable to renewed volatility.

President Claudia Sheinbaum's administration has largely maintained Andrés Manuel López Obrador's state-led approach whilst adopting a more pragmatic tone toward business. Her stance has helped contain market stress, though limited reform progress and growing state intervention continue to weigh on investment and productivity.

2026: Lower Rates, Gradual Recovery

Mexico's 2026 outlook is challenging but not bleak. GDP growth of 1.3% is projected next year, following an expected 0.4% in 2025, supported by lower interest rates and a firmer external backdrop. Inflation should slow to 3.4% by end-2026 from 3.8% this year - not yet at target centre, but within the tolerance band.

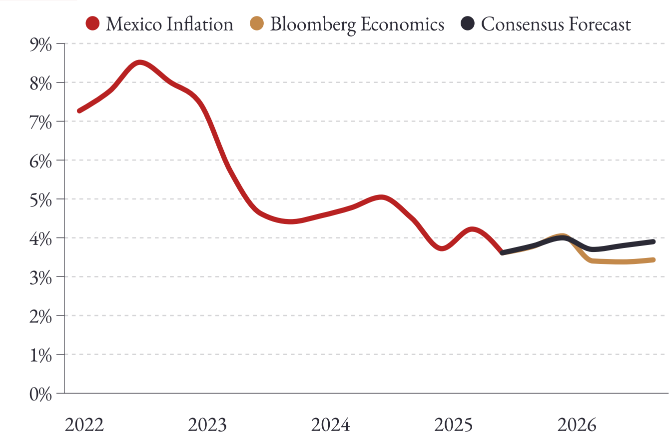
Mexico GDP growth

Sources: Statistical authorities and Bloomberg Economics. Forecasts as of October 29, 2025.

Likely rate cuts in the US should give Banxico room to keep easing, though service inflation and sticky expectations mean it will do so cautiously. The benchmark rate may close 2026 near 6%, down from 7% in late 2025, leaving real rates close to the top of the estimated neutral range (1.8%–3.6%). A stable macro framework and continued fiscal prudence will help the economy weather near-term shocks, but the absence of meaningful reform limits upside potential. Policy unpredictability - from both Washington and Mexico City

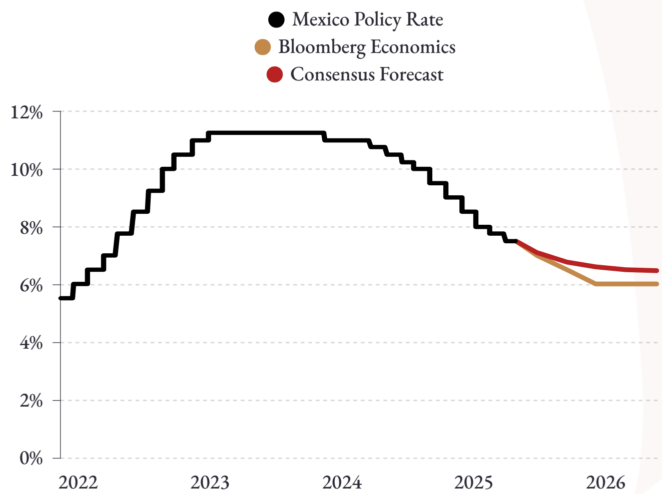
- could weigh on confidence. The peso, which appreciated in 2025, may need to depreciate moderately to help the economy adjust to external pressures.

Mexico Consumer Prices



Sources: Statistical authorities and Bloomberg Economics. Data presented as quarterly averages. Forecasts as of October 29, 2025.

Mexico Interest Rate



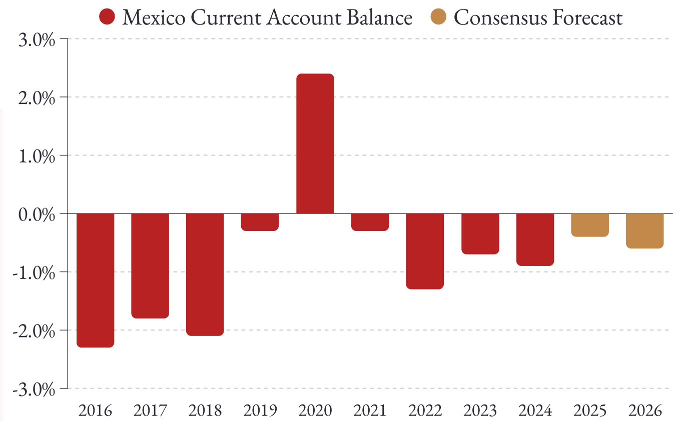
Sources: Central bank and Bloomberg Economics. Forecasts as of October 29, 2025.

Long Term: Potential Growth Hinges on Trade

Trade with the US is a significant driver of Mexico's economy. The US-Mexico-Canada Agreement (USMCA) and global nearshoring had been providing a rare chance to attract investment and deepen integration into supply chains, until US tariffs hit. Still, there's also broad support for the USMCA - and the tariff exemptions it provides - on both sides of the border. That could leave Mexico as an attractive investment destination and yield a net gain from US protectionist measures over time.

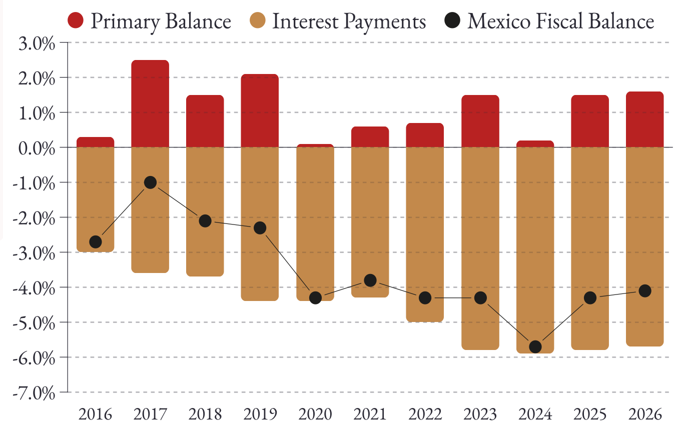
A shift to a more market-friendly agenda under Claudia Sheinbaum could support private investment, whilst labour market flexibility and enhanced rule of law could provide additional upside. Potential growth could rise to 2.2% over the next five years from an estimated 1.8% in 2025 before slowly falling. Productivity will mainly drive the gains, which will also be supported by capital. Demographic trends mean labour will push against that. Further out, the aging population will yield a negative labour contribution, pushing growth close to 1.5% by the end of our 30-year forecast horizon.

Mexico Current Account Balance



Sources: IMF and Bloomberg. Consensus forecasts as of October 29, 2025.

Mexico Fiscal Balance



Source: IMF. Forecasts from the October 2025 Fiscal Monitor.

Bank of Mexico, Mexico City (Credit: Julio Lopez)

Peru

Political Volatility Meets Economic Resilience

- Strong fundamentals continue to buffer Peru's economy against recurring political upheaval, though repeated leadership changes keep investor confidence fragile.

- Fiscal buffers are narrowing as pre-election stimulus tests debt limits, whilst low inflation gives the central bank space to stay near neutral.

- The 2026 elections and the return to a bicameral congress could reshape policy direction, with implications for fiscal credibility and reform momentum.

2025: Good Fundamentals, Frail Politics

Strong fundamentals have shielded Peru from the market fallout that often follows political crises - 2025 marked the seventh change in presidency in 16 years. High reserves, a current-account surplus, low public debt and a moderate fiscal deficit helped prevent the latest impeachment from sparking a broad selloff. Still, the economy hasn't emerged unscathed: growth has slowed in recent years, reflecting weaker external demand and softer investment amid continued political volatility.

The economy continued to expand in 2025, supported by disinflation, easier monetary conditions, higher public spending and favourable copper prices. Domestic demand strengthened through stronger private and government consumption and rising inventories, leaving output near potential.

A firmer currency and lower fuel prices helped pull inflation below the midpoint of the 2% ± 1 ppt target range, where it's likely to hover through year-end. Against that backdrop, the central bank eased monetary policy by 75 basis points since January.

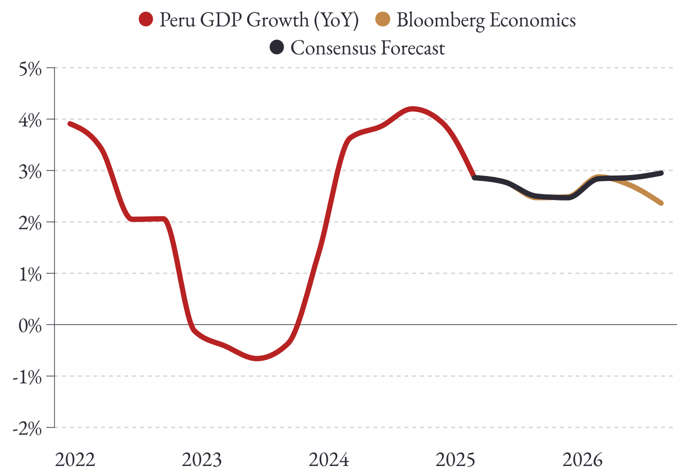
Fiscal buffers are narrowing. The non-financial public-sector deficit widened beyond the responsibility law's limit amid revenue shortfalls and election-driven spending. Meeting the 2.2% deficit target in 2025 will be difficult; repeated breaches risk a downgrade even though debt remains low by regional standards.

Externally, US tariff measures have had limited direct effects, and a 50% tariff on copper - if confirmed - could be cushioned in the near term by inelastic global demand. More broadly, the strategic race for critical minerals represents an opportunity for Peru, if investment in mining and infrastructure can be mobilised.

2026: Solid Domestic Demand Ahead of Elections

Domestic demand will remain the main growth driver in 2026. High public-sector spending ahead of the elections, subdued inflation and lower interest rates underpin the 2.6% growth forecast for next year, slightly below the 2.9% expected in 2025. Labour-market conditions should soften modestly as job creation slows and labour supply rises, nudging unemployment up from low levels.

Peru GDP growth

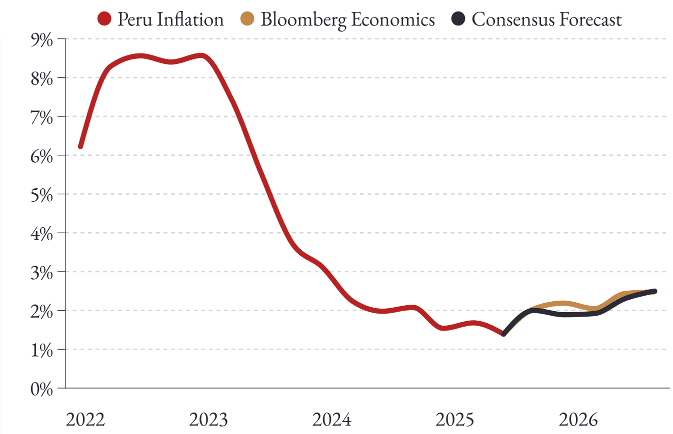


Sources: Statistical authorities and Bloomberg Economics. Forecasts as of October 29, 2025.

Inflation is expected to hover around the target midpoint, reaching 2.2% by end-2026 from 1.8% at end-2025. With monetary conditions near neutral, stable expectations and activity close to potential, the central bank is likely to hold steady – though downside growth risks and further US rate cuts tilt the bias toward some additional easing. The policy rate is expected to close both this year and the next at 4%.

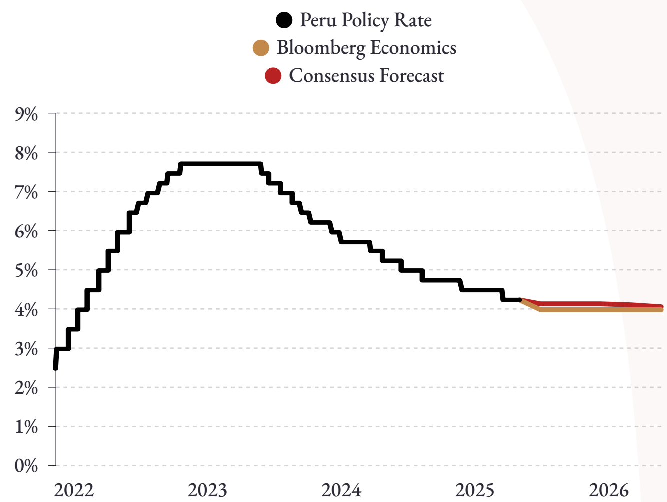
Politics will remain the main swing factor. The April 2026 elections - for both president and a reinstated bicameral congress - could provide a catalyst for reform, but Peru's track record of volatility suggests uncertainty will continue to cap risk appetite. Preserving macro stability whilst restoring fiscal discipline is essential to maintain investment-grade status.

Peru Consumer Prices



Sources: Statistical authorities and Bloomberg Economics. Data presented as quarterly averages. Forecasts as of October 29, 2025.

Peru Interest Rate



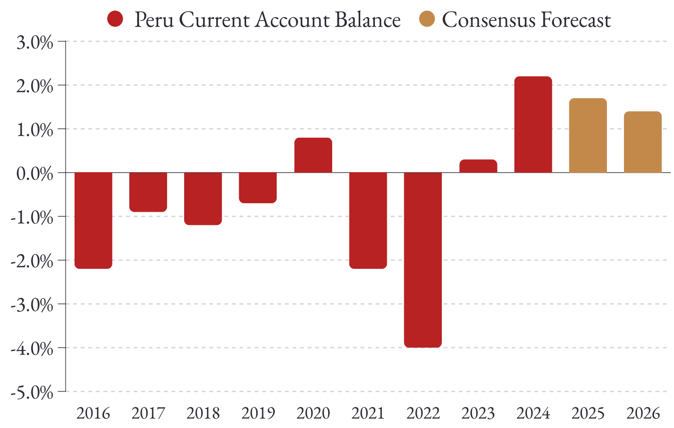
Sources: Central bank and Bloomberg Economics. Forecasts as of October 29, 2025.

Long Term: Structural Opportunities, Persistent Political Risks

Peru's potential growth is estimated near 2.3% in 2025, rising to 2.6% by 2029 before trending down to 1.3% by the mid-2050s - well below the 4.7% average of the two decades before the pandemic. The demographic dividend is fading, and persistent political uncertainty weigh on investment and productivity, even as post-pandemic efficiency gains offer limited support.

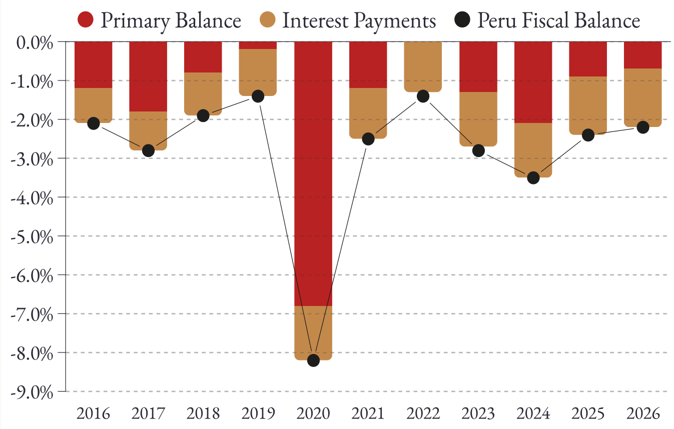
The global race for critical minerals presents a historic opportunity if Peru can strengthen institutions, de-risk mining projects and attract private capital. Sustained gains will depend on credible fiscal consolidation, deeper institutional reform and a policy framework that anchors low inflation whilst encouraging long-term investment.

Peru Current Account Balance



Sources: IMF and Bloomberg. Consensus forecasts as of October 29, 2025.

Peru Fiscal Balance



Source: IMF. Forecasts from the October 2025 Fiscal Monitor.

Chancay Port, Peru (Credit: Mincetur Perú)

Commercial Outlook

The business landscape in Latin America

James Taylor, Regional Director of Exports & Infrastructure, Latin America & the Caribbean, Department for Business and Trade

Introduction

The Latin America region can be seen as an ever more reliable trade partner and an increasingly attractive business proposition for UK companies. This optimism was evident during Sir Chris Bryant's trip to Brazil and Argentina in September 2025 - his first foreign trip as Minister of State for Trade - reflecting the UK Government's desire to diversify and strengthen trade relations with the major economies in Latin America.

The region continues to have a steady GDP growth – with Latin America and the Caribbean (LAC) entering 2026 with projected GDP growth of approximately 2.4% in 2025 and 2.3% in 2026 according to figures from the International Monetary Fund (IMF). This growth, overlayed with the region's distance from areas of major international conflict and instability, makes Latin America an appealing proposition for international investors and businesses alike.

Applying a UK lens to the region, trade and investment with Latin America is underpinned by an expanding framework of agreements providing greater certainty and confidence, as well as preferential access for UK firms wanting to do business with the region. UK trade with Chile and Peru is now covered by the Comprehensive Progressive Trans-Pacific Partnership (CPTPP), since the UK's accession in December 2024. This could extend to Mexico in 2026, dependent on the Government of Mexico's ratification of UK membership. This coverage has the potential to grow even further in the region, with Costa Rica already engaged in the CPTPP accession process, and Ecuador and Uruguay as formal applicants.

These dynamics have contributed to continued growth in UK trade and investment with Latin America and the Caribbean. Data from the Office for National Statistics (ONS) shows that UK exports to the region are up 44% in the last five years and exports to the biggest markets, Brazil and Mexico, are at record levels. Foreign Direct Investment (FDI) from Latin America and the Caribbean into the UK was at least GBP £126 billion in 2023, showing the two-way nature of the commercial opportunities.

> *Applying the UK's Modern Industrial Strategy as a lens to assess commercial opportunities across eight high-growth sectors..... and mapping regional priorities with UK capabilities...... significant opportunities can be found for businesses in Latin America.*

Looking forwards, the Department for Business and Trade (DBT) wants to support UK firms to capitalise on these increasingly favourable conditions, and to build on the momentum that already exists. Driving economic growth is the central mission of the UK Government. To achieve this, DBT has published several business-facing strategies to outline how it will focus its support to ensure British businesses compete and succeed globally.

In June 2025, the UK Government launched its new Modern Industrial Strategy, which identifies the future industries which will power the UK economy over the next decade, and sets out a plan to facilitate inclusive, sustainable and resilient growth and investment across the UK. This strategy builds on the UK's strengths as a globally connected economy to support its export-competitive future industries with international partners.

This was closely followed in July 2025, by a new Trade Strategy, which outlines the government's commitment to free, open and fair trade, alongside its approach to building internationally competitive businesses through international trade, particularly in the growth-driving sectors identified in the Industrial Strategy.

Sir Chris Bryant MP, Minister for Trade (Credit: Department for Business and Trade)

Finally, the SME Growth Strategy sets out the government's vision for the UK to be the best place to start, sustain, and scale a business, including via exporting. These three interlocking strategies showcase the government's offer to support growth, strengthening businesses at home to ensure success abroad, and are the foundation for how the UK Government and DBT, in collaboration with UK Export Finance, plan to support industry and fuel economic growth.

Applying the UK's Modern Industrial Strategy as a lens to assess commercial opportunities across eight high-growth sectors - Advanced Manufacturing, Clean Energy Industries, Creative Industries, Defence, Digital & Technologies, Financial Services, Life Sciences, and Professional & Business Services – and mapping regional priorities with UK capabilities - from fintech expansion to healthcare innovation, as well as enabling the delivery of major energy and infrastructure projects through the UK's leading advisory services - significant opportunities can be found for businesses in Latin America. Aligned with these priorities, DBT LATAC is reshaping its structure to better support UK businesses seize the largest opportunities in the region.

High growth sector opportunities

Advanced Manufacturing

Global supply channels have been tested and strained in various ways in recent years – the covid pandemic, geopolitical conflicts, climate disruptions. In response, nearshoring and supply-chain resilience strategies are helping to reshape manufacturing footprints.

Mexico has emerged as the most visible beneficiary of nearshoring trends in the Americas, as companies seek to relocate operations closer to the United States to reduce costs and improve supply chain resilience. Its attractiveness stems not only from geographical proximity, but also from its participation in key trade agreements like USMCA and CPTPP, a skilled and cost-competitive labour force, and deep experience in manufacturing sectors. This strategic positioning has helped Mexico defy global Foreign Direct Investment (FDI) headwinds, reaching a record level of investment in Q1 2025, totalling USD $21.4 billion, a 165% increase in new investments compared to the previous quarter.

This trend is creating demand for high value-components, automation solutions, and quality assurance services - areas where UK firms have recognised strengths under the Advanced Manufacturing Sector Plan. UK companies specialising in advanced materials, precision engineering, robotics, and testing and certification can position themselves as trusted partners to Mexican manufacturers seeking to upgrade production lines and meet quality and sustainability standards. There is also scope for UK expertise in process optimisation and digital twins - which serve as the digital counterpart to real-word assets or systems, enabling simulation and supporting testing and monitoring - to support efficiency and decarbonisation in automotive and electronics clusters. By combining technical capability with advisory services on Environmental, Social, and Governance (ESG) compliance and operational excellence, UK suppliers can embed themselves in regional value chains and capture long-term opportunities linked to industrial upgrading and supply chain diversification.

The UK is already Mexico's ninth-largest investor, with an FDI stock of GBP £11.8 billion at the end of 2023 according to ONS figures - though this only accounts for 0.6% of the UK's total outward FDI, and so there is room to grow. British firms are well-positioned to expand on this footprint in the market, including in advanced manufacturing sectors, particularly if the UK-Mexico trade and investment relationship is covered by CPTPP (pending ratification by the Government of Mexico). The agreement could act as a significant enabler for UK companies across all sectors - via preferential tariffs, cumulation (Rules of Origin), regulatory and investment certainty - and it is certainly relevant for those seeking to integrate into North American supply chains and capitalise on nearshoring opportunities.

The other major advanced manufacturing market in the region is Brazil, which remains a significant player in both automotive and aerospace manufacturing, offering entry points for UK firms with advanced engineering and systems expertise.

> *Partnerships with established UK players such as JCB - which has manufactured in Brazil since 2012 and aims to double the size of its operations by 2030 - can also serve as a platform for UK SMEs to enter the supply chain.*

In aerospace, Embraer is a global leader in regional jets and is investing in next generation propulsion and digitalisation. This creates scope for UK suppliers of lightweight composite materials, avionics systems, and digital twin technologies to collaborate on R&D or provide specialist components. In the automotive sector, Brazil's large domestic market and export orientation are driving demand for powertrain efficiency, electrification solutions, and automation upgrades. UK companies can add value through precision engineering, robotics integration, and testing and certification services - areas highlighted in the Advanced Manufacturing Sector Plan. Partnerships with established UK players such as JCB - which has manufactured in Brazil since 2012 and aims to double the size of its operations by 2030 - can also serve as a platform for UK SMEs to enter the supply chain.

Agritech is another focus area within the advanced manufacturing sector plan and evidently highly relevant in the Latin America context, as agriculture is a cornerstone of the region's economy. There are significant opportunities for the UK across many Latin American markets, as the region is rapidly embracing agritech innovations to boost productivity and climate resilience. Taking milk production as an example, Latin America produces approximately 82 billion litres of milk per year, representing around 11% of global milk production - with Brazil, Mexico, Argentina, Uruguay and Chile accounting more than 80% of this output. The UK is a leading innovator in this area and can supply advanced technologies to improve production, such as an innovative new tuberculosis detection kit that can solve a huge endemic disease in the beef and dairy sector, which is now being tested in Argentina.

Clean Energy Industries

Latin America's clean energy transition is now firmly in the global spotlight, with Brazil hosting COP30 in November 2025, reinforcing its importance. However, the scale of needed, and expected, investment is still sizable. According to the Economic Commission for Latin America and the Caribbean (ECLAC), financing the green transition in Latin America and the Caribbean will require annual investments of 7%–11% of GDP by 2050. Other estimates are similar, with McKinsey estimating Latin America will need to spend 9.4% of its GDP annually, which equates to USD $700 billion on physical assets for energy and land-use systems.

This is creating opportunities for UK firms. UK expertise in engineering, project management, certification, and green finance has positioned the UK as a trusted partner for countries seeking to deliver complex, capital-intensive energy projects. There is a clear ambition for the UK to be a global leader in clean energy industries - doubling its annual domestic investment, to over GBP £30 billion per year, in frontier technologies such as offshore wind, bioenergy, hydrogen, and carbon capture by 2035. This should further enhance the UK's offer within Latin America. There are plenty of opportunities across the region, but three regional priorities align particularly well with UK export capabilities: oil & gas decommissioning in Brazil, offshore wind development in Colombia, and green hydrogen in Chile.

Brazil's mature offshore oil and gas fields are entering the decommissioning stage, requiring advanced engineering solutions, environmental risk management, and regulatory compliance. UK companies bring world-class experience in subsea engineering, well plugging and abandonment, and asset integrity - skills that have been honed in the North Sea - that can help Brazilian operators meet safety and sustainability standards whilst reducing costs.

Brazil is currently the third-largest oil & gas decommissioning market globally, after the UK and the United States. The first wave of projects, involving units installed between 1980 and 1990, is underway and expected to continue until 2036. A second wave, targeting platforms installed between 2010 and 2020 in the pre-salt region, is anticipated from 2037 through 2050.

The total industry spend in Brazil is projected to reach USD $12 billion by 2029, according to the national Regulatory Agency. This may yet increase, as a revised business plan is expected to be presented in December 2025, which may further increase the number of platforms slated for decommissioning. Petrobras alone is expected to invest approximately USD $9.9 billion between 2025–2029 in decommissioning projects, encompassing both fixed and floating platforms (9 and 15 respectively), alongside 1,900 km of flexible risers and approximately 550 wells.


UK expertise is helping with the construction of wind farms across Latin America, (Credit: De an Sun)

Despite the scale of decommissioning activity, local capability is limited, creating strong demand for UK expertise and technology. The UK's advanced solutions are well-positioned to support Brazil's transition and it represents one of the UK's major export opportunities to the region, although cost remains a key challenge for UK firms seeking to operate in the market.

Colombia has announced ambitious plans to develop offshore wind capacity as part of its energy diversification strategy. The country's Offshore Wind Energy Roadmap, launched in partnership with the UK and the World Bank, identifies approximately 50 GW of potential capacity, with 21 GW suited for floating platforms. The Carbon Trust's Offshore Wind Accelerator model, which helped reduce costs and scale innovation in the UK, is being used as a blueprint to support Colombia in structuring bankable projects and mobilising green finance. This is already creating opportunities for UK companies with proven expertise in offshore wind design, floating platform technology, and supply-chain integration.

Another emerging technology is hydrogen. Chile is seeking to position itself as a global leader in green hydrogen, leveraging abundant renewable resources and a supportive policy framework. The UK can contribute across the value chain: from electrolyser technology and certification systems to port logistics and maritime ammonia transport.

UK Export Finance (UKEF) has a partnership in place with Chile's economic development agency, CORFO, which should help unlock new financing for the green hydrogen sector, with over GBP £5 billion available in UK export credit support. The UKEF-CORFO agreement is expected to help Chilean firms access loans denominated in Chilean pesos, whilst ensuring projects meet international ESG benchmarks.

This UK-Chile collaboration is already happening at the business level. Transitional Energy Group (TEG), a UK-based company with offices in Chile, is developing the Gente Grande Green Ammonia Project in Tierra del Fuego. This 3.5 GW wind-powered facility will produce approximately 1.3 million tonnes of green ammonia annually, supported by deep-water port infrastructure for export across Latin America, Europe, and Asia.

Case Study:

Breaking down barriers in Latin America - Improving Market Access for UK Businesses

Ships passing through the Panama Canal, (Credit:Alex Pagliuca)

The UK is tackling priority trade barriers through innovative regulatory partnerships, as set out in the Trade Strategy, which includes the launch of the new Ricardo Fund, named in honour of the great 18th Century British economist David Ricardo. This fund builds on the success of the Regulatory Partnerships for Growth Fund pilot, launched in 2024, which is expected to resolve trade barriers worth GBP £300 million in the first 12 months, helping to unlock export opportunities worth GBP £5 billion to UK businesses over five years.

The aim of the fund is to open markets and remove barriers to trade, using a wide range of tools outside the context of a formal trade agreement to do so, including flexible trading arrangements and other bilateral agreements. It will enable UK businesses to capitalise on their comparative advantage across the Industrial Strategy Sectors. The UK's world class standards organisations can also help to shape the global standards of the future in these high growth sectors. Aligning standards has significant proven benefits – reducing costs and bureaucracy for UK exporters. According to BSI independent research, GBP £6.1 billion of additional UK exports per year can already be attributed to compatibility with other standards regimes.

These efforts are already visible in Latin America. With UK support, Brazil and Colombia now have clear regulatory frameworks to support their offshore wind ambitions, whilst also benefitting UK exporters. UK-led workshops have led to new regulation being introduced, with Colombia's regulation now enacted and Brazil in alignment with the new regulatory framework. DBT estimates that this combined UK export potential is worth in the region of tens of millions of pounds to UK businesses.

Beyond export opportunities, Latin America's clean energy transition is creating opportunities for UK investment. In Peru, the UK firm Actis confirmed the largest private acquisition of renewable energy assets in the region, with a USD $1.3 billion investment to acquire a diversified portfolio of 2.2GW. Under the rebranded name "Orygen", Actis committed to an initial USD $1 billion additional investment in renewable generation in Peru in 2024, and has since announced a further expansion in their investment portfolio in Peru to USD $3 billion, entirely focused on solar and wind energy. This responds to strong untapped potential in the country of over 20 GW in onshore wind and over 900 GW in solar energy. Other important UK investors, such as Ashmore Group have continued the trend starting to acquire renewable generation companies in the country.

Creative Industries

The UK has a thriving creative industry sector, which makes a significant contribution to UK growth. The Industrial Strategy lays out the ambition to strengthen the UK's leadership in film, television, gaming, design, and advertising. These sectors are underpinned by world-class capabilities in intellectual property management, digital production, and skills development.

> *The global success of Paddington in Peru - a UK-produced film that filmed scenes in Peru and Colombia - highlights how UK creative talent can work with Latin American locations and crews to deliver internationally acclaimed content.*

Opportunities for the UK in Latin America are growing, as the region's own creative industries are expanding rapidly - driven by streaming platforms, gaming adoption, and a growing appetite for high-quality content. Mexico and Colombia have become hubs for audiovisual production, whilst Brazil and Chile are investing in gaming and edtech ecosystems. This creates opportunities for UK firms to provide co-production partnerships, virtual production technologies, and specialist post-production services. UK expertise in rights management, brand strategy, and creative education can also support countries in the region in scaling up their creative economies sustainably.

There are already strong examples of collaboration. The global success of Paddington in Peru - a UK-produced film that filmed scenes in Peru and Colombia - highlights how UK creative talent can work with Latin American locations and crews to deliver internationally acclaimed content. The film is estimated to have grossed more than USD $170m worldwide, demonstrating the commercial potential of such partnerships. Looking ahead, the UK–Brazil Season of Culture (2025–26), marking 200 years of diplomatic ties, aims to foster new connections, creating long-term collaborations and new commercial opportunities between the UK and Brazil.

These initiatives show how UK firms can combine technical innovation with cultural partnership, opening new export channels for UK talent and IP-rich businesses, whilst strengthening bilateral ties.

Defence Industries

The UK's defence industry is a trusted and respected partner in global security and innovation. There is also a clear recognition within the UK Government that defence and security exports can support the twin aim of enhancing national security and driving economic growth, with a focus on creating jobs and fostering greater innovation across the defence sector. To facilitate this, the UK Government has published a Defence Industrial Strategy that will boost the sector over the coming ten years.

The strategy includes creation of a new Office of Defence Exports which will promote British businesses of all sizes with an enhanced, whole-of Government effort. Greater innovation in the field will be supported through a GBP £400 million innovation fund with autonomy and directed energy as two of its main priorities. The aim is to harness these structures to double the UK's worldwide defence exports to a total of GBP £28 billion by 2035. The role of UKEF remains key in achieving this with financing capacity increased overall to GBP £80 billion (from GBP £60 billion), and a direct lending facility of GBP £13 billion (from GBP £10 billion).

The UK recognises the critical role that international partnerships play in realising their full defence industry potential. In Latin America, strategic dialogues are underway in several markets including Brazil, Chile, Colombia, and Peru. Whilst defence exports to Latin America are relatively small compared to other regions, there remains significant potential for this to grow in the future – deepening strategic defence collaboration with partners in the region and, in turn, creating opportunities for UK companies operating in the defence and security sectors.

Digital & Technologies

Digital innovation and emerging technologies are critical to economies worldwide. The UK Government recognises this and aims to make the UK one of the top three global destinations for building and scaling tech businesses by 2035. This ambition is underpinned by leadership in Artificial Intelligence (AI), cybersecurity, advanced connectivity, and digital trade frameworks, supported by strong regulatory standards and innovation ecosystems. The efforts, unsurprisingly, align closely with Latin America's accelerating digital transformation, creating opportunities for UK firms to partner with governments and businesses across the region. Cybersecurity and AI innovation are two areas of opportunity.

As digital adoption accelerates, so do cyber risks. Latin American governments and enterprises are prioritising cyber resilience, particularly in critical sectors such as finance, energy, and infrastructure. In terms of market size and growth trajectory, Brazil, Mexico and Colombia collectively invested approximately GBP £11.6 billion in cybersecurity solutions in 2024, spanning both public and private sectors. Looking ahead, the Latin American cybersecurity market is projected to grow annually at 13.9% between 2025 and 2030, reaching an estimated GBP £25.3 billion of annual investment by 2030. This growth is being driven by the expansion of cloud computing and Internet of Things (IoT) networks, strengthening of data protection laws, and increased public-private partnerships and investment in secure infrastructure.

Latin America's cyber security needs should be seen as a growth opportunity for UK firms, which bring world-class expertise in threat intelligence, incident response, and secure cloud migration, as well as experience in developing national cybersecurity frameworks. Cyber security exports continue to boost the UK economy, growing rapidly from GBP £4.1 billion in 2020 to GBP £7.2 billion in 2023, and Latin American markets represent a clear opportunity to sustain this growth in UK exports.

It would be remiss not to touch on Artificial Intelligence, given its centrality to the agendas of both government and business at present. Latin America is accelerating AI adoption through national strategies and regulatory frameworks. Brazil has introduced a risk-based AI bill and regulatory sandbox; Mexico is developing a General Law on AI under its National AI Agenda; Chile has updated its AI policy alongside a major data centre plan, and Colombia has committed over USD $100 million to AI research and governance. These initiatives aim to embed AI across sectors such as finance, healthcare, and manufacturing. This is creating opportunities for UK firms to provide cross-cutting solutions, such as AI assurance and ethical compliance, in addition to sector-specific AI solutions where the UK has global leadership, such as AI-driven fraud detection in financial services and predictive maintenance in advanced manufacturing.

Financial Services

The UK is a global leader in financial services, underpinned by deep capital markets, a robust regulatory environment, and a thriving fintech ecosystem. The UK aims to maintain this leadership by fostering innovation, supporting green finance, and strengthening international partnerships.

> *"Latin America is increasingly at the forefront of financial innovation, with open banking and open finance frameworks advancing rapidly in Brazil, Mexico, Colombia, and Chile."*

These capabilities position the UK as a natural partner for Latin America as the region modernises its financial systems and embraces digital transformation. Latin America is increasingly at the forefront of financial innovation, with open banking and open finance frameworks advancing rapidly in Brazil, Mexico, Colombia, and Chile. These reforms are driving demand for secure APIs - software interfaces that allow different applications to communicate and share data - alongside digital identity solutions and regulatory technology services. UK firms - renowned for their expertise in financial infrastructure and regulatory compliance - are well placed to support this evolution.

CEO of UKAI, Tim Flagg, speaking at the Canning House UK-Latin America Tech Forum

Revolut, the UK fintech, is quickly growing its footprint in Latin America. In October 2025, Revolut received the final regulatory approval to begin its banking operations in Mexico. In doing so, it became the first independent digital bank to directly apply for and successfully complete the full licensing and approval process from scratch in the country. The company is in the process of acquiring a bank in Argentina and is pursuing a full banking license in Colombia, having recently received authorisation from the Superintendencia Financiera De Colombia (SFC) to begin building its banking operations and infrastructure - with the company planning to launch its services in 2026. This expansion illustrates the significant opportunities for UK fintechs to enter the Latin American market and deliver core banking technology, KYC (Know Your Customer) and AML (Anti-Money Laundering) solutions—systems that verify customer identities and monitor transactions to prevent fraud and financial crime—alongside cross-border payment services, leveraging the UK's reputation for robust standards and innovation in financial services Opportunities flow in both directions. Latin American firms are looking to the UK as a base for international expansion and a hub for financial innovation. Yuno, a Colombian fintech recognised as a global leader in financial services orchestration, is establishing its European headquarters in London. The announcement, made during London Tech Week 2025, marks a significant milestone in Yuno's international expansion and reinforces the company's commitment to serving its growing base of global merchants and partners from the heart of Europe's fintech capital.

Yuno's decision to establish its European headquarters in London reflects the UK capital's status as a global fintech hub. London combines deep financial markets with a vibrant ecosystem of banks, start-ups, and nearly half of Europe's fintech unicorns, supported by a progressive regulatory environment and leading initiatives, such as the Financial Conduct Authority's innovation sandbox and open banking framework. Its concentration of talent and proximity to multinational merchants and financial institutions make it an ideal base for collaboration and growth. For Latin American firms like Yuno, London offers not only access to clients and partners but also a strategic springboard for scaling across Europe.

Life Sciences

The UK's Modern Industrial Strategy sets a clear ambition to make the UK Europe's leading life sciences economy by 2030 and third globally by 2035. This vision is underpinned by strengths in biopharmaceutical innovation, medtech, digital health, and regulatory science, supported by agile frameworks such as The Medicines and Healthcare products Regulatory Agency's (MHRA) innovation pathways and the UK's leadership in health technology assessment (HTA). These capabilities position the UK as a trusted partner for countries seeking to modernise healthcare systems and improve access to cutting-edge treatments.

Latin America's healthcare sector is experiencing a period of substantial transformation. Demand for healthcare services is increasing, whilst persistent challenges in infrastructure, funding and access impede the region's ability to effectively meet demand. Yet this presents an opportunity. Latin America can overcome these challenges through strategic investment, including in digital technologies, and policy reform. The aim is to improve healthcare systems and outcomes, but also using this investment to drive economic prosperity.

Countries across Latin America are looking to the UK as an important partner in achieving this objective. Mexico's public healthcare sector is undergoing a major digital transformation, shifting its focus from reactive treatment to proactive prevention. As part of this evolution, Mexican health authorities are actively engaging with UK institutions to learn from their experience. In September, the Head of

A surgical robot being used in Southmead Hospital, Bristol, UK, (Credit: Alecsandra Dragoi / DSIT)

Mexico's General Health Council visited NICE to explore best practices for integrating MedTech and innovation into national clinical guidelines—an approach that could accelerate the adoption of new products from companies like AstraZeneca and GSK, which recently launched a Herpes Zoster vaccine and is preparing to release one for Respiratory Syncytial Virus. Similarly, the Undersecretary of Health visited NHS England and NHS Scotland to study the use of digital technologies in supply chain management, opening doors for UK firms such as OneSC and other software and AI providers to support Mexico's modernisation efforts.

> *Another opportunity is clinical research - with Brazil and Colombia in particular, both scaling their capacity, particularly for late-phase trials and real-world evidence generation.*

At the same time, the UK government has been working with the government of Mexico to address market access barriers impacting UK life sciences firms, as many were experiencing a significant delay in product approvals by Mexico's regulatory agency, COFEPRIS. Although the legal timeframe for approvals is three months, in practice it was taking two to three years - effectively blocking market access for UK firms. To address this, DBT led a series of initiatives to support COFEPRIS in streamlining its evaluation processes, including two technical missions with the UK's MHRA focused on cost-benefit analysis and regulatory reliance. Consequently, COFEPRIS restructured its team and released over 390 previously delayed products, unlocking an estimated GBP £170 million in commercial value for the UK and directly benefiting 14 UK companies across multiple sectors, creating a more predictable and accessible regulatory environment for future trade.

Another opportunity is clinical research - with Brazil and Colombia in particular, both scaling their capacity, particularly for late-phase trials and real-world evidence generation. UK companies can provide expertise in trial design, decentralised trials, and regulatory alignment, leveraging the UK's global reputation for quality and compliance. Again, this has been evident in some recent DBT successes, with the team in Colombia addressing a market access barrier that resulted in Convatec – a medical products and technologies company headquartered in the UK - being able to conduct the phase 4 clinical trial for one of their most innovative products. The results of these trials are critical for the product's entry into many countries - such as Brazil, the United States, Japan - and the projected sales for the next five years is approximately GBP £180 million.

Professional & Business Services

The UK's ambition is to remain the world's most trusted adviser by 2035, leveraging its expertise in legal, accounting, consulting, engineering, architecture, and project management. These services underpin global trade and investment, helping businesses navigate complexity, manage risk, and deliver large-scale projects. The UK is the second-largest exporter of Professional & Business Services (PBS) in the world and its PBS exports have grown dramatically from GBP £117 billion in 2019 to GBP £183 billion in 2024.

There is high demand for UK PBS services in Latin America and the infrastructure development in the region is a useful lens through which to examine this, showcasing both the breadth of the UK's PBS offer, and the scale of growth opportunities given the size of the infrastructure pipeline in Latin America. According to the Inter-American Development Bank, infrastructure gaps in Latin America and the Caribbean exceed USD $250 billion annually.

Major investments in energy projects (renewables, transmission), social infrastructure programmes (schools, hospitals), and particularly high-profile transport initiatives (metro, rail, aviation) require world-class advisory and technical services. UK firms can add value through the project lifecycle, including through:

- Architecture and Design: Applying sustainable design principles and digital tools (such as Building Information Modelling) to meet ESG and efficiency standards.

- Engineering and Project Management: Delivering complex infrastructure under PPP or government-to-government models, ensuring cost control, quality assurance, and timely delivery.

- Legal and Regulatory Advisory: Supporting contract structuring, dispute resolution, and compliance with international standards.

As Latin American economies modernise, the growing demand for high-quality advisory services - across digital transformation, the clean energy transition, and infrastructure development - presents a prime opportunity for UK professional and business services firms to expand their footprint, deliver tailored solutions, and drive commercial success in a dynamic and evolving market.

Case Study:

UK–Peru Government-to-Government Partnerships

The Pan-American Highway passing through Peru, (Credit: Matthew Coxon)

The Trade Strategy sets out how UK Government Partnerships are opening global markets, using a government toolkit that combines technical assistance, regulation sharing, diplomacy, and financing via UKEF. The UK's partnerships work with Peru is the most developed in Latin America and is one of the best examples globally of this approach in action.

Since 2017, the UK and Peru have signed four Government-to-Government (G2G) agreements, positioning the UK as a trusted partner in delivering large-scale infrastructure projects with international best practices. These include:

1. **Lima 2019 Pan American Games:** Delivered world-class sports infrastructure and set new standards for transparency and sustainability, later supporting Peru's COVID-19 response.

2. **Reconstruction with Changes Programme (ongoing):** Accelerating the delivery of 74 schools, 18 healthcare facilities, and flood control projects benefiting over 5 million Peruvians.

3. **Bicentennial Schools (ongoing):** Building 92 schools nationwide, improving education for more than 120,000 students.

4. **High-Complexity Hospitals Programme (ongoing):** Developing three major hospitals to serve 8 million people, alongside the creation of the UK–Peru Healthcare Partnership to drive innovation in health systems.

UK PBS firms - such as Arup, Aecom UK, Currie & Brown, Gleeds, Mace - are at the centre of delivering these agreements, which have enabled over GBP £8 billion of infrastructure development in Peru, whilst resulting in over GBP £500 million of UK exports to date. The UK government, in collaboration with industry, are now assessing further partnership opportunities, particularly in the rail sector given Peru's ambitious expansion plans. This includes two major projects valued at GBP £15 billion: the Lima-Ica railway, and the construction of metro lines 3 and 4 in Lima, with plans to expand this in the future.

For each programme, a consortium of UK companies has formed a Project Management Office (PMO) to oversee the planning, monitoring, and controlling large-scale projects to ensure efficiency, transparency, and timely delivery. The results of UK PMOs speak for themselves, delivering a record number of more than 110 schools, 10 health facilities and eight integrated solutions for flood control in unprecedent timeframes. Likewise, entities engaged in G2G partnerships with the UK are at the forefront of national budget execution, driving progress at scale.

They have also created spaces for Peru to trial and adopt international best practices – digital tools, such as Building Information Modelling (BIM) and standardised contracts. In 2024, Peru passed new procurement legislation modelled on that of the UK's - including a "value for money" principle, the use of standardised contracts, and explicit reference to complying with FTA commitments (including CPTPP). In parallel, Thomas Telford Ltd - the commercial arm of the Institute of Civil Engineers - signed an MoU with Peru's Ministry of Economy and Finance to develop the first Spanish language version of these contracts, which are now beginning to be utilised in the Peruvian market. Having the translated version of these contracts will ease their adoption across Latin America and will improve the market access for UK firms, many of which already have experience utilising these agreements.

Case Study:

UK Export Finance: Financing Partnerships for Latin American Infrastructure

Infrastructure under construction in Brazil, (Credit: Tioni Oliv)

The UK Department for Business and Trade in partnership with UK Export Finance, is driving collaboration between UK suppliers and leading Engineering, Procurement and Construction (EPC) contractors across Latin America and the Caribbean. This approach aims to unlock large-scale infrastructure and energy projects by combining UK technical expertise with regional delivery capability, supported by flexible financing solutions.

Why UKEF Matters

UKEF ensures that no viable UK export fails for lack of finance or insurance. Through competitive loans and guarantees to overseas buyers, UKEF helps de-risk investment and mobilise capital into critical projects - covering sectors such as transport, clean energy, water, and digital connectivity. With billions of pounds in country cover limits across Latin America, UKEF can complement existing funding sources and accelerate project delivery.

The EPC Opportunity

For international EPC contractors seeking to develop major infrastructure projects in Latin America, UKEF offers competitive, long-term financing that can complement existing funding sources and accelerate project delivery. To qualify, they will need to incorporate UK content - goods, services, or expertise - into their project delivery. For EPC contractors, this model presents a compelling proposition: access to UKEF-backed finance, coupled with the opportunity to integrate high-quality UK content into their project pipelines. For UK companies, it opens the door to new markets and long-term commercial relationships with some of the region's major infrastructure players.

New Tools for Early Engagement

The recently launched **Early Project Services Guarantee (EPSG)** enables international buyers to now procure early-stage services - such as feasibility studies and design - from UK firms on competitive finance terms. This should enable more major projects to be realised, and ensures UK participation in these projects from the outset.

Conclusion

Looking ahead to 2026 and beyond, the UK's commercial engagement with Latin America is entering a new phase - characterised by deeper partnerships and shared ambitions for sustainable growth. The region's appetite for innovation, infrastructure, and inclusive development matches the UK's strengths in high-value services, advanced technologies, and clean energy solutions.

The UK Government wants to help businesses realise this potential. To fully capitalise on these opportunities, UK businesses must continue to engage early, build local partnerships, and leverage government support mechanisms. Regulatory cooperation, market access work, and strategic financing will remain critical enablers, and the UK's Trade Strategy sets out how it can deploy these levers to support UK businesses to succeed globally.

The UK's Department for Business and Trade exists to help businesses of all sizes succeed in the region. For more information, contact: exportsupport.latac@fcdo.gov.uk

Prime Minister Sir Keir Starmer visiting a factory in the UK, (Credit: Lauren Hurley / No 10 Downing Street)

Social Outlook

The social condition of Latin America – Ten key trends towards 2026

By Jean-Christophe Salles, CEO Ipsos Latin America

March for International Women's Day, Mexico City

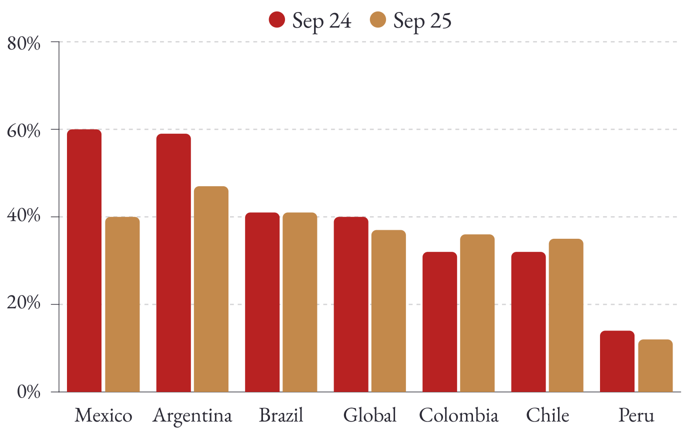
Introduction

Latin American society is experiencing a profound and accelerated transformation. Drawing on data from multilateral organisations and Ipsos opinion polls, ten social trends can be identified for the six largest countries in the region - Argentina, Brazil, Chile, Colombia, Mexico, and Peru - that are poised to shape its trajectory through 2026 and beyond. The assessment evaluates macro-social indicators for each nation, aiming to present a balanced perspective that considers both progress and persistent challenges.

Whilst it is essential to recognise the difficulties facing the region, an exclusive focus on these issues risks obscuring the substantial advancements Latin America has achieved in recent years across a wide range of metrics. Although further improvement remains necessary, there is considerable justification for adopting a stance of cautious optimism.

An analysis of public sentiment across Latin America reveals that approximately one-third of respondents believe their country is moving in the right direction. Although this figure remains broadly consistent with last year's results, there is now greater uniformity among the region's major countries, with most aligning closely with the global average, based on data from 30 countries, except for Peru, which continues to diverge from this trend.

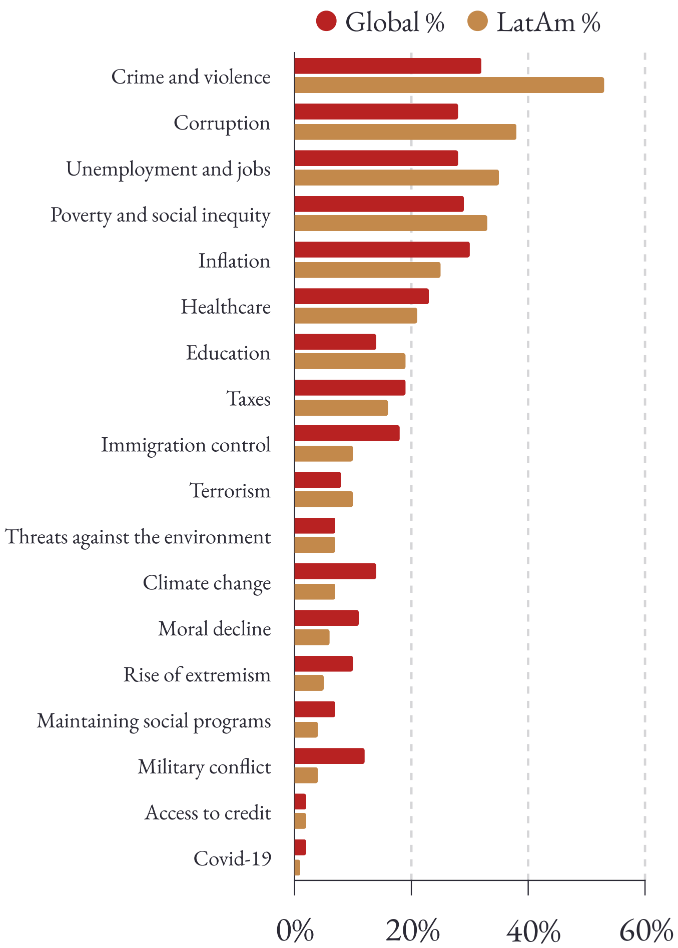
% of citizens that believe their country is heading in the right direction



Source: Ipsos Global Advisor Sept 2025 & Sept 2024

In terms of public concerns, crime and violence emerge as the predominant issues across Latin America, registering 21% above the global average and reflecting a six-point increase compared to the previous year. Corruption ranks as the second most pressing concern, exceeding the global average by ten points and rising seven points year-on-year. Unemployment is the third most cited issue, closely followed by poverty and social inequality, which are reported by 35% and 32% of respondents respectively - both notably more salient in Latin America than in other regions. Conversely, Latin Americans express comparatively lower levels of concern regarding inflation, taxation, climate change, immigration control, the rise of extremism, and military conflict when measured against global averages.

What worries Latin Americans



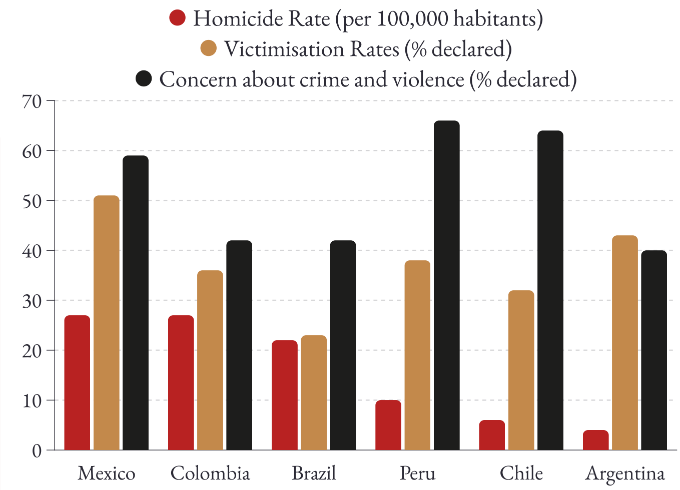
Source: Ipsos Global Advisor, sept 2025

1. Crime and violence: Expansion of organised crime

In 2024, Latin America continued to rank as the most violent region globally in terms of homicide rates, accounting for approximately one-third of all murders worldwide despite comprising less than 10% of the global population. Although homicide statistics remain the most robust and internationally comparable measure of violence, they do not capture its full scope. Victimisation surveys provide a complementary perspective, with over one-third of respondents in the region reporting that they or a family member had been a victim of crime or violence within the past year. This rate is nearly three times higher than the global average and has shown little variation in recent years. Unlike homicides, these levels of victimisation are more evenly distributed across Latin American countries.

The societal impact of crime and violence can also be gauged through public concern. Notably, countries with the highest homicide rates or victimisation levels are not always those where citizens express the greatest apprehension. Chile and Peru, for instance, rank among the most concerned populations in Latin America regarding crime and violence, despite recording some of the region's lowest homicide rates. This disparity suggests a significant divergence between perceived insecurity and actual crime statistics. Such a phenomenon may be influenced by the role of media and social networks, which tend to amplify violent and sensational incidents.

Homicide rates, victimisation rates, and concern about crime and violence



Sources: Organised crime and violence in Latin America, World bank April 2025 & Ipsos Global Advisor Sept 2025

Regardless of the metric used, preliminary data and reports from 2025 indicate that violence continues to pose a critical threat across Latin America, largely fuelled by the expansion of organised crime. In recent years, criminal networks have significantly diversified their illicit operations beyond drug trafficking, extending their reach into countries such as Chile and Peru. These groups now simultaneously exploit a range of illegal economies, including unregulated mining - particularly of gold and silver - illegal fishing, extortion targeting individuals and businesses, migrant smuggling,

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and human trafficking. According to 2025 assessments by the World Bank and the Inter-American Development Bank (IDB), the economic cost of organised crime in the region amounts to 3.4% of GDP, surpassing public investment in infrastructure.

In Chile, public perceptions of insecurity have reached unprecedented levels, prompting the government to implement its first National Policy Against Organised Crime. This strategic response aims to confront the escalating presence of criminal groups involved in extortion, contract killings, and drug trafficking. The recent emergence of crimes such as kidnapping, along with the establishment of drug trafficking routes to Europe, has raised significant concern in a country that historically viewed itself as a regional outlier in terms of security.

Peru is confronting a critical security challenge posed by Organised Criminal Groups (OCGs) associated with illegal mining, which operate with considerable violence and expanding influence across multiple regions of the country. The rate of victimisation has risen markedly, and public concern regarding crime and violence ranks among the highest both regionally and globally. In response, the Peruvian government has initiated the deployment of specialised enforcement units and is intensifying international cooperation - particularly with Chile - to jointly address transnational criminal networks that jeopardise the stability of both nations.

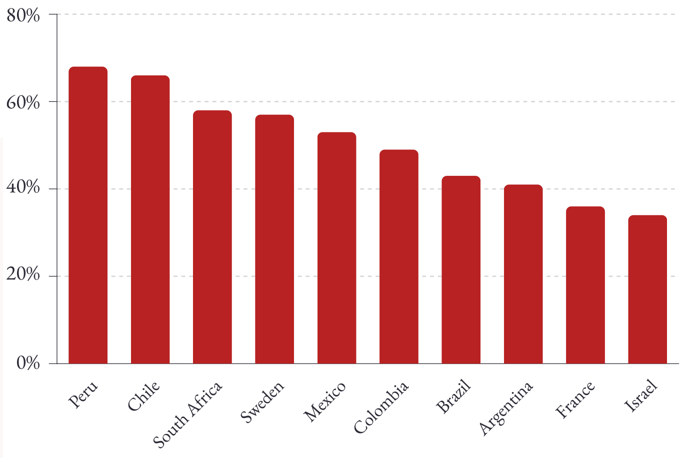
In Colombia, authorities seized 600 tonnes of cocaine in the first half of 2025. In Mexico, between October 2024 and June 2025, 172 tonnes of various drugs were seized, and more than 990 clandestine laboratories were dismantled.

Evidence suggests that various OCGs originating in Mexico (Sinaloa Cartel and Jalisco New Generation Cartel), Brazil (First Capital Command and Red Command), Venezuela (Tren de Aragua), Ecuador (Los Choneros and Los Lobos), and Colombia (Clan del Golfo and Ejército de Liberación Nacional), have also been extending their influence beyond their borders.

Sixth anniversary of the Nacional Guard of Mexico, (Credit: Government of Mexico)

As of September 2025, the six largest countries in Latin America are all in the top 10 countries in the world most concerned about crime and violence, with Peru and Chile leading the global ranking.

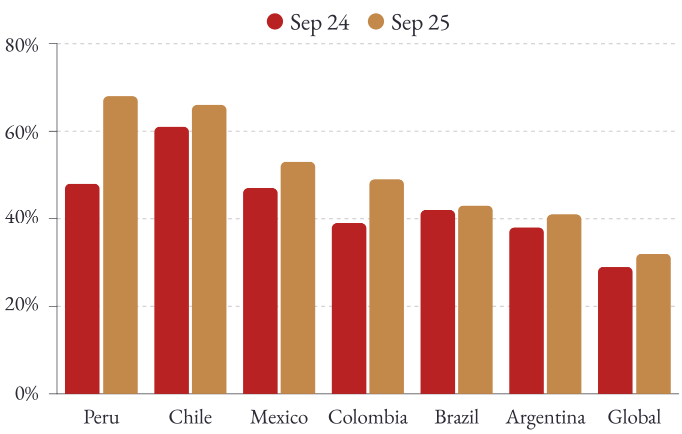
% of citizens that rank 'crime & violence' as one of thier top three concerns



Source: Ipsos Global Advisor, Sept 2025

Combating organised criminal groups has become an urgent imperative for safeguarding democracy and ensuring citizen security across Latin America. Governments throughout the region are responding with a combination of domestic initiatives and enhanced international cooperation, including efforts to dismantle the financial networks that sustain these organisations. Despite these measures, public concern regarding crime and violence has intensified over the past 12 months, with particularly sharp increases observed in Peru, Colombia and Mexico.

% of citizens that rank 'crime & violence' as one of their top three concerns

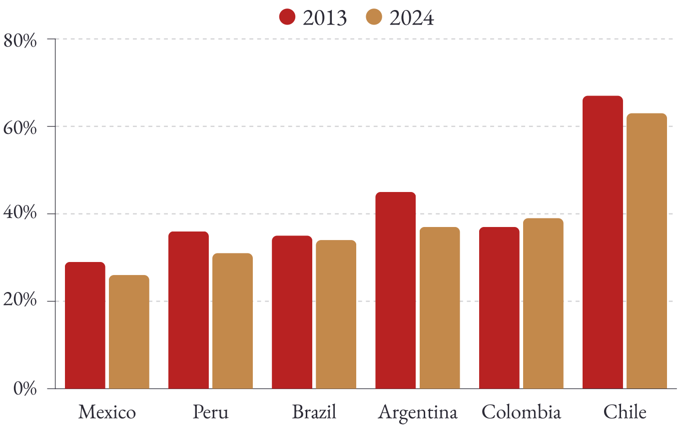


Source: Ipsos Global Advisor, Sept 2025 and Sept 2024

2. Corruption, trust and democracy: Fragile resilience

Corruption remains one of the main challenges in Latin America, negatively impacting democratic institutions and weakening public trust. According to Transparency International's Corruption Perceptions Index (CPI), the region shows little significant progress in the fight against corruption, with several Latin American countries ranking among the lowest in the world.

Perceived levels of corruption: Transparency International Corruption Perception Index (CPI)



Source: Transparency International 2024 report

Only Chile appears in the top 35 countries with the lowest corruption index, at levels similar to that of France or the United States. Argentina has regressed over the past decade and is now at a level of countries such as Colombia, Ethiopia, Indonesia, and Tunisia. Most of the other countries in the region are ranked between 100 and 130 out of 180 countries, at levels comparable to Ethiopia, Vietnam, Togo, and Laos. Mexico stands out as the least transparent of the six major countries and has seen the most significant decline over the last year.

Concern about corruption and financial or political scandals is now the second biggest concern for Latin Americans and is growing in almost every country in the region. A wave of recent corruption scandals is causing increasing apprehension amongst citizens, with revelations of bribery, embezzlement, and abuses of power. These cases, sometimes involving high-level officials, former presidents and business leaders, undermine the legitimacy of institutions and deepen the crisis of confidence in the ruling class. In almost all the major countries in the region, we find cases that support this phenomenon.

In Argentina, Karina Milei - the president's sister - was implicated in an alleged bribery scheme involving access to presidential meetings and the procurement of medicines for the National Disability Agency (ANDIS), contributing to a 12-point increase in corruption-related concern compared to the previous year. In Brazil, large-scale fraud uncovered in the pension system in 2025 affected millions of retirees and pensioners, similarly driving a 12-point rise in public concern. In Chile, the Hermosilla case - centred on the illicit exchange of privileged information and favours in legal investigations - led to a six-point increase. Mexico witnessed the exposure of the so-called "Huachicol fiscal," a fuel smuggling operation designed to evade taxes, with estimated losses in the billions of dollars; concern about corruption also rose by six points.

In Colombia, a notable recent case involves the son of President Gustavo Petro, Nicolás Petro. He was indicted on charges including illicit enrichment and money laundering. In Peru, a major development in the widespread Odebrecht scandal occurred in October 2024, when former President Alejandro Toledo was sentenced to 20 years and six months in prison. He was found guilty of accepting USD $35 million in bribes from the Brazilian construction company Odebrecht in exchange for a lucrative highway construction contract. Another former president, Ollanta Humala, was also found guilty of money laundering in April 2025 in connection with the same scandal. In Peru, corruption is perceived as endemic, with the country ranking third globally in terms of public concern on this issue. Currently, 57% of Peruvians identify corruption as one of their top three concerns, marking a six-point increase from the previous year.

Oil and gas pipeline running through the desert (Credit: Forest Guardians)

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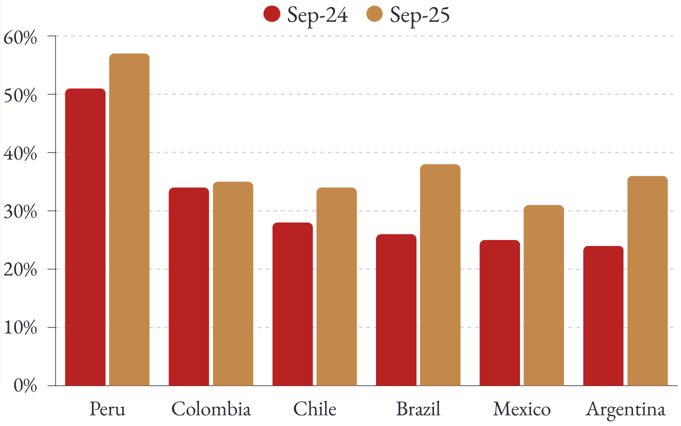
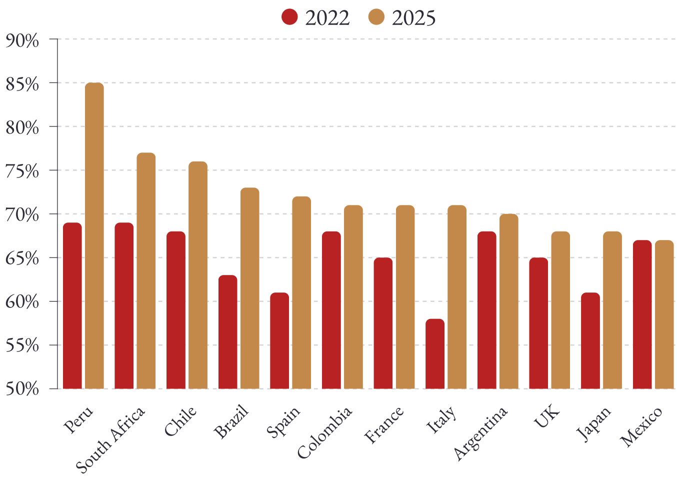
% of citizens that rank 'corruption, financial or polical scandals' as one of their top three concerns



Source: Ipsos Global Advisor Sept 2025

The proliferation of corruption cases has contributed to a deepening sense of political alienation among citizens across Latin America. Currently, 74% of respondents agree with the statement that "traditional parties and politicians do not care about people like me" - a figure that represents a seven-point increase since 2022 and stands ten points above the global average. This sentiment is particularly pronounced in Peru (85%) and Chile (76%), underscoring the erosion of public trust in political institutions and the widening gap between governments and the populations they serve.

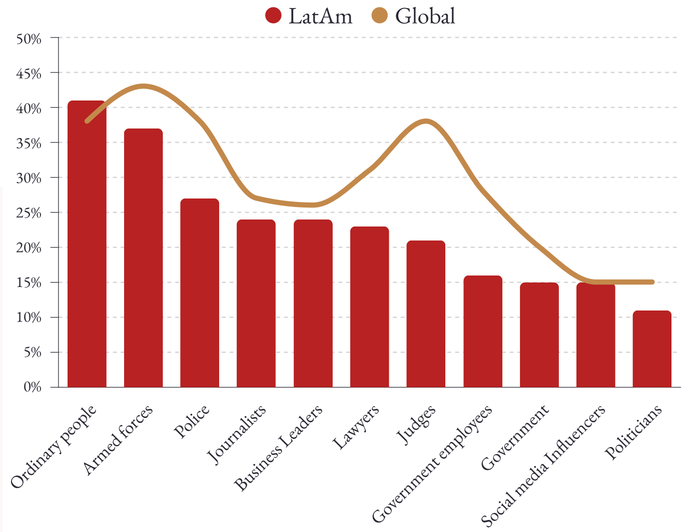
% of citizens that believe 'political parties and politicians don't care about people like me'



Source: Ipsos populism report 2025 and 2022

As in previous years, low levels of institutional trust persist across Latin America, closely linked to widespread concerns about corruption. A snapshot of public opinion reveals that only 37% of Latin Americans express trust in the armed forces, compared to a global average of 43%. Trust in the police stands at 27%, versus 38% globally; lawyers receive 23% trust, compared to 31% worldwide; and judges are trusted by just 21% of respondents, significantly below the global benchmark of 38%. These figures underscore a broader crisis of confidence in key institutions across the region.

% of citizens that believe the following groups are trustworthy

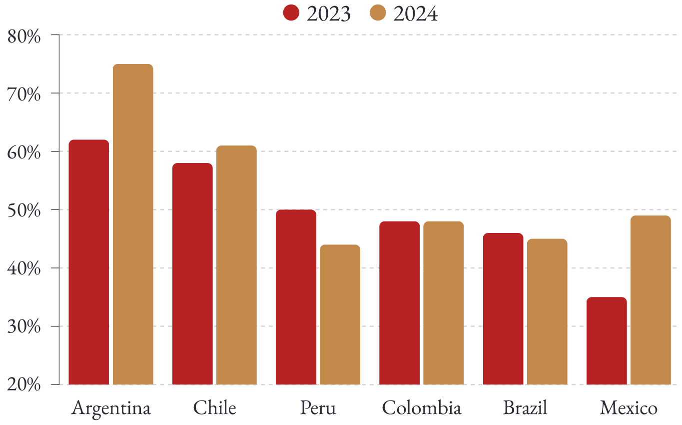


Source: Ipsos Trust worthiness Index, Oct 2024

Despite the low level of trust in institutions and high corruption concerns, support for democracy is growing, according to the latest Latino Barometer report Resilient Democracy, published in December 2024. 52% of Latin Americans support democracy, 4% more than in 2023. This trend is particularly noticeable in Mexico and Argentina. The continuity of the ruling party in the presidential election in Mexico has led to a 14% increase in support for democracy, from 35% in 2023 to 49% in 2024, with the election of its first female president - Claudia Sheinbaum; and in Argentina, the election of Javier Milei as president saw a 13% increase in support for democracy, bringing support to 75%, the highest level in the region.

President Milei of Argentina speaking at the 2025 Conservative Political Action Conference (Credit: Gage Skidmore)

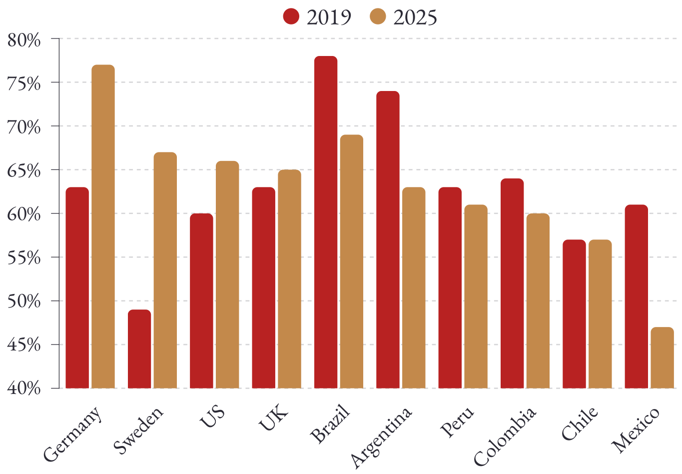
% of citizens that believe 'democracy is preferable to any other form of government'



Source: Latino Barometer 2024

When examining public perceptions of systemic dysfunction, Latin America shows notable improvement. In 2019, a significant majority of Brazilians (78%) and Argentines (74%) viewed their systems as among the most broken globally. However, this trend appears to be reversing. Today, a smaller proportion of Latin Americans perceive their systems as broken compared to citizens in Germany, Sweden, the United Kingdom, and the United States.

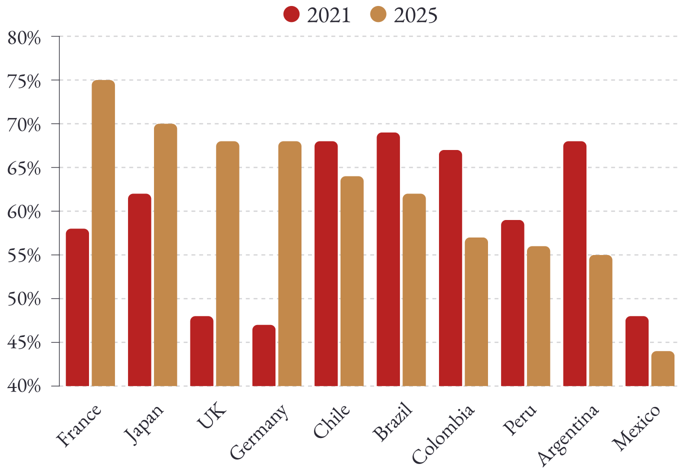
% of citizens who believe that their 'society is broken'



Source: Ipsos: Populism in 2025

This trend becomes even more pronounced when examining perceptions of societal decline. Today, citizens in France, Japan, Germany, and the United Kingdom are more likely than those in Latin America to believe their societies are in decline. Over the past four years (2021–2025), this sentiment has decreased across Latin America whist increasing in the aforementioned countries. These shifting perceptions suggest that Latin America is undergoing a period of improvement. A more optimistic societal outlook among its citizens may foster stronger social cohesion, enhance the relationship between leaders and the public, and potentially reduce the appeal of populist movements.

% of citizens who believe that their 'country is in decline'

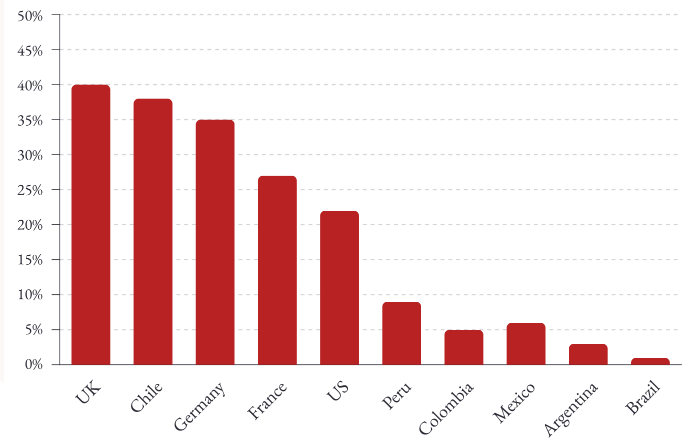


Source: Ipsos Populism in 2025

3. Migration and globalisation: Increasing sentiment towards China

Although Venezuelan migration represents one of the largest and most complex migratory movements in Latin America's recent history, it remains a relatively low priority for most citizens across the region, with the notable exception of Chile.

% of citizens that rank 'immigration control' as one of their top three concerns



Source: Ipsos Global Advisor sept 2025

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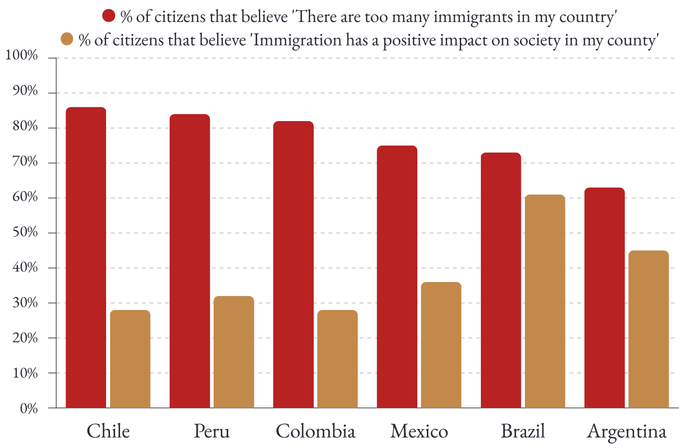
Since the onset of the crisis in 2015, over seven million Venezuelans have fled the country - amounting to nearly 25% of the national population, according to data from the International Organization for Migration (IOM) and the UN Refugee Agency (UNHCR). Although migration flows have stabilised in 2025 compared to the peak years between 2018 and 2021, the scale of displacement remains significant. Data from the Inter-Agency Coordination Platform for Refugees and Migrants from Venezuela (R4V) highlights the regional impact: Colombia has received approximately 2.8 million Venezuelans, accounting for over 40% of the total displaced population and representing 6% of Colombia's population; Peru hosts around 1.7 million migrants, making it the second-largest destination and home to 5% of the Peruvian population; Chile has welcomed 700,000 Venezuelans, with a marked increase over the past five years, now comprising 4% of its population; Brazil has also received 700,000 migrants, many of whom enter through the northern border state of Roraima; and Argentina has taken in 200,000 migrants, reflecting a more moderate growth in its reception of Venezuelan nationals.

The rapid growth of the migrant population has elicited predominantly negative reactions across many receiving societies in Latin America. According to Ipsos data from 2025, 86% of Chileans, 84% of Peruvians, and 82% of Colombians believe there are too many immigrants in their countries. Furthermore, approximately two-thirds of respondents in these nations perceive immigration as having a detrimental impact on their societies. In contrast, public sentiment in Brazil is notably more positive. A majority of Brazilians (61%) view immigration as beneficial to their society, reflecting a more open-minded stance. Overall, attitudes toward immigration in Latin America - and globally - are becoming increasingly negative. In 2025, 77% of Latin Americans reported that their countries host too many immigrants, marking a two-point increase from 2024. Meanwhile, only 38% believe immigration has a positive impact, a decline of three points from the previous year.

Perceptions of Immigration

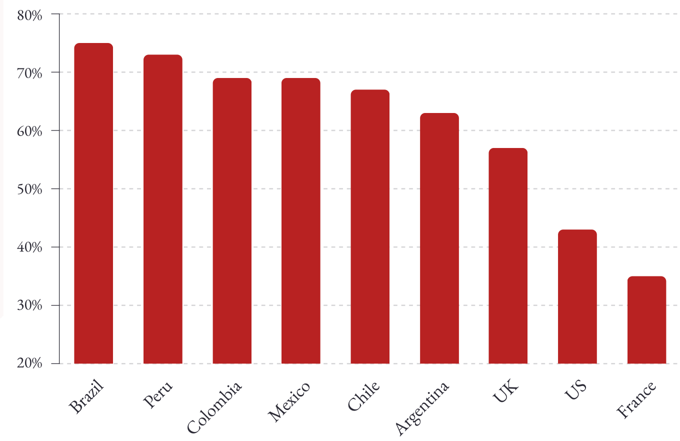


Source: Ipsos global trends 2025

Migrants camped at the US border, Tijuana, Mexico

Beyond immigration, Latin Americans demonstrate a strong openness to globalisation - a trend shared by many emerging economies and contrasting sharply with attitudes in more developed nations, particularly in Europe. In 2025, 69% of Latin Americans reported that "globalisation is good for them and their countries," reflecting a seven-point increase over the past decade and exceeding the global average by five points. By comparison, support for globalisation is significantly lower in several advanced economies. Only 35% of French citizens view globalisation positively, alongside 43% of Americans - a six-point decline from the previous year - and 57% of British respondents.

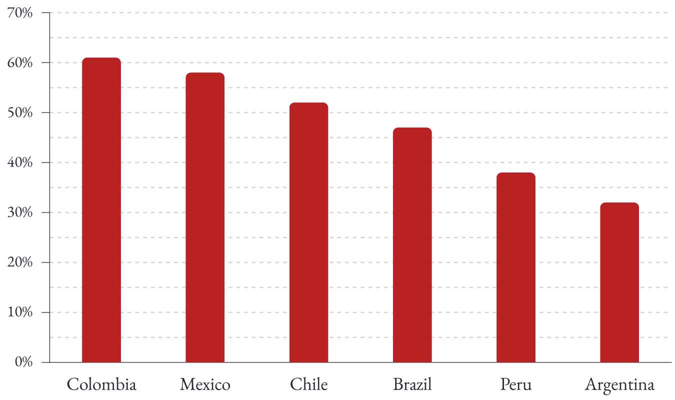
% of citizens that believe 'globalisation is good for my country'



Source: Ipsos global trends 2025

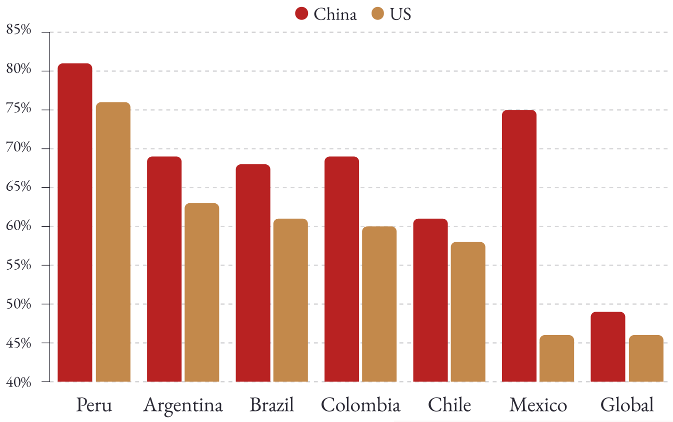
Latin Americans' openness to globalisation is increasingly linked to a reorientation of attitudes, with China viewed more positively and the United States less favourably. In 2025, half of Latin Americans (excluding Argentines) believe that President Donald Trump's policies will negatively impact their national economies. Moreover, a growing number of citizens across the region view China as having a more positive influence on global affairs than the United States. This sentiment is particularly pronounced in Mexico, where China is viewed 29 points more favourably than the US. The contrast is more modest in Chile and Argentina, with China leading by three and six points respectively.

% of citizens that believe President Trump's politics will 'have a negative impact on my country's economy'



Source : Ipsos – Atttudes toward Donald Trump's politics, May 2025

% of citizens that believe the US and China have a 'positive influence on global affairs'



Source: Ipsos - Does the US have a positive impact in the world? April 2025

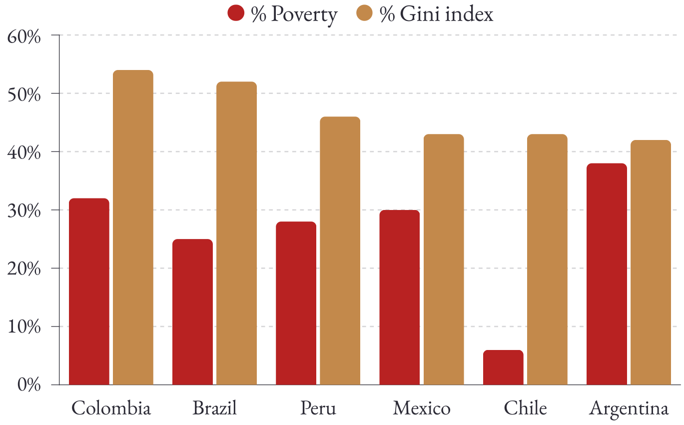
4. Poverty and inequality: Reduction in poverty, lags in inequality

According to the World Bank, poverty rates in Latin America and the Caribbean (LAC) have reached their lowest level in a century. In 2024, 24% of the population lived on less than USD $6.85 per day (measured in purchasing power parity), representing a half-point decline from 2023. This milestone is partly attributed to effective inflation control across the region, with particularly notable progress in Argentina.

Brazil and Mexico, the region's two largest economies, have been key drivers of this reduction. Targeted public policies promoting social inclusion, sustained economic growth, and expanded welfare programmes have significantly improved living conditions for millions of citizens.

Whilst the reduction in relative poverty across Latin America is undeniably impressive, progress in addressing inequality has been more modest. As of the end of 2024, most countries in the region continue to fall below the World Bank's threshold for high inequality, defined by a Gini coefficient exceeding 40.

% Relative poverty per country and Gini Index

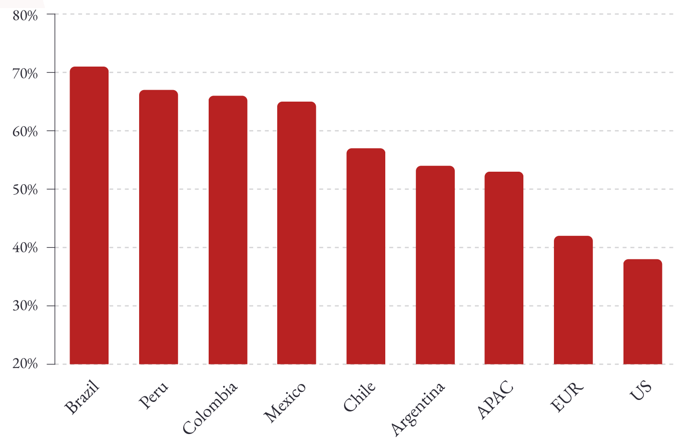


Source: World Bank 2025 and country estimates

Inequality remains a pressing concern for most Latin Americans, with a majority identifying it as one of the most important problems facing their country today. In 2025, this concern intensified in Argentina, reflecting growing public unease, whilst in Brazil, perceptions of inequality showed a notable decline.

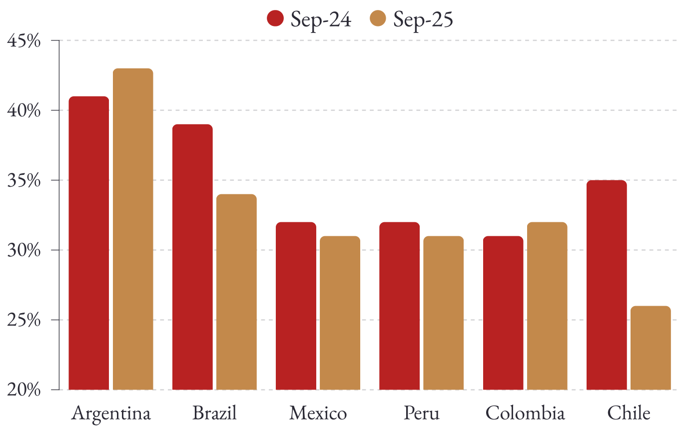
Informal dwellings in Medellín, Colombia

% of citizens that believe 'inequality one of the most important problems in my country'



Source: Ipsos equality index report 2025

% of citizens that rank 'poverty and social inequality' as one of their top three concerns



Source: Ipsos Global Advisor, What Worries the World

Persistently high levels of inequality may help explain the rise in social problems and insecurity across the region. Disparities in income, opportunities, and access to essential services are widely recognised as structural drivers of violence. These inequalities can undermine trust in institutions and contribute to a broader sense of insecurity within society.

5. Population ageing: Accelerated transition

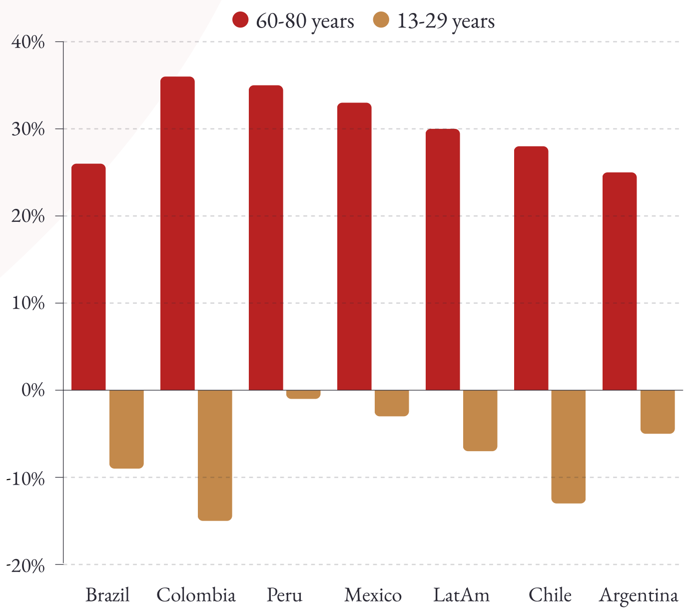
One of the most significant social changes that the region will experience in the coming years will be the ageing of its population, characterised by increased life expectancy and a decline in the birth rate.

According to the United Nations' World Population Prospects 2025, Latin America's population is currently expanding at a rate below the global average - a trend projected to intensify in the coming years. Demographic forecasts indicate that the region will undergo the most rapid ageing process globally over the next several decades. By the year 2030, individuals aged 60 and above are expected to outnumber those under the age of 15 across Latin America.

As of 2024, Latin America is experiencing significant demographic shifts. The region's fertility rate has reached a historic low of 1.8 children per woman, a marked decline from 2.6 in 2000 and 4.6 in 1975. Concurrently, life expectancy has risen to 75 years, up from 70 years in 2000, and the average age of the population has increased from 27 to 32 years over the same period (United Nations, 2024).

In the coming years, population growth across Latin America is expected to slow considerably, with some countries, such as Chile, potentially entering a phase of population decline. By 2035, the demographic composition will shift notably. The population aged 60 to 80 is projected to increase by 30%, whilst the 13 to 29 age group is expected to decrease by 7%. In Brazil specifically, the 60–80 age cohort will grow by 26%, contrasted with a 9% decline in the younger 13–29 demographic. These trends will affect all major countries in the region, with Chile experiencing the most pronounced changes and Peru the least.

Estimated changes in age demographics 2025 - 2035



Source: CEPAL 2025

The demographic transformation underway in Latin America presents a complex set of policy challenges. Whilst a declining youth population may ease pressure on education systems, the rapid ageing of the population is expected to strain pension schemes and healthcare infrastructure. A growing prevalence of chronic conditions - such as hypertension and diabetes - among older adults is a key concern. In Brazil, 69% of individuals aged 65 and over are projected to suffer from at least one chronic illness by 2025, marking a 15% increase over the past decade.

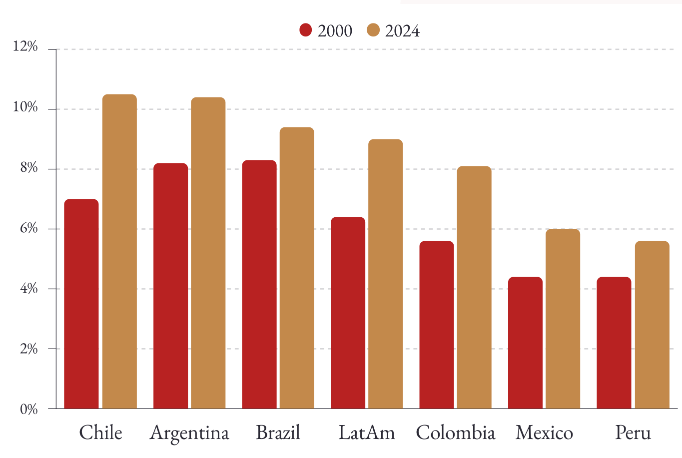
Looking ahead, the financial implications will likely be significant. By 2030, public health expenditures related to ageing are expected to represent 12% of Brazil's gross domestic product (GDP). Without comprehensive structural reforms, this trajectory could pose a serious threat to the stability of the national budget.

6. Health: Mental health emergency

According to the World Bank, drawing on data from the World Health Organization, current health expenditure in Latin America - measured as a percentage of GDP - has shown a favourable upward trend over the past two decades. Regional spending increased from 6% of GDP in 2000 to 9% in 2024, with several countries approaching the global average of 10%.

In 2024, Argentina's health expenditure reached 10.4% of GDP, up from 8.2% in 2000. Brazil reported a similar increase, with spending rising from 8.3% in 2000 to 9.4% in 2024. Colombia's expenditure grew from 5.6% to 8.1% over the same period. Chile's health spending rose from 7% in 2000 to 10.5% in 2022. Meanwhile, Peru and Mexico both saw increases from 4.4% in 2000 to 5.6% and 6% of GDP in 2024 respectively.

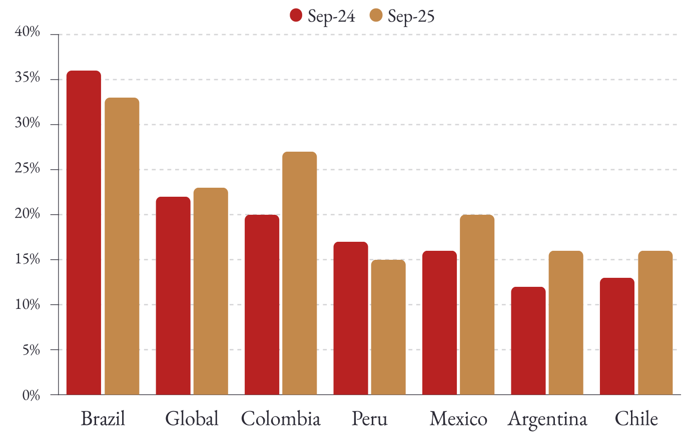
Healthcare spending as % of GDP



Source: World Health Organization 2024

In 2025, concern about health among Latin Americans increased by 2%, mirroring the global average. This issue is particularly pronounced in Brazil, where health ranks as the fourth most significant public concern. In Colombia, the trend is also intensifying, driven in part by President Gustavo Petro's controversial healthcare reforms.

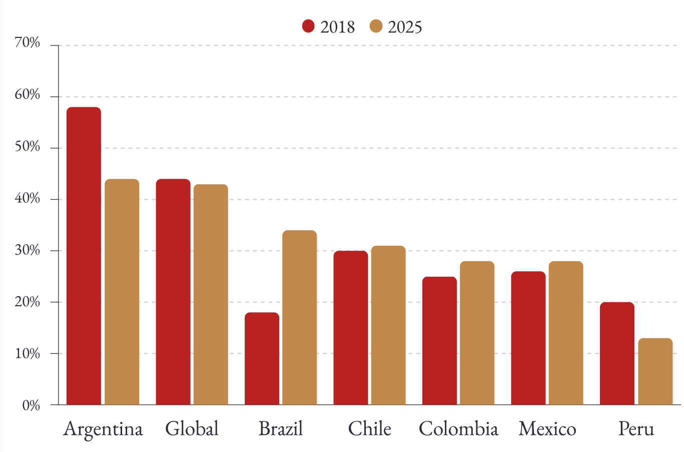
% of citizens that rank 'healthcare' as one of their top three concerns



Source: Ipsos Global Advisor: What Worries the World

Argentina stands out as the only country in Latin America where the majority of citizens perceive medical care as either good or very good, placing satisfaction levels above the global average. However, this positive assessment has declined markedly in 2025 compared to 2018. In contrast, satisfaction with healthcare in Brazil has increased over the same period, positioning the country as the second highest in the region in terms of public approval. Across other Latin American countries, perceptions of healthcare remain relatively unchanged between 2018 and 2025, with the notable exception of Peru, where satisfaction has deteriorated.

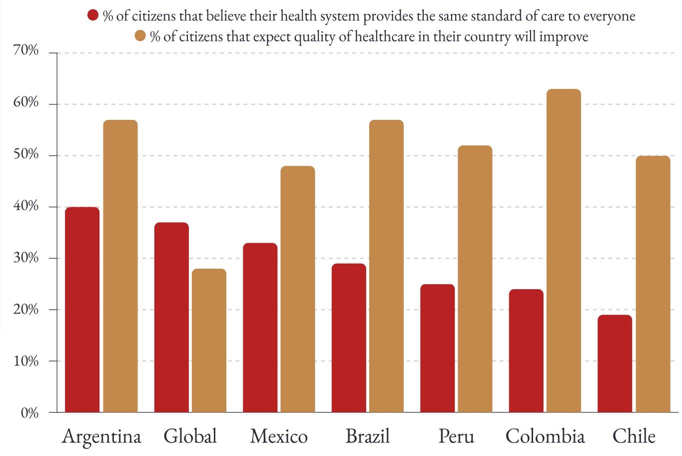
% of citizens that rank their quality of healthcare as either 'good or very good'



Source: Ipsos Health service report 2025

The Argentine healthcare system is perceived as the most egalitarian in the region, with 40% of Argentines affirming that it provides the same level of care to all citizens. This stands in sharp contrast to Chile, where the system is regarded as the most unequal. Notably, across Latin America there is a widespread expectation that the quality of healthcare will improve in the coming years - a sentiment expressed more strongly than the global average.

Healthcare accessibility and future quality improvements



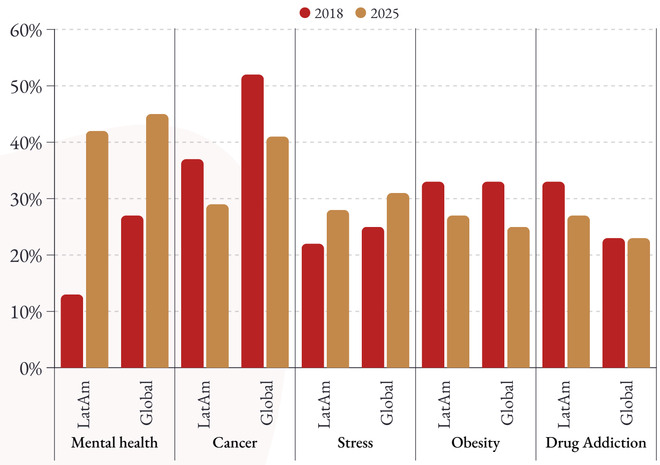
Source: Ipsos Health service report 2025

Mental health has emerged as the leading health concern across Latin America, cited by 42% of respondents, with Chile reporting the highest level at 68%. Four other issues follow at comparable levels: cancer (29%, led by Chile at 41% and Colombia at 40%), stress (28%, led by Argentina at 39%), obesity (27%, led by Mexico at 58%), and drug abuse (27%, led by Argentina at 45%).

Between 2018 and 2025, the profile of health concerns in the region shifted markedly. Mental health issues rose sharply, from 13% to 42% in Latin America and from 27% to 45% globally, a trend likely linked to the effects of the COVID-19 pandemic, including heightened anxiety, social isolation, and pervasive fear. Stress also increased, from 22% to 28% in Latin America and from 25% to 31% worldwide. By contrast, cancer declined as a primary concern, falling from 37% to 29% regionally and from 52% to 41% globally. Obesity followed a similar trajectory, decreasing from 33% to 27% in Latin America and from 33% to 25% globally.

National Chimaltenango Hospital, Guatemala

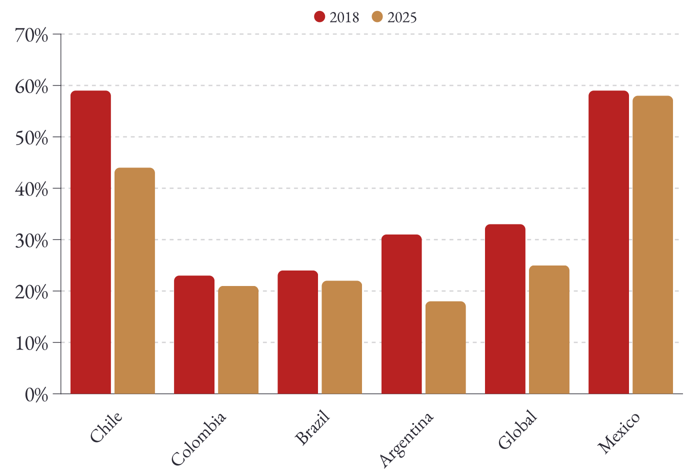
Key health concerns identified by citizens



Source: Ipsos health service report 2025

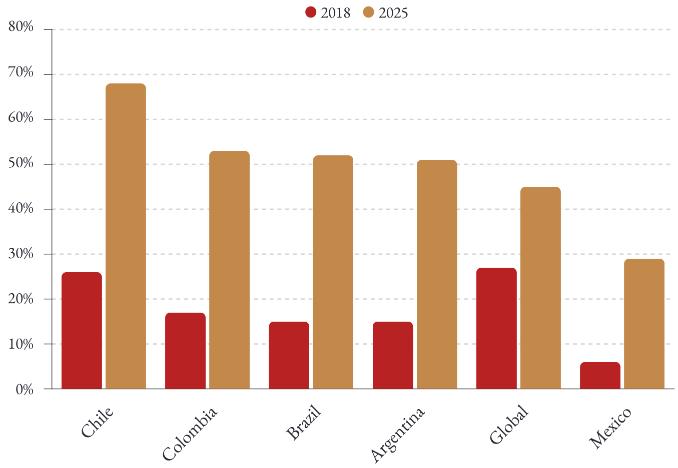
Chile stands out globally as the country where mental health is most frequently cited as the principal health challenge facing its population. The prevalence of this concern has risen steadily in recent years, with a marked acceleration following the onset of the COVID-19 pandemic in 2020. In contrast, obesity emerges as a more geographically concentrated issue, with Mexico and Chile being the only countries in Latin America where reported levels exceed the global average.

% of citizens that rank 'obesity' as the biggest healthcare problem facing thier country



Source: Ipsos health service report 2025

% of citizens that rank 'mental health' as the biggest healthcare problem facing thier country



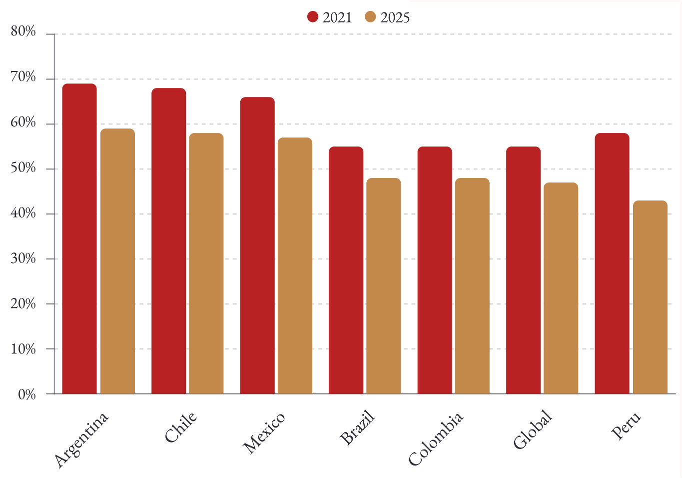
Source: Ipsos health service report 2025

7. New gender balance: Progressive women, conservative men

Latin America has witnessed significant social transformations in recent decades, reflecting greater openness to diversity and advances in gender equality.

The growing acceptance and visibility of the LGBT+ community has been one of the most marked social changes. However, in recent years, this trend towards inclusion seems to have stalled and even reversed in several countries. The visibility of the LGBT+ community is declining, as is public support, and this is happening uniformly across all countries in the region.

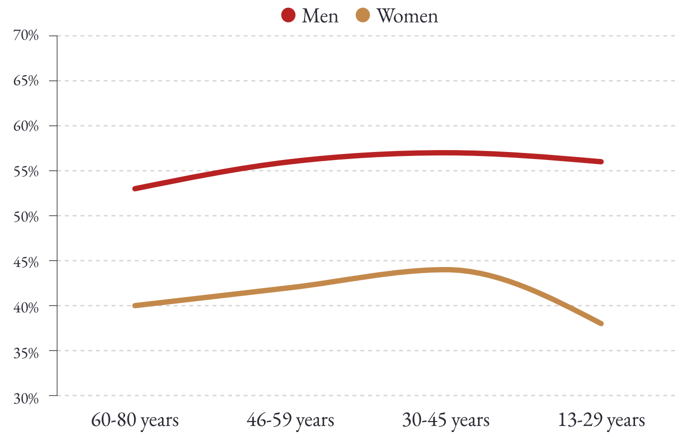
Support for LGBT+ Communities



Source: Ipsos LGBT+ pride report 2025

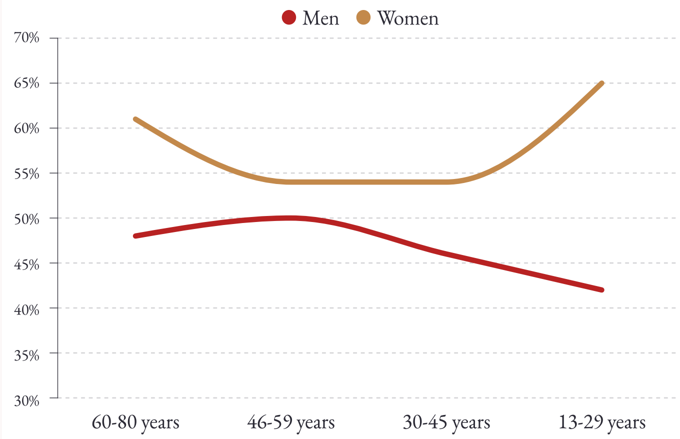
This social shift is not uniform across age groups or genders. Women consistently demonstrate greater openness to diversity and exhibit more progressive attitudes, whereas men tend to hold more conservative views. Support for the LGBT+ community is notably stronger among women across all age cohorts, whilst men - particularly younger men - express significantly lower levels of support. A similar pattern emerges in perceptions of gender equality: when asked whether "we have gone too far in promoting gender equality and are now discriminating against men," men - especially those in younger age groups - are more likely to agree, whereas younger women are more inclined to disagree. These divergences highlight a growing gender-based polarisation in attitudes toward social inclusion and equality.

% of citizens that believe gender equality discriminates against men



Source: Ipsos LGBT+ pride report 2025

Support for LGBT+ rights per age group



Source: Ipsos LGBT+ pride report 2025

Women are leading political and cultural advances, promoting agendas for equity and progress in gender equality. In the political sphere, female representation in public office has increased significantly. According to the Economic Commission for Latin America and the Caribbean (ECLAC), women hold 33% of parliamentary seats in the region, with notable examples such as Mexico (49%). In terms of labour force participation, women represent 42% of the workforce in the region, and significant progress has been made in women's access to higher education. According to UNESCO (2023), 55% of university students in Latin America are women, outnumbering men in most countries.

8. Education and technological disruption/AI: Window of opportunity

Education and skills accumulation are essential for addressing structural inequalities, improving social mobility, and fostering productivity growth in Latin America. According to the IDB report "The State of Education in Latin America and the Caribbean" (January 2024), three dimensions are key to educational development: financial resources, coverage and efficiency, and learning.

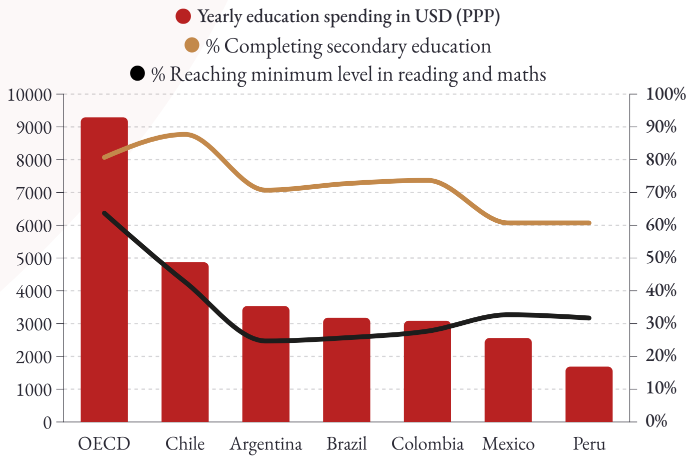
Over the past two decades, public spending on education in Latin America has increased significantly, rising by an average of 7% as a share of GDP. Despite this progress, per-student investment in primary and secondary education - measured in USD at purchasing power parity - remains three times lower than in OECD countries, contributing substantially to the region's lag in educational development.

A celebration of scholarships in Ecuador

Whilst primary education coverage has improved, access to secondary education continues to present challenges. On average, 35% of individuals aged 21 to 23 have not completed secondary school, with disparities in educational attainment evident across socioeconomic groups, rural populations, and racial and ethnic minorities. Overall, the average level of schooling in the region is 9.07 years - approximately two years less than the OECD average - corresponding to the completion of lower secondary education.

Moreover, learning outcomes remain comparatively low. According to PISA 2022 data, more than half of 15-year-old students in Latin America fail to reach minimum proficiency levels in reading and science, whilst in mathematics, this figure rises to 75%. These results underscore persistent challenges in educational quality and equity across the region.

Education spending; % reaching minimum competency level in reading & maths; % completing secondary education

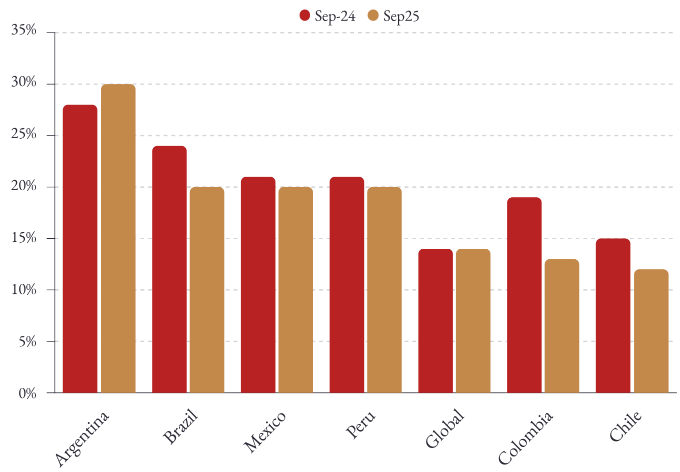


Source: BID Educatión outlook in Latin America (2025)

The digital divide is also one of the most significant obstacles to educational equality. According to a 2024 report by the Inter-American Development Bank (IDB), around 66% of households in Latin America have access to the internet, but this figure varies dramatically between and within countries. In Argentina, 89% of urban households have access to the internet, whilst in rural areas, only 24% of households have connectivity. The lack of access to technological devices is also critical. A 2023 UNICEF study revealed that 33% of secondary school students in the region do not have a personal computer or tablet at home, which seriously affects their academic performance.

Education continues to be a major concern for citizens across Latin America. In 2025, 19% of respondents in the region identified education as one of their top three concerns - substantially higher than the global average of 14% and among the highest levels recorded worldwide. Argentina currently registers the greatest level of concern regarding education, whilst Colombia has seen a notable decline, with concern falling from 19% in the previous year to 13% in 2025.

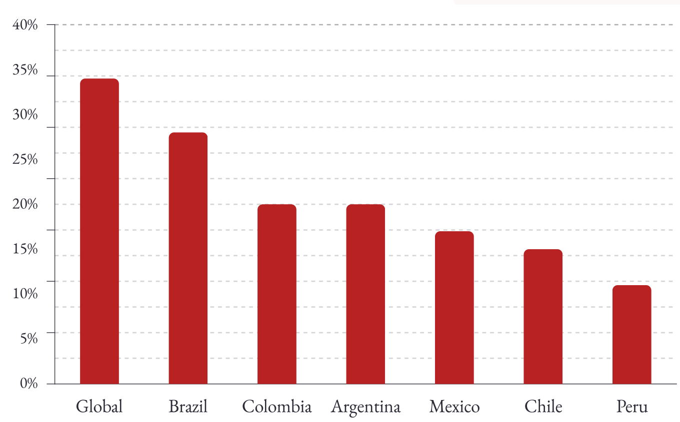
% of citizens that rank 'education' as one of their top three concerns



Source: Ipsos Global Advisor: What Worries the World

Perceptions of education quality remain low across Latin America. As of the most recent data, only 18% of Latin Americans rate their education system as good - well below the global average of 34%. Although this figure has remained relatively stable in recent years, notable national variations persist. In Brazil, 28% of respondents express a positive view of their education system, whilst in Peru, the proportion is significantly lower, reflecting deeper concerns about educational quality and performance.

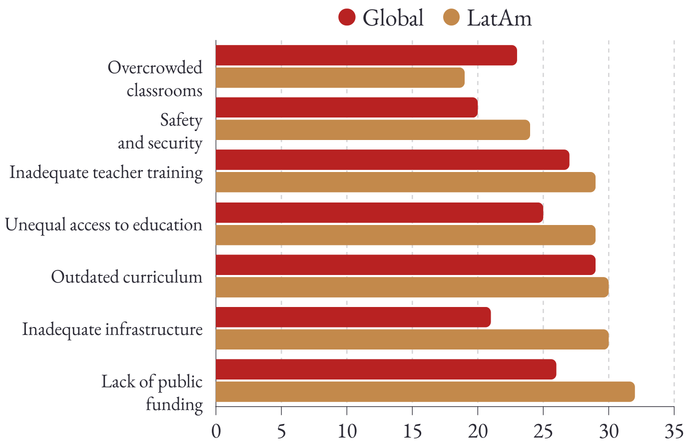
% of citizens that rank education as 'good' in their country



Source: Ipsos Global Education Monitor 2025

Looking at the challenges facing the education system, Latin Americans are more likely than the global average to recognise the lack of public funding, followed by an outdated curriculum, inadequate teacher training, inadequate infrastructure, and unequal access to education.

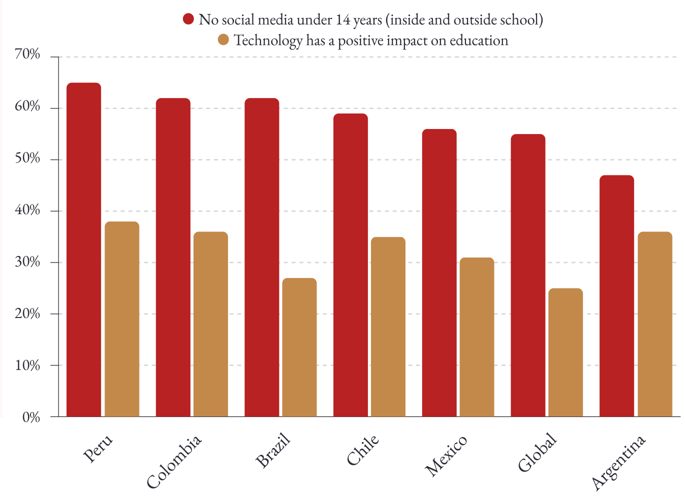
Greatest challenges facing education system: % of citizens that said this item was within their top three concerns



Source: Ipsos: education monitor 2025

Technology could play a positive role in education in the region. Whilst the majority of Latin Americans are in favour of banning the use of smartphones in schools and access to social media for children under 14 - both inside and outside of school, they are more likely than the global average to believe that advances in technology - including artificial intelligence - will have a positive impact on education in the future.

% of citizens that believe social media should be banned for under 14 year-olds, and that technology has a positive impact on education



Source: Ipsos global education monitor 2025

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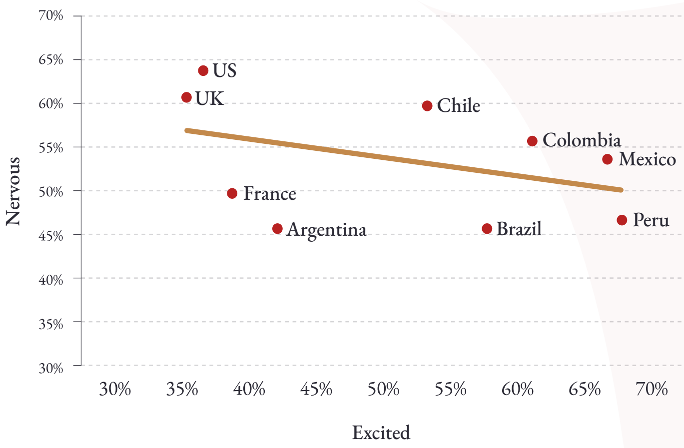
Latin America continues to demonstrate strong adaptability to technological innovation, as reflected in its reception of artificial intelligence. In 2025, 57% of Latin Americans expressed enthusiasm about AI - above the global average of 52% across 30 countries. Enthusiasm is particularly high in Mexico (65%), Peru (66%), Colombia (60%), and Brazil (57%). In contrast, Chileans show greater apprehension, with 60% feeling nervous, mirroring sentiment in the United States (64% nervous) and the United Kingdom (61% nervous). Additionally, 63% of Latin Americans believe AI is having a positive impact on the world, surpassing the global average of 58%.

Artificial Intelligence: % of citizens that are 'excited 'vs 'nervous'



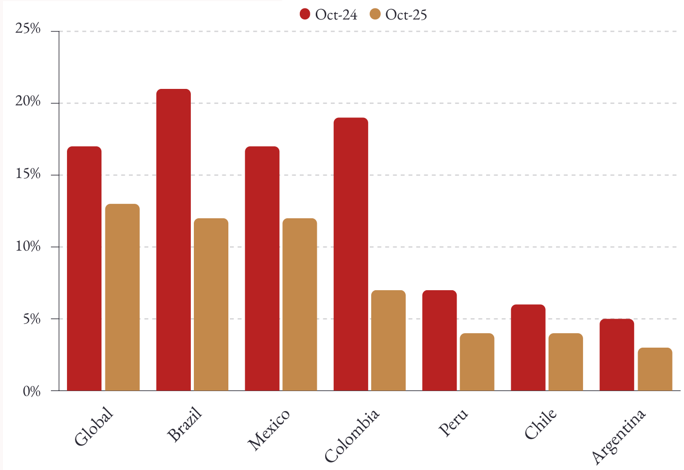
Source: Ipsos the wonder and the worry of AI - June 2025

Opening ceremony of COP30, Belém, Brazil

9. Climate change: "Others" must act

According to the World Meteorological Organization, Latin America is experiencing severe impacts from the El Niño phenomenon and climate change, including droughts, heatwaves, forest fires, extreme rainfall, and hurricanes. The 2025 Climate Risk Index by Germanwatch ranks several Latin American countries among the most affected globally. Despite these challenges, climate change remains a secondary concern for many citizens. In 2025, only 7% of Latin Americans listed it among their top three concerns - down 5% from 2024 and significantly below the global average of 13%.

% of citizens that rank 'climate change' as one of their top three concerns

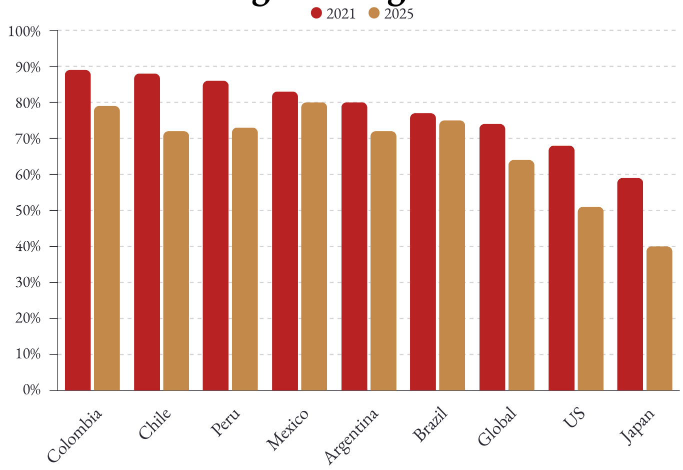


Source: Ipsos Global Advisor: What Worries the World

When asked specifically about the effects of climate change on their own countries, the vast majority of Latin Americans express concern. Unsurprisingly, the highest levels of concern are found in countries most affected by climate-related impacts. The region also shows relatively low levels of climate scepticism: fewer than 30% deny that climate change is occurring, compared to 47% in the United Arab Emirates, 44% in the United States, and 42% in Japan.

Despite high levels of concern, long-term trends indicate a decline in the proportion of people who believe individuals need to take action on climate change. Across all countries surveyed in 2021, fewer respondents in 2025 express this view - a trend evident in Latin America but more pronounced in advanced economies. According to Ipsos Global Trends 2025, 74% of Latin Americans (compared to 71% globally) now say they are already doing all they can to protect the environment.

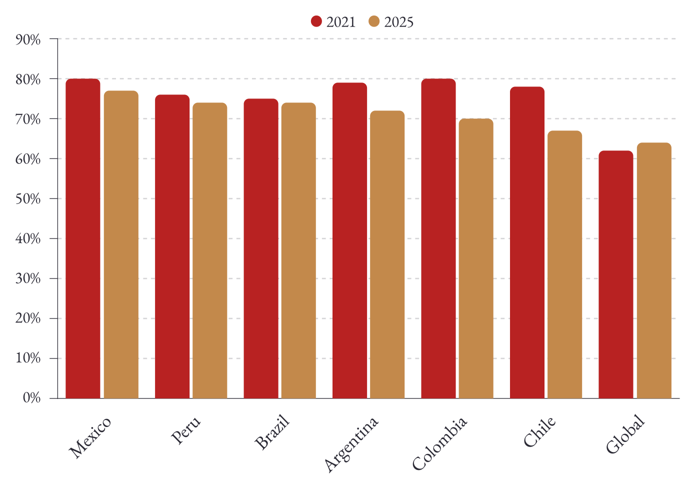
% of citizens who believe that 'by not taking action to prevent climate change, we will be failing future generations'



Source: Ipsos people and climate change 2025

Whilst citizens acknowledge the need for climate action, many feel they are already doing their part and expect others - particularly governments and institutions - to lead further efforts. Notably, the proportion of people who agree that their country should do more to combat climate change has remained relatively unchanged between 2021 and 2025.

% of citizens that believe their country should be doing more in the fight against climate change



Source: Ipsos people and climate change 2025

Socio-economic disparities are a crucial factor in cultivating perceptions of the environment. According to data from the World Bank and ECLAC, higher-income households tend to be more concerned about environmental issues than those in vulnerable situations. In Chile, for example, 52% of high-income individuals express concern about the environment, compared to only 18% in the poorest sectors.

In Mexico, the pattern is similar: whilst 61% of the upper classes consider the environment a priority, only 23% of lower-income households share this view. This disparity is also reflected in the willingness to pay for sustainable products or contribute financially to green initiatives.

In 2025, environmental concerns in Latin America remain secondary to more immediate social priorities. Socioeconomic inequalities continue to shape public perceptions and limit environmental action. As climate change intensifies its impact on the region, coordinated efforts among governments, citizens, and businesses will be essential to address these challenges effectively.

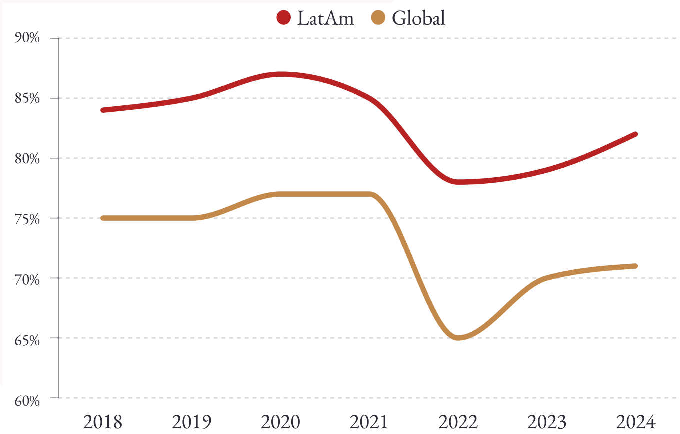
10. Individual optimism: Resilient driver

Individual hope is a key social trend shaping citizen behaviour. According to the Latino Barometer, 2024 marked the highest level of optimism about personal and family finances since the indicator was first measured in 1995.

Ipsos data shows rising optimism in Latin America at the end of 2024, especially compared to the post-pandemic pessimism of 2022. Latin Americans are more hopeful than the global average, with 82% expecting 2025 to be better than 2024, versus 71% globally.

Despite high optimism for the future, more Latin Americans view the past year negatively when compared to the global average. This contrast reflects a distinctive regional trait: enduring hope despite setbacks. Such resilience drives consumption, entrepreneurship, and social mobility, reinforcing Latin America's capacity for renewal.

% of citizens that are 'optimistic the next year will be a better year'



Source: Ipsos Predictions

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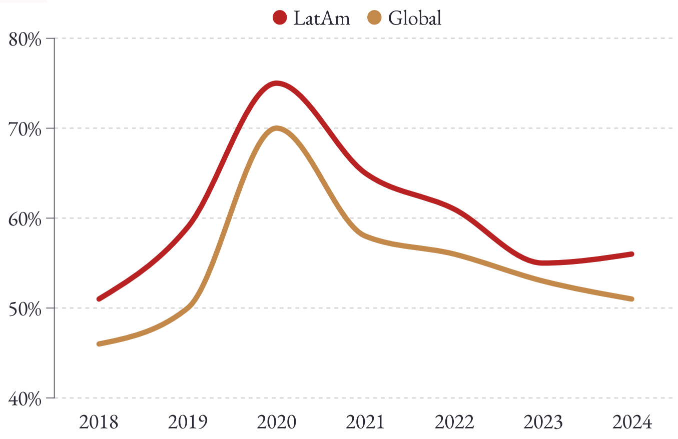
% citizens that believe 'this year was bad for me and my family'



Source: Ipsos Predictions

Conclusion: From resilience to transformation

Latin America enters 2026 with a paradoxical landscape. Structural challenges - such as organised crime, entrenched corruption, socioeconomic inequality, and an ageing population - remain more acute than in advanced economies. Yet, the region is also bolstered by emerging strengths: poverty has fallen to its lowest level in many years, inflation remains contained, democratic support is rebounding, and citizen optimism endures even in the face of adversity.

The central question is whether the region will continue to rely on reactive resilience or successfully transition toward proactive transformation. The challenge is not to create new agendas, but to channel existing social momentum into effective public policy. This includes security strategies that dismantle criminal economies, institutional reforms that rebuild public trust, education systems that harness digital innovation, and climate policies aligned with citizens' priorities.

2026 presents a potential turning point for Latin America. If governments, civil society, and the private sector successfully harness the region's proven adaptability, Latin America can move beyond its image as a land of chronic challenges and emerge as a hub for innovative solutions with global relevance. The opportunity is there for the taking.

These are the results of a 31-country survey conducted by Ipsos on its Global Advisor online platform in 2024-2025. For this survey, Ipsos interviewed a total of 23,667 adults aged 18 years and older in India, 18-74 in Canada, the Republic of Ireland, Malaysia, South Africa, Türkiye, and the United States, 20-74 in Thailand, 21-74 in Indonesia and Singapore, and 16-74 in all other countries. The sample consists of approximately 1,500 individuals each in Germany and Brazil, and 1,000 individuals each in Australia, Canada, France, Great Britain, Italy, Japan, New Zealand, Spain, and the U.S., and 500 individuals each in Argentina, Belgium, Chile, Colombia, Hungary, Indonesia, Ireland, Malaysia, Mexico, the Netherlands, Peru, Poland, Singapore, South Africa, South Korea, Sweden, Switzerland, Thailand, and Türkiye. Samples in Argentina, Australia, Belgium, Canada, France, Germany, Great Britain, Hungary, Italy, Japan, the Netherlands, New Zealand, Poland, South Korea, Spain, Sweden, Switzerland, and the U.S. can be considered representative of their general adult populations under the age of 75. Samples in Brazil, Chile, Colombia, Indonesia, Ireland, Malaysia, Mexico, Peru, Singapore, South Africa, Thailand, and Türkiye are more urban, more educated, and/or more affluent than the general population. The survey results for these countries should be viewed as reflecting the views of the more "connected" segment of their population. The data is weighted so that the composition of each country's sample best reflects the demographic profile of the adult population according to the most recent census data. "The Global Country Average" reflects the average result for all the countries and markets in which the survey was conducted. It has not been adjusted to the population size of each country or market and is not intended to suggest a total result. When percentages do not sum up to 100 or the 'difference' appears to be +/-1 percentage point more/less than the actual result, this may be due to rounding, multiple responses, or the exclusion of 'don't know' or not stated responses. The precision of Ipsos online polls is calculated using a credibility interval with a poll where N=1,000 being accurate to +/- 3.5 percentage points and of where N=500 being accurate to +/- 5.0 percentage points. For more information on Ipsos' use of credibility intervals, please visit the Ipsos website. The publication of these findings abides by local rules and regulations. For more information on Ipsos' use of credibility intervals, please visit the Ipsos website. Other Ipsos research is conducted along the same lines as the global advisor survey: Ipsos populism, anti-elitism and nativism in 2025; Ipsos Trustworthiness Index 2024; Ipsos education monitor in 2025; Ipsos Health services report in 2025. Ipsos global trends 2025; Does the US have a positive impact on the world 2025; People and climate change 2025; Ipsos LGBT+ Pride report 2025; Ipsos Equalities index 2025

Environmental Outlook

Latin America's role in leading a global energy transition

Dr David Purkey, Senior Research Fellow, Stockholm Environment Institute, Latin America

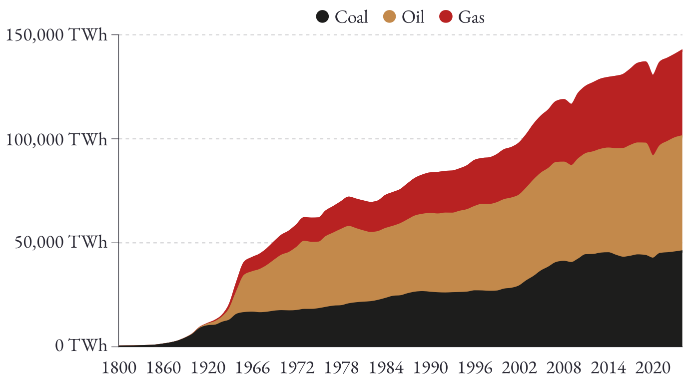
Solar Farm in Northern Chile (Credit: Antonio Garcia)

Introduction

In the 2025 Environmental Outlook, it was postulated that a global energy transition from fossil fuels to renewables would not occur overnight. This conclusion drew on published analyses of the speed of prior global energy transitions, including shifts from wood to coal and from coal to oil. Last year's Environmental Outlook therefore concentrated on assessing the preparedness of Latin America to participate in—and potentially lead—any unfolding global energy transition toward renewable-driven electrification, under the expectation that, regardless of pace, such a transition was underway and likely irreversible. What was not anticipated, however, was the changing political narrative that emerged in 2025, driven largely by the United States, which promoted a renewed reliance on fossil fuels within the global energy system.

This shifting narrative began with an Executive Order issued on the first day of the second Trump Administration declaring a "National Energy Emergency" to justify measures to expand the production of fossil fuels. This was followed later in the year by the passage of the One Big Beautiful Bill Act which included provisions to eliminate tax credits for green energy contained in the 2022 Inflation Reduction Act legislation that Congress passed during Joe Biden's presidency. These high-profile decisions taken in Washington raise the question of whether a similar narrative is taking hold globally. Indeed, global fossil fuel consumption continues to increase, albeit with apparent slowdowns in the consumption of coal and oil, suggesting that the narrative of natural gas as the "transition" fuel may be gaining traction.

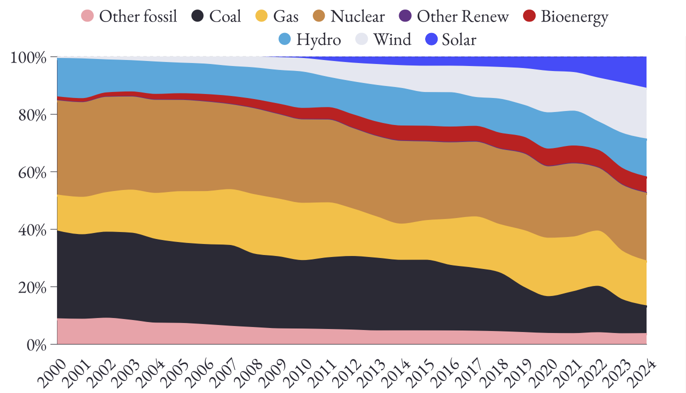
Global Fossil Fuel Usage



Source: Our World in Data 2025

Nonetheless, political narratives emerging from other parts of the world suggest that commitment to a global energy transition has not been completely reversed. The European Union recently increased its commitment to renewable energy as a percentage of its total energy mix in 2030 from 32% to 42.5%. In the real world beyond pledges, the actual share of renewable contributions to the overall electricity systems within the European Union rose from 34% in 2019 to over 50% in 2024, with solar energy overtaking coal in terms of its overall contribution for the first time.

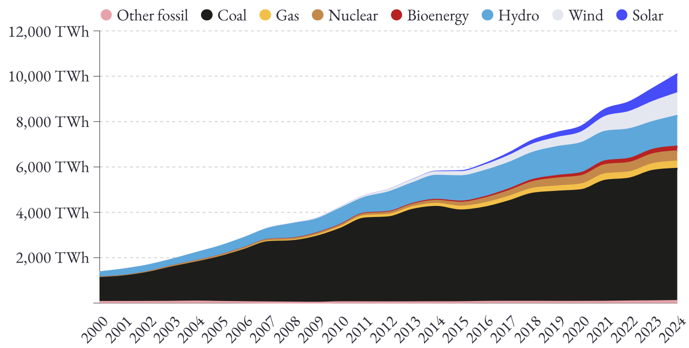
% share of annual electricity generation in the EU



Source: Ember 2025

China, despite being the world's largest greenhouse gas emitter with still increasing annual fossil fuel consumption, has also made commitments to reduce greenhouse gas emissions over the medium term, largely by reducing its reliance on fossil fuels. The goal is that China's emissions will peak before 2030, fall by 7-10% by 2035, and that the country will achieve carbon neutrality by 2060. The fact that China dwarfs all other countries in the world in terms of installed solar and wind energy capacity, at 1400 gigawatts compared to the world's second leading producer, the United States, at less than 400 gigawatts, demonstrates that that these targets may be more than empty pledges. Actual renewable penetration into China's electricity system is growing steadily.

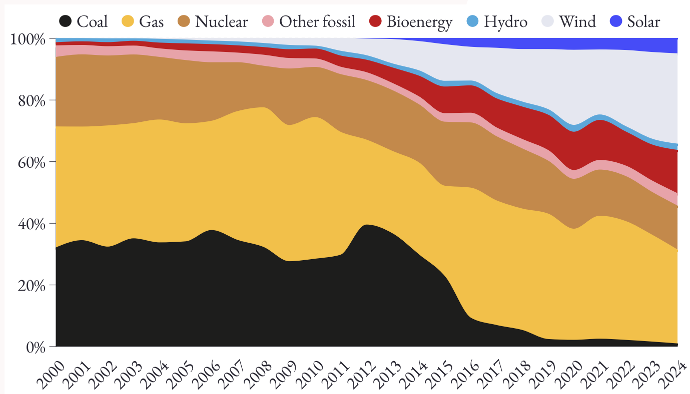
Electricity generation in China



Source: Ember 2025

It is also interesting to see that the United Kingdom continues to make impressive strides to increase the share of electricity generation contributed by renewable sources. Whilst there is still a long way to go in order to meet the government's goal of producing 100% of electricity from clean sources by 2030, the decline in the reliance on fossil fuels within the electricity system over the past 20 years is impressive.

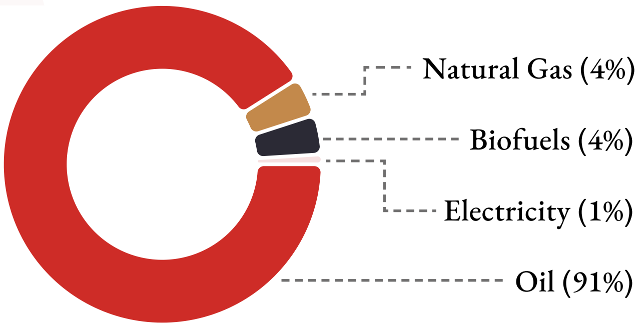
% share of annual electricity generation in the United Kingdom



Source: Ember 2025

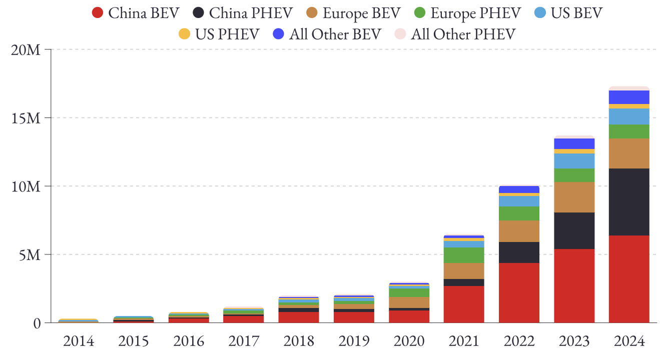
Consideration of renewable generation in the electricity sector necessarily prompts examination of whether the energy system as a whole is moving toward electrification. Here, the issue of transport - a dominant component of fossil fuel emissions - is key. Fossil fuels currently satisfy over 90% of the energy demand in the transport sector that includes road transport, maritime, rail, and aviation. The sector itself contributes an estimated 16% of global greenhouse gas emissions and contributes 28% to the global final energy consumption.

Global energy consumption in transport sector by fuel type



Source: Stanford University (2022)

Global electric car sales



Source: International Energy Agency 2025

In the category of private vehicles, the percentage of electric cars within overall new vehicle sales, 20% in 2024 with an estimated increase to 25% in 2025, continues to grow at a year-on-year rate of 35%. Given that this growth is being driven largely by consumers in China and Europe, there is no reason to believe that the stated recommitment to fossil fuels in the US will seriously slow down the progressive electrification of the transport sector. The sales of electric buses also grew by 30% in 2024, with sales of electric trucks increasing by 34% over the same year, supporting the argument that the trend towards the electrification of the transport sector has not yet been reversed by US policy.

When evaluating the energy transition at a global scale, one factor is likely the most important to keep in mind, namely the costs of producing electricity using various renewable technologies. Remarkably the levelised cost of electricity - the average cost to build and operate an electricity-generating power plant over its lifetime, expressed as price per unit of electricity - for solar photovoltaics, concentrated solar power, onshore wind and offshore wind all fell dramatically between 2010 and 2024, respectively by 90%, 77%, 70% and 62%. At these levels, in 2024, 91% of new proposed utility-scale renewable capacity was cheaper to develop than the cheapest fossil fuel alternative.

Renewable cost performance

	Total Installed Cost (2024 US$/kW)			Capcity Factor (%)			Levelized Cost Of Electricity (2024 US$/kW)		
	2010	2024	% Change	2010	2024	% Change	2010	2024	% Change
Solar Photovoltaic	5,283	691	-87%	15	17	13%	0.417	0.043	-90%
Concentrated Solar	10,703	3,677	-66%	30	41	37%	0.402	0.092	-77%
Onshore Wind	2,324	1,041	-55%	27	34	26%	0.113	0.034	-70%
Offshore Wind	5,518	2,852	-48%	38	42	11%	0.208	0.079	-62%

Source: IRENA 2024

Leaving aside the question of whether these commitments and actual on the ground changes are sufficient to avoid passing the 1.5°C global temperature increase target generally agreed to as the limit required to avoid significant harm, the data all seems to suggest that whilst the United States grabs the headlines, the world continues to move towards the renewable electrification of its energy systems and its economies. As such, it seems reasonable to continue to assess the preparedness of Latin America to participate in, even lead, any unfolding global energy transition fom fossil fuels to renewable driven electrification. Of course, future elections of governments more aligned with the current political narrative in the United Sates, be they in the UK, in Europe, or indeed anywhere in the world, could change the pace and direction of the global energy transition. For now, at least, the transition seems to be continuing.

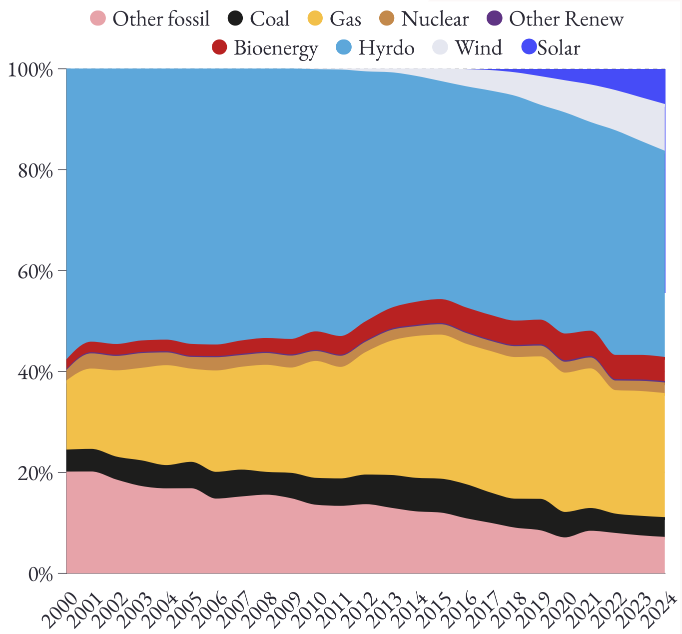
Latin America's Energy Transition

To consider this global assessment from a Latin America context, it is helpful to assess where the region currently stands in terms of completing its own energy transition to renewable electrification. One advantage the region possesses is that it has never been as strongly dependent on fossil fuels as other parts of the world, thanks to the region's significant hydropower potential.

> *Latin America has the opportunity to be a major player in the global energy transition by virtue of its favourable endowment in minerals critical to the changeover.*

Whilst the penetration of renewable sources into the region's electricity system has not been as dramatic as in other parts of the world, there is significantly less fossil fuel dependence to displace. The fact that many countries in the region are endowed with significant renewable generation potential should allow the region to even accelerate its transition.

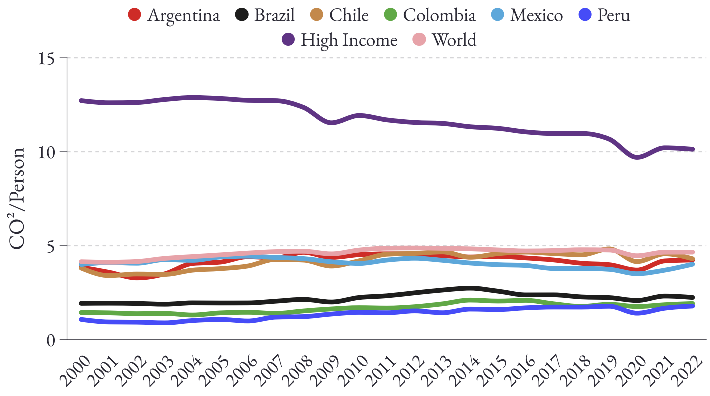
% share of electricity generation in Latin America and the Caribbean



Source: Ember 2025

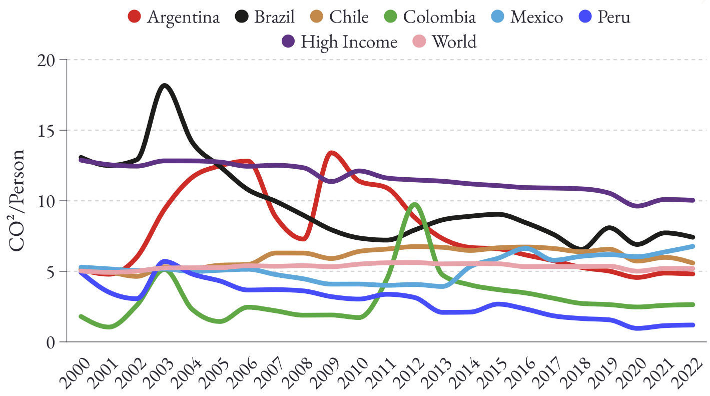
Based on its less dependent posture as it pertains to fossil fuels, it should not be surprising that the region is not among the largest in terms of greenhouse gas emissions.

Carbon dioxide emissions per capita from fossil fuels and industry



Source: Global Carbon Budget (2023)

Carbon dioxide emissions intensity per capita from fossil fuels and land use change



Source: Global Carbon Budget (2023)

Whilst per capita fossil fuel related emissions fall below the global average and well below the levels in high-income countries, emissions related to changes in land use are the key challenge, and opportunity, for the region in terms of contributing to reductions in greenhouse gas emissions, with Argentina, Brazil and Colombia showing strong variability when these emissions sources are considered. This suggests the region's challenges related to deforestation remain of vital importance.

In addition to perhaps leading the way towards national-level per capita emissions reductions if the region can get a handle on deforestation pressures, Latin America has the opportunity to be a major player in the global energy transition by virtue of its favourable endowment in minerals critical to the changeover. According to the Inter-American Development Bank, the countries of the region hold significant percentages of the known resources for many of the important transition minerals, including perhaps most notably, 52% of the world's known lithium resources and 38% of the world's known copper resources.

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Mineral	Latin American Countries with Significant Resources	Regional Share (%)
Lithium	Argentina, Bolivia, Chile, Mexico	52
Silver	Argentina, Bolivia, Mexico, Peru	39
Copper	Chile, Peru, Mexico, Argentina, Brazil, Panama, Colombia	38
Graphite	Brazil, Mexico	23
Iron	Brazil, Chile, Peru, Mexico	20
Tin	Bolivia, Brazil, Peru	20
Zinc	Bolivia, Mexico, Peru	17
Nickel	Brazil, Colombia	17

The regions endowment of critical minerals creates opportunities that are not completely new to Latin America, a region with a long mining history. Not all of this history has been admirable in that some of it has been characterised by conflict and inequitable benefit and cost allocations. This history, and the increasing political maturity of the region, is perhaps one motivation behind the Escazu Agreement on access to Information, public participation and justice in environmental matters which commits the countries of Latin America and the Caribbean to a new approach to planning for major projects such as mining. Whilst the countries of the region are still figuring out how to implement the agreement in practice, its principles suggest that future mining activity can be carried out in a manner better than in the past.

Based on this context, the following country specific analysis related to the six largest Latin American economies will focus on four key issues:

1. The current fuel mix within each country's electricity system and what it suggests about country-level challenges of contributing to the global transition towards a decarbonised energy system.

2. Information suggesting that further penetration of renewable energy in each county is possible.

3. The recent trends pertaining to deforestation and what this suggests in terms of challenges and opportunities for each country.

4. The state of play with regards to opportunities to responsibly participate in emerging markets for the minerals critical to the energy transition.

Analysis of these issues in each of the big six regional economies will suggest some insights regarding the roles and risks for the region associated with the global energy transition and provide a better perspective on the degree to which Latin America can contribute to, even lead, the continued transition of the global energy system in the face of increased resistance, particularly from the United States.

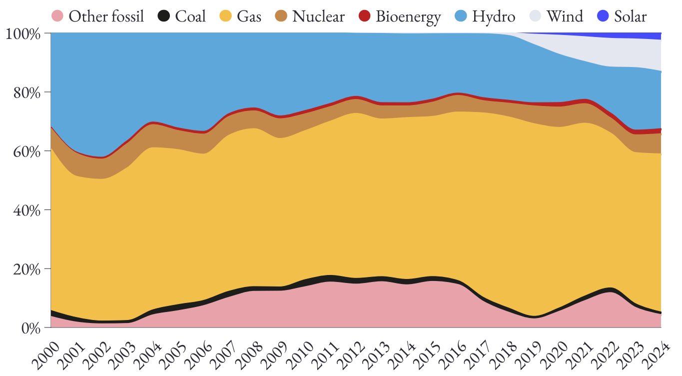
Argentina

The contribution of fossil fuels to the overall electricity generation profile in Argentina remains significant. Given the country's investment in the Vaca Muerta field, this should not come as a surprise. Given that trends in neighbouring countries and potential markets, in particular Brazil and Chile, do not show movement towards a substantial reliance on natural gas, it is likely that much of the gas produced in Argentina will be consumed in Argentina for the foreseeable future. Nonetheless, Argentina has experienced growth in the contribution of renewables, responding to the fact that the country is well endowed in wind and solar resources and that the cost of these sources continues to fall.

> *It is reasonable to assume that over time Argentina will play an enhanced role in critical mineral supply chains characterised by attention to responsible production.*

It is likely that generating export revenue from production at Vaca Muerta will depend on the ability to produce LNG for export farther afield. The issue of whether expanded grid interconnection could create similar export opportunities related to renewables creates an interesting parallel opportunity.

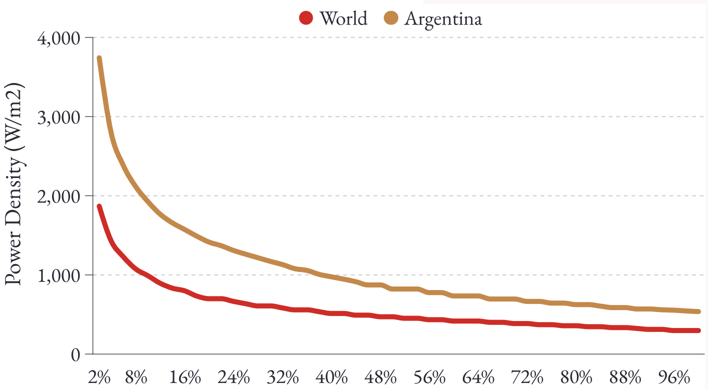
% share of electricity generation in Argentina



Source: Ember 2025

In terms of wind resources, Argentina is very well endowed. Compared with the global mean power density in excess of 990 W/m² over more than 10% of the earth's surface, Argentina possesses a mean power density over 10% of its territory of 1926 W/m². This creates an enormous opportunity for Argentina to produce electricity that may be marketable to its South America neighbours, assuming that the issues of grid integration and enhanced transmission can be addressed through regional collaboration.

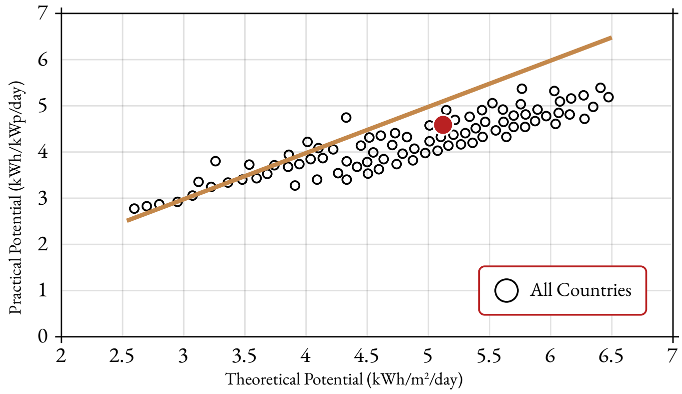
Wind power potential in Argentina



Source: Global Wind Atlas

Argentina possesses similar potential with regards to solar generation. The average theoretical potential, expressed in kWh/m²/day, is above the median value for all countries, and maintains a practical potential, expressed in units of kWh/kWp/day, based on local landscape constraints less diminished than other countries. In terms of both its renewable potential, and the narrative of natural gas as a transition fuel, Argentina is extremely well placed. As such, it will be very interesting to see what choices Argentina will make in terms of the role it will play in the energy transition going forward.

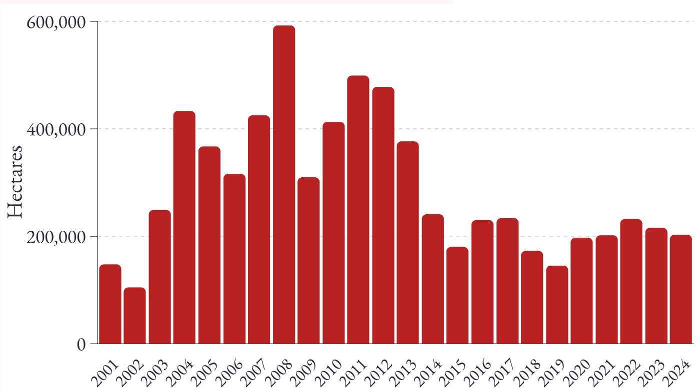
Solar power potential in Argentina



Source: Global Solar Atlas

In terms of deforestation rates, Argentina seems to have reached a plateau, over the course of the past decade. Nonetheless, annual variations are closely correlated with fluctuations in the contribution of land use-based emissions to overall emissions in Argentina. This suggests that if Argentina hopes to play a leadership role in the global response to climate change, more attention will need to be paid to moving deforestation rates in the country to a lower baseline, largely by managing the expansion of commodity driven agriculture.

Tree cover loss in Argentina



Source: Global Forest Watch

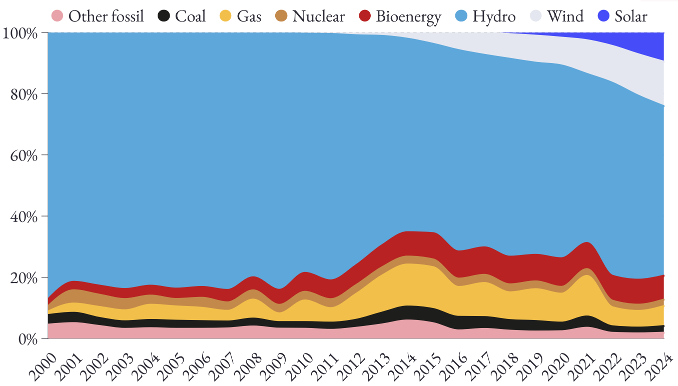
In terms of its contribution to meeting global demand for critical minerals, Argentina has put in place a new Mining Law and Large Investment Incentive Regime, which have created expectations that the production of copper and lithium will expand. Under its federal system, however, provinces continue to have the final say in terms of approving projects, and at this level some interesting initiatives related to understanding cumulative impacts and public participation have emerged in response to recent legal decisions. It is reasonable to assume that over time Argentina will play an enhanced role in critical mineral supply chains characterised by attention to responsible production.

Brazil

Owing to its enormous hydropower potential, Brazil has never demonstrated an outsised reliance on fossil fuels within its electricity system. Given the problems posed by climate change impacts on the hydrologic cycle in many parts of the world, which creates uncertainty in terms of hydropower reliability, it is prudent that Brazil is progressively reducing its dependence on hydropower. Moreover, it is promising that, to date, this is being accomplished through increased wind and solar generation, and not via an increase in fossil fuel consumption. It is, however, concerning that Brazil recently approved new fossil fuel exploration permits in the Amazon. It will be interesting to track Brazil's commitment to increasing investment in renewables.

> *In terms of its contribution to meeting global demand for critical minerals, Brazil, is an extremely important global play in terms of nickel and graphite.*

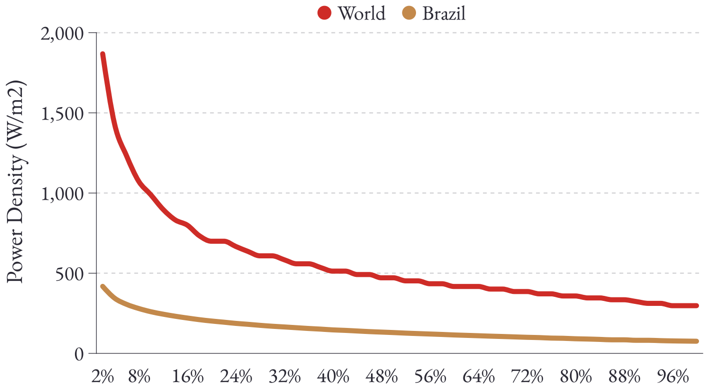
% share of electricity generation in Brazil



Source: Ember 2025

This evolution is in spite of the fact that Brazil is not among the world's leaders in terms of wind power potential. Compared with the global mean power density in excess of 990 W/m² over more than 10% of the earth's surface, Brazil possesses a mean power density over 10% of its territory of greater than 260 W/m². Still, in parts of the country with the greatest wind potential, in excess of 1000 W/m², notably around Natal, Brazil has dramatically expanded production working in collaboration with local indigenous and afro-descended communities. New legislation is also under development to facilitate the generation of offshore wind.

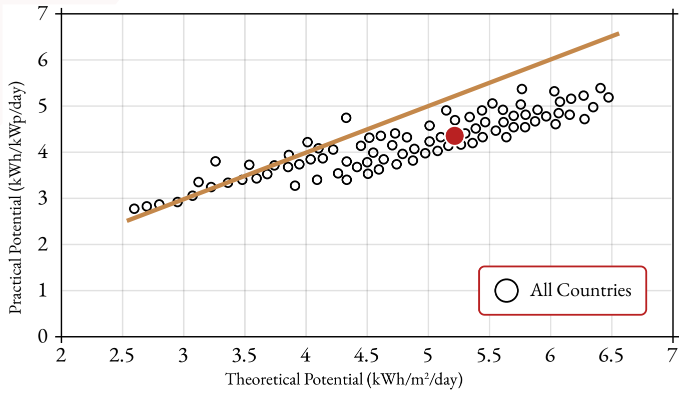
Wind power potential in Brazil



Source: Global Wind Atlas

Brazil possesses greater potential with regards to solar generation. The average theoretical potential, expressed in kWh/m²/day, is above the median value for the countries, behind only Chile and Mexico among the big six economies, and maintains a practical potential, expressed in units of kWh/kWp/day, based on local landscape constraints, that is comparable to other countries with similar theoretical potential.

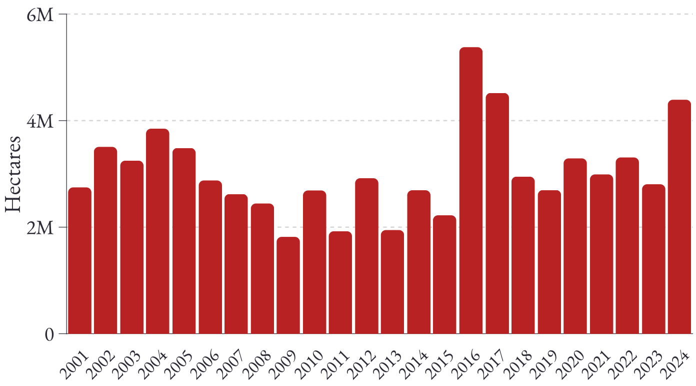
Solar power potential in Brazil



Source: Global Solar Atlas

In terms of deforestation rates, Brazil, over the course of the past decade, continues to experience strong interannual variability. 2024 actually saw dramatically higher levels of tree loss related primarily to the expansion of agricultural commodity production. This is concerning, as much of this tree loss is occurring within global important biomes such as the Amazon, the conservation of which is vital to maintaining the stability of the global climate system. Fortunately, the current administration is making public commitments to reduce the rate of deforestation in the Amazon.

Tree cover loss in Brazil



Source: Global Forest Watch

In terms of its contribution to meeting global demand for critical minerals, Brazil, is an extremely important global player in terms of nickel and graphite. Recent reforms designed to align national, state and local taxation regimes have been but in place to simplify efforts to increase the production of critical minerals. Obviously, efforts to fast-track mineral production can create environmental and social risks, but the current administration has also committed to ensuring that these risks are considered with permitting processes.

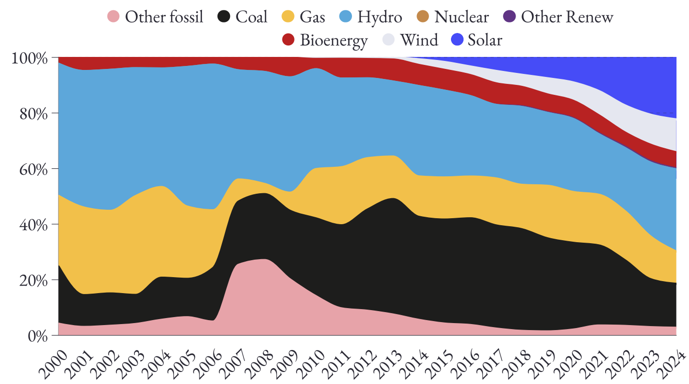
Chile

Chile is among the world's leaders in terms of its investment in expanded renewable energy production, having achieved significant renewable energy penetration in its electricity system over the past decade. In some respects, this transition can be attributed to Chile's comparative low endowment of fossil fuels, which required stable trade relations with neighbouring countries in order to procure natural gas supplies that have been elusive.

> *"Given its strong position in terms of both wind and solar potential, Chile's commitment to renewable energy makes sense, and puts it in a strong position to support other countries in the region achieve policy and technical reforms."*

Therefore, Chile has committed to a strategy of energy independence based on its own enormous renewable potential. In fact, Chile is leading the region in terms of adapting its energy system to renewable energy production through policy and technical reforms that respond to the intermittent nature of renewable generation.

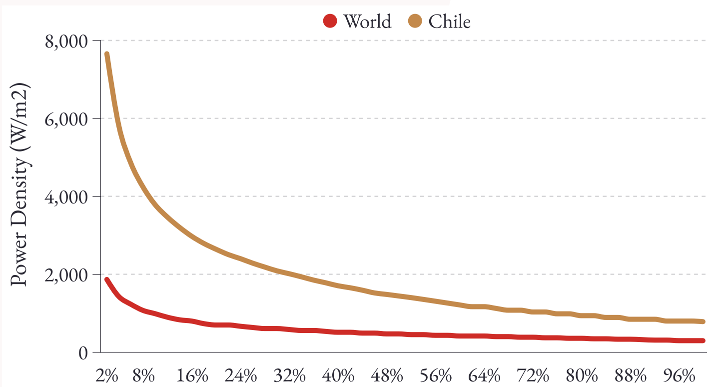
% share of electricity generation in Chile



Source: Ember 2025

This commitment makes sense considering Chile's extremely favourable conditions in terms of wind power potential. Compared with the global mean power density in excess of 990 W/m² over more than 10% of the earth's surface, Chile possesses a mean power density over 10% of its territory of over 3789 W/m². This creates an enormous opportunity for Chile to produce electricity that may be marketable to its South America neighbours, assuming that the issues of grid integration and enhanced transmission can be addressed through regional collaboration.

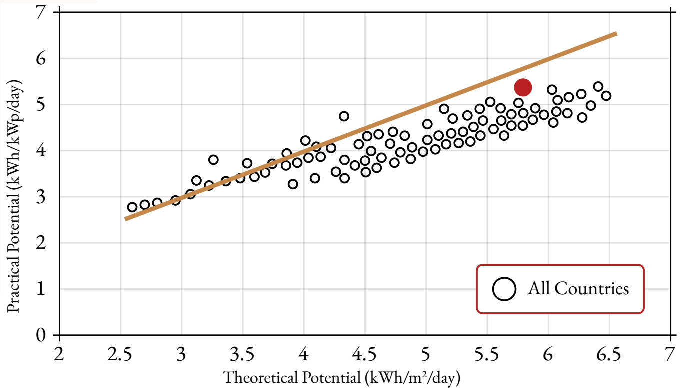
Wind power potential in Chile



Source: Global Wind Atlas

Chile is in a similar favourable position when it comes to solar power. Its theoretical potential is the highest among the big six regional economies, and its practical potential lies among the closest to its theoretical potential, being extremely close to the one-to-one line. Given its strong position in terms of both wind and solar potential, Chile's commitment to renewable energy makes sense, and puts it in a strong position to support other countries in the region achieve policy and technical reforms and innovations like those Chile itself is already implementing.

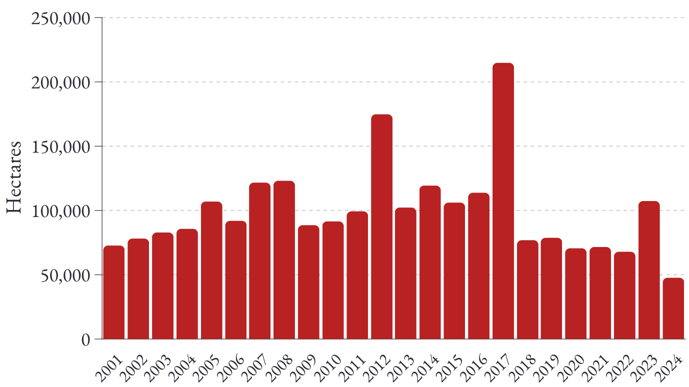
Solar power potential in Chile



Source: Global Solar Atlas

As much of its forest biomass has already been integrated into industrial scale forestry practices, including replanting of depleted timber stands, Chile contributes relatively little to regional deforestation risk. Recent years have shown a decline in tree loss, with 2024 experience one of the lowest levels the past quarter century.

Tree cover loss in Chile



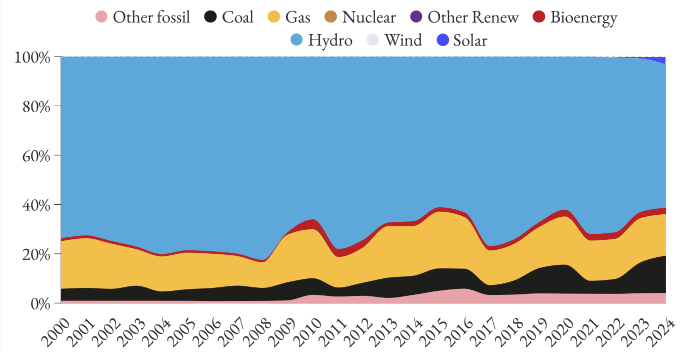
Source: Global Forest Watch

In terms of critical mineral production, Chile is already a leading producer of both copper and lithium, with the potential to remain a key actor within global markets. The recent decision to combine government oversight and promotion of both minerals under one organisation, Codelco, should streamline future development. In terms of lithium, Chile's experience in the Salar de Atacama basin could provide useful insights, both positive and negative, that Argentina and Bolivia can benefit from as their own lithium production expands over the coming years and decades.

Colombia

Colombia has achieved very limited renewable energy penetration within its electricity systems, rather experiencing fluctuating contributions from fossil fuels as the annual potential for hydropower generation has oscillated in response to variable hydroclimatic conditions. This is concerning, given that neighbouring Ecuador, with an even greater reliance on hydropower, experienced repeated substantial rolling blackouts in the past year. In short, Colombia needs to diversity its energy portfolio.

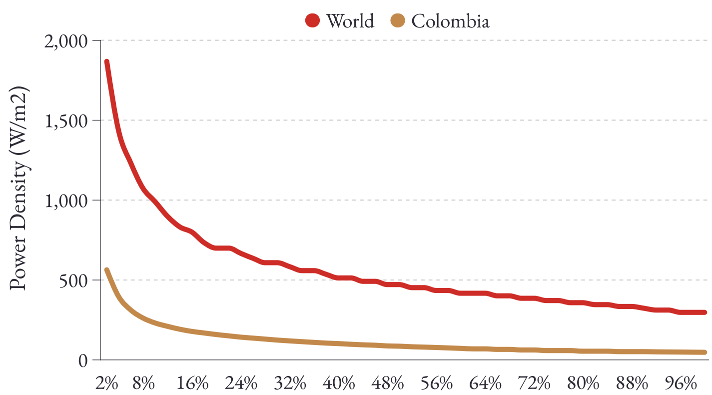
% share of electricity generation in Colombia



Source: Ember 2025

In terms of wind power potential, the country is not among the world's windiest. Compared with the global mean power density in excess of 990 W/m² over more than 10% of the earth's surface, Colombia possesses a mean power density over 10% of its territory of 231 W/m². Colombia does possess regions where mean power density exceeds 1000 W/m², particularly along the Caribbean Coast, in particular in La Guajira, and serious efforts are now underway to create the enabling conditions that will allow both onshore and offshore generation to grow rapidly.

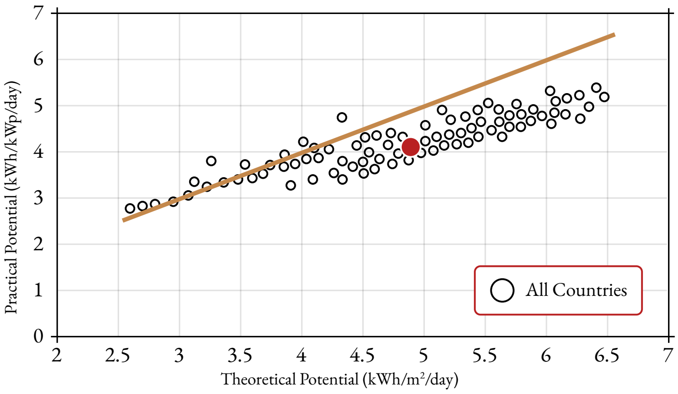
Wind power potential in Colombia



Source: Global Wind Atlas

In a similar manner, at the national level, Colombia is not among the worlds most endowed countries in terms of solar energy potential, although localised potential exists in regions such as La Guajira, which is where the first utility scale projects are being installed. This site-specific combination of both important wind and solar potential, creates a unique opportunity for a region which has traditionally lagged in terms of economic development. Achieving this potential will require working closely with the region's large indigenous communities, although recent advances suggests that progress is possible.

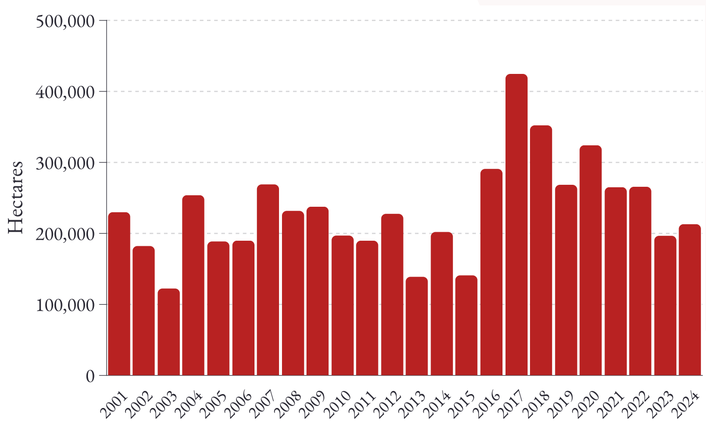
Solar power potential in Colombia



Source: Global Solar Atlas

Together with Brazil and Peru, deforestation rates in Colombia are important in terms of their contribution to tree loss in the Amazon. Whilst figures have shown a decline over the past eight years, deforestation in Colombia has begun to fluctuate annually around what appears to be a plateau. Given that a large portion of Colombia's overall emissions are linked to land-use change, this suggests that increased attention needs to be given to efforts that further reduce deforestation in the country.

Tree cover loss in Colombia



Source: Global Forest Watch

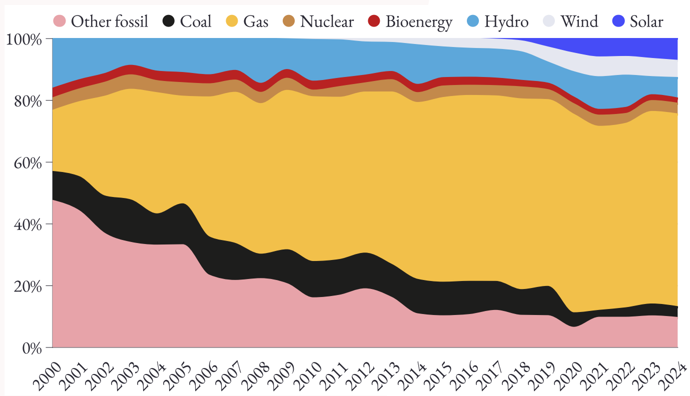
In terms of critical minerals, early geologic analysis suggests that Colombia may possess commercially viable copper resources. This would give the country an opportunity to participate in the mining activity that will accompany the global energy transition. A recently released ronda minera has invited expressions of interest in gold and copper production in geologically favourable areas of the country, which presumably have already been vetted in terms of potential social and environmental harms. Whether Colombia can actually achieve responsible production will have a lot to say about how the country, and moreover the region, will contribute to and lead the global energy transition.

Mexico

Like Argentina, Mexico has made large commitments to its fossil fuel sector, both in terms of its own energy portfolio and in terms of export opportunities. This may complicate its ability to participate aggressively in the expansion of renewable energy production in Latin America, even though it has reasonably high wind and solar potential.

> *In terms of critical minerals, Mexico is already a comparatively important producer of copper, and has identified lithium resources that may be commercially viable to develop.*

% share of electricity generation in Mexico



Source: Ember 2025

In terms of wind energy, compared with the global mean power density in excess of 990 W/m² over more than 10% of the earth's surface, Mexico possesses a mean power density over 10% of its territory of 400 W/m². Whilst this is not exceptional high, the Pacific coast region of Oaxaca State, near the Laguna Superior,

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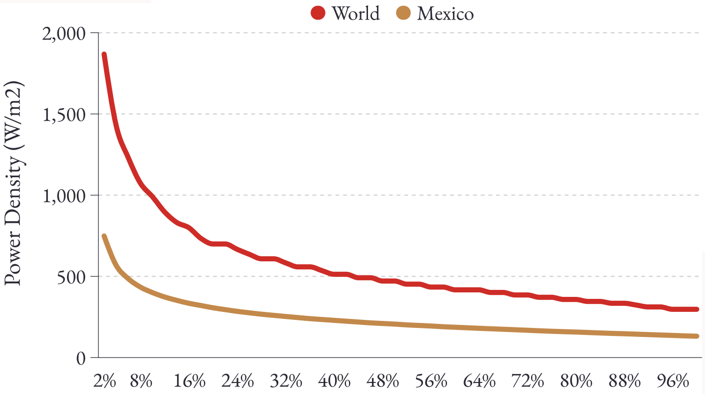
possesses potential well in excess to of 1000 W/m². Like the La Guajira region in Colombia, this area has often remained outside of Mexico's economic development strategies and has a significant indigenous population. Responsible wind power production could contribute to the empowerment of these communities.

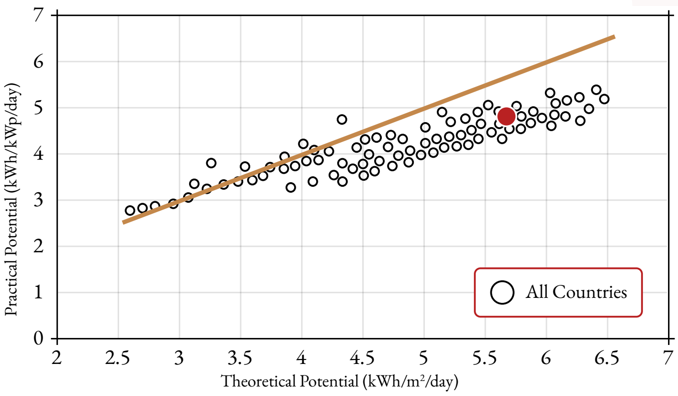
Wind power potential in Mexico



Source: Global Wind Atlas

Mexico's solar potential is much more substantial, rivalling Chile among the big six economies in the region. When macroeconomic conditions allow, solar power will likely offer Mexico the best opportunity to reduce its long standing and substantial reliance on fossil fuels.

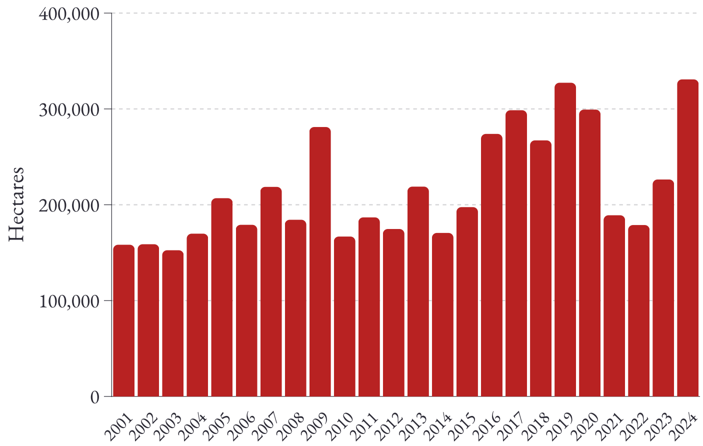
Solar power potential in Mexico



Source: Global Solar Atlas

It is noteworthy, however, that similar to Brazil, Mexico has experienced a recent return to high levels of deforestation, again largely driven by the expansion in the production of globally traded agricultural commodities, although wildfire contributed an alarmingly large amount the 2024 total tree loss in the country. In this regard, Mexico, with its comparatively arid climate, may be an unfortunate harbinger of things to come in the rest of Latin America as global climatic conditions change.

Tree cover loss in Mexico



Source: Global Forest Watch

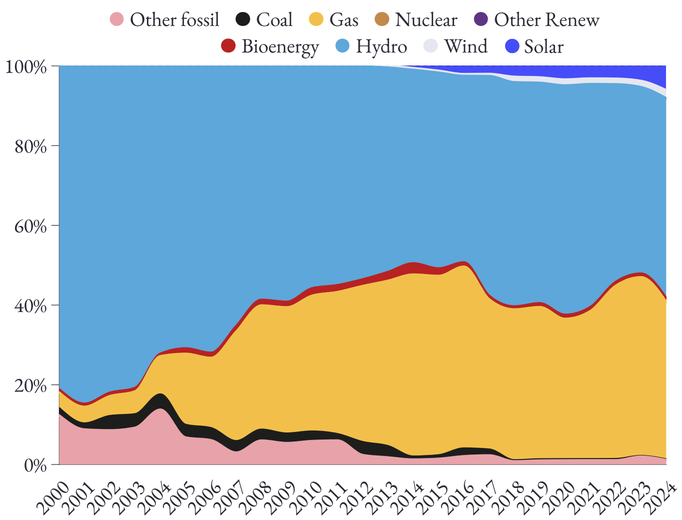
In terms of critical minerals, Mexico is already a comparatively important producer of copper and has identified lithium resources that may be commercially viable to develop. Of all the countries in the region, Mexico is in the more promising yet precarious position in terms of the shifting energy narrative in the United States. The position is promising in that Mexico has long been linked to the United States in terms of industrial development, and any US effort to challenge China's current dominance in terms of critical mineral processing would surely involve collaboration with Mexico. The position is precarious, however, if the emerging US narrative of a return to fossil fuel reliance is creditable, which would limit Mexico's ability to engage in the energy transition unless it develops new partnerships, including perhaps those with other Latin America countries.

Peru

Peru's energy portfolio is similar to that of Colombia and likely experience similar vulnerabilities to those recently experienced in Ecuador because of its strong dependence on hydropower. The country has shown greater penetration than Colombia in terms of renewable energy contributions, notably wind.

> “*Recent discovery of lithium resources, albeit of a different source than the evaporate lithium found in neighbouring countries, also raises the possibility for a position in global lithium markets*”

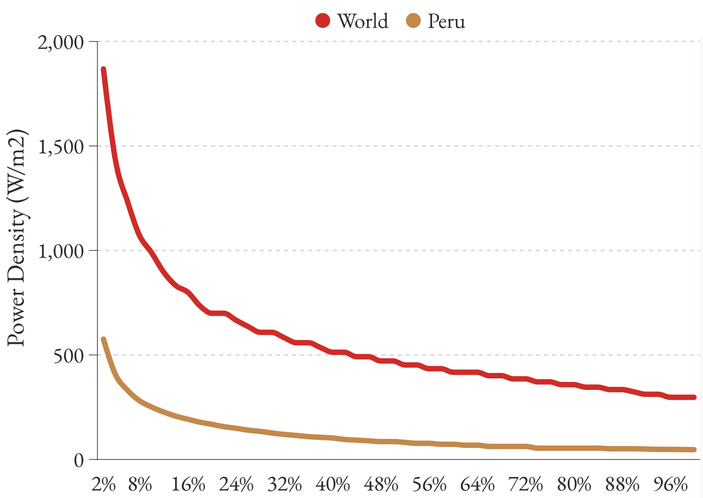
% share of electricity generation in Peru



Source: Ember 2025

In terms of wind energy, compared with the global mean power density in excess of 990 W/m² over more than 10% of the earth's surface, Peru possesses a mean power density over 10% of its territory of only 251 W/m². Whilst this is not exceptional high, the Pacific coast region near Ica possesses onshore potential well in excess to of 1000 W/m². Offshore potential in this region is even higher and more extensive.

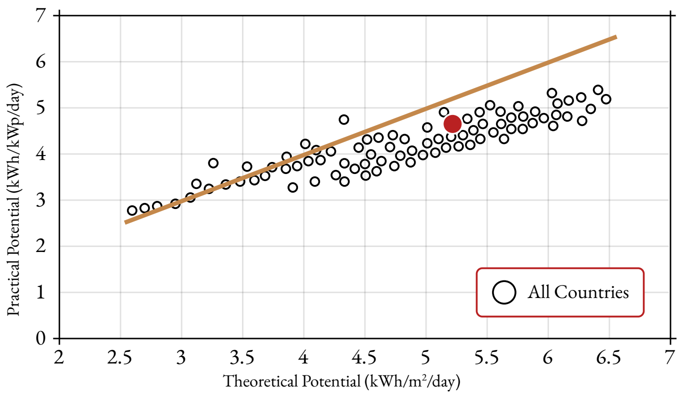
Wind power potential in Peru



Source: Global Wind Atlas

Theoretical solar potential in Peru is well above the median in terms of the world's countries, and this actual potential is comparatively close to the theoretical level, suggesting promising opportunities for expanded production, particularly in the Pacific Coast region in the south of the country, near where neighbouring Chile also possesses its most promising solar energy potential, creating regional collaboration opportunities.

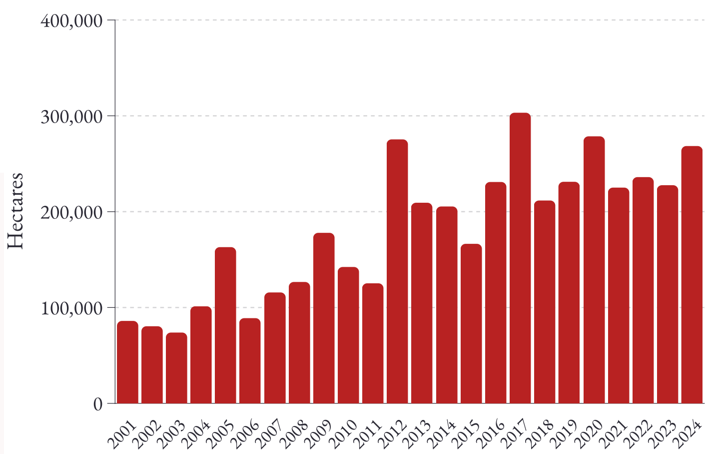
Solar power potential in Peru



Source: Global Solar Atlas

Like Brazil, Peru has experienced a serious increase in deforestation rates over the past year, much of which occurred in the Amazon region as a result of expanded production of globally traded agricultural commodities. Given that Brazil has made recent public commitments to address deforestation levels, it would be important if Peru, as well as Colombia, could join these regional efforts to conserve such a globally important biome.

Tree cover loss in Peru



Source: Global Forest Watch

In terms of critical minerals, Peru is best known as a copper producing country and will likely remain so for the foreseeable future. To become a more active player in the energy transition, Peru has worked to cultivate new foreign investment partners, such as India, that could be more beneficial beyond a simple least cost commodity investment strategy, allowing for cooperation on mutually beneficial industrial development. Recent discovery of lithium resources, albeit of a different source than the evaporate lithium found in neighbouring countries, also raises the possibility for a regional role in global lithium markets that could extend beyond the Argentina-Bolivia-Chile region.

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Conclusions

The Trump administrations change of tact towards Latin America compared with his predecessor, raises the possibility that the United States may attempt to impose its political narrative of a return to fossil fuel reliance on the region. This will not likely succeed, not the least because the region never had an outsize reliance on fossil fuels in the first place. Rather it is more likely that the increase in renewable energy generation and overall electrification will continue, along with the development of the critical minerals that will support this transition. There are, however, several challenges that the region must overcome towards this end.

First and foremost, to lead a transition away from the threats posed by global climate change, Latin America will need to grapple with its most important contribution to the problem, land use-based emissions. Whilst the data does not suggest that the region is returning to the rapidly expanding deforestation rates that characterised the first part of the 21st century, neither is the region experiencing sustained year-over-year declines. Brazil's recent commitment, timed to coincided with COP 30 in Belem, of USD $1 billion to the Tropical Forests Forever Fund is a positive sign that the region can rise to the occasion.

Second, both the prospect of expanding the production of renewable energy in the region, and the need to responsibly produce critical minerals, will confront the need to expand the participation of the local communities impacted by these activities. Latin America's history of extractivism has created an element of distrust in terms of who secures the benefits and who bears the impacts of natural resource extraction. This dynamic complicates the process of permitting new projects and ensuring regulatory compliance once projects are underway. Whilst it may seem time consuming in the short terms, respect for regional agreements such as the Escazú Agreement on Access to Information, Public Participation and Justice in Environmental Matters will pay off in the medium to long term through reduced litigation and public protest. Whilst recognition of the logic of this agreement is still growing in the region, every year there are more and more concrete examples of the renewable and critical mineral mining projects that are taking the time to engage in substantive dialogues between project proponents, impacted communities, and regulatory authorities.

Substantial public participation, whilst vital, is not sufficient if not informed by robust environmental analysis. The current scope of the required environmental impact reporting limits analysis to the physical boundaries of the project, considered in isolation from other potential development proposals. This approach fails to fully recognise that proposed projects are contained within natural systems that convey the impacts created in one specific location to other parts of the system, and that the impacts of one specific project can contribute to the accumulation of impacts generated by other similar projects. Recent litigation suggests that courts in the region are increasingly conscious of these realities, specifically calling for information on cumulative impacts to be produced as part of the permitting process. In this regard, it is interesting that efforts to place potential renewable energy and critical mineral mining projects within a broader frame are expanding and will likely continue to do so. In fact, some emerging approaches in the area of lithium production in the Andean Altiplano could potentially be transformed into new responsible production protocols in the coming years.

In the end, the ability of Latin America to take a leadership role in a socially and environmentally responsible global energy transition will depend on regional commitment and collaboration. Latin American nations face common opportunities and challenges, whilst navigating a dynamic geopolitical landscape in which their role is likely to evolve. Given the potential of the region, however, there is reason to hope that this role will evolve towards one of increased global leadership within a responsible and equitable global energy transition.

Security Outlook

The evolving security landscape in Latin America

Irene Mia, Fernanda Rios Herrera, IISS

Unified command in Operation Lobo, (Credit: Ministry of Defence, Peru)

Introduction

Insecurity remains a serious concern across Latin America. Much of this violence stems from the growing power and reach of organised criminal groups (OCGs) that compete with one another, and the state, for control over territory, markets, and political influence. These actors have evolved over time into sophisticated transnational networks. Despite democratic governance and repeated security reforms, this situation reflects deeper structural issues, including weak institutions, entrenched inequalities and limited opportunities in the formal economy. At the same time, global factors such as shifting drug demand, the rise of new illicit economies, and intensifying geopolitical competition are reshaping how violence unfolds and how states respond to it. This interplay of local vulnerabilities and global forces has generated dynamic insecurity patterns that increasingly extend beyond national boundaries. Going forward, understanding these patterns is critical not only to enhance Latin American stability but also for global security, given the region's deepening integration into transnational criminal and economic networks.

Latin America's security landscape at glance

In Latin America, most armed violence has long been, and remains, primarily driven by criminal dynamics, with organised criminal groups vying for control of profitable illicit markets whilst often clashing with state authorities over territory and influence.

Initially concentrated on cocaine and other illicit drug trafficking to the United States (US) and Brazilian markets, criminal organisations across the region have increasingly diversified their illicit activities and destination markets, responding dynamically to changing global demand patterns and evolving profit/risk margins. Cocaine trafficking, for instance, has been rerouted toward Europe and parts of South America, where demand has grown significantly in recent years. Other activities, such as illicit gold mining, modern-day slavery and irregular-migrant smuggling, which offer comparatively lower risks and similar or higher profitability, have also become more prominent in criminal portfolios.

The continued reconfiguration of trafficking networks has intensified competition for control over key routes and ports, leading to increased violence across both long-standing and emerging hotspots.

Armed violence hotspots

According to a recent report by the Igarapé Institute, despite representing only 8% of the global population, Latin America accounts for approximately 30% of the world's homicides, with an estimated rate of 19.6 per 100,000 inhabitants, around 3.5 times the global average of 5.6. Moreover, according to the Armed Conflict Location & Event Data Project (ACLED), conflict related fatalities resulting from violent events in the region increased by 14% year-on-year for the period between October 2024 to September 2025, in contrast to the same period in 2023-2024. Violence remained concentrated in Brazil, Mexico, Ecuador, Haiti and Colombia, which together account for 92% of all violent deaths in the region. Major criminal organisations, including Colombia's Gulf Clan, Mexico's Jalisco New Generation Cartel (CJNG) and Sinaloa Cartel, and Venezuela's Tren de Aragua played pivotal roles in sustaining these trends. Brazil and Mexico have remained the two most violent countries in recent years, together accounting for over half of all conflict-related fatalities since 2023. Whilst Brazil experienced a partial decline in violent deaths in 2024-2025, Mexico recorded an increase of 10%. This reflects the increasing power and influence of Mexican drug-trafficking organisations (DTOs), which have expanded their grip on the synthetic drug trade and human trafficking, and increasingly orchestrate drug supply chains in the region and beyond. Colombia has seen an almost 30% increase in fatalities related to violent events amid continued setbacks to President Gustavo Petro's flagship 'Total Peace' initiative aimed at simultaneously negotiate with all non-state armed groups – such as the National Liberation Army (ELN) and Central General Staff (EMC) - and increasing the splintering and retrenching of the latter.

Ecuador, once considered among the safest countries in the region, has surfaced as a new focal point of violence in recent years. The country posted the highest homicide rate in Latin America in 2023 - 44.5 homicides per 100,000 inhabitants according to ACLED, a record it has maintained ever since - and experienced a 37.5% increase in conflict-related fatalities year-on-year. This trend is linked to Ecuador's growing role in the regional drug trade. The country's unsecured ports and strategic location have made it a vital transit point for cocaine trafficked from Colombia, with areas such as Manta, Esmeraldas, and Guayaquil becoming key hubs for storage, shipment, and money laundering. Guayaquil has notably emerged as a key contestation arena for rival criminal organisations competing to control these lucrative operations. Armed violence is particularly prevalent in the region bordering Colombia, where Colombian, Ecuadorian and Mexican groups fight for supremacy.

Haiti has become another important instability flashpoint in the region as it faces a spiralling economic, political and security crisis. ACLED data suggests that violent event-related fatalities surged by 95% year-on-year from 2023 fuelled by escalating gang violence. The humanitarian toll on civilians has been devastating, with large scale displacement, sexual violence and forced recruitment affecting over one million people across the country, according to United Nations (UN) estimates. In response to the intensifying gang violence, widespread human rights abuses and a rapidly deteriorating humanitarian situation, the UN Security Council adopted on 30 September 2025 a resolution authorising the deployment of a new multinational Gang Suppression Force (GSF) of over five thousand armed forces personnel to replace the understaffed Kenyan-led multinational security support (MSS) mission. Looking ahead, this resolution could mark a significant turning point, mandating coordination between the GSF, the Haitian National Police, and the Haitian armed forces to conduct intelligence-led operations to neutralise gangs, provide security for critical infrastructure, and support for humanitarian aid access. However, the same staffing and funding challenges which jeopardised the effectiveness of the MSS may re-present themselves considering a similar operational model based on voluntary contributions from participating states is retained. Meanwhile, in neighbouring Dominican Republic, ACLED data indicates that conflict-related fatalities increased by 75% year-on-year for the period between October 2024 to September 2025, in contrast to the same period in 2023-2024, with approximately 18% of all deaths linked to events involving Haitian refugees. This trend reflects the growing tensions between the two countries, driven by cross-border instability and the spill over effects of Haiti's deepening security crisis.

PAHO delivers aid to Haitians in the commune of Pétion-Ville (Credit: Pan American Health Organization)

The return of inter-state conflicts

A notable trend of recent years, intensified by President Trump's bellicose rhetoric towards the region in his second term, has been the resurgence of inter-state tensions and geopolitical frictions across Latin America. The region has faced escalating border disputes and territorial claims, and even the threats of US military intervention. Illustrative examples include Venezuela's territorial dispute with Guyana over the oil-rich Essequibo region, Venezuela's tense relations with Colombia, the unresolved Nicaragua-Colombia maritime-border dispute and the ongoing frictions between the Dominican Republic and Haiti already noted. US policy under Trump has also included warnings of potential military intervention in Mexico to combat drug cartels, suggestions of asserting control over the Panama Canal and even strikes targeting vessels reportedly carrying drugs and operated by US-designated Foreign Terrorist Organisations (FTOs), including the Venezuelan Tren de Aragua. This is likely to continue for the foreseeable future.

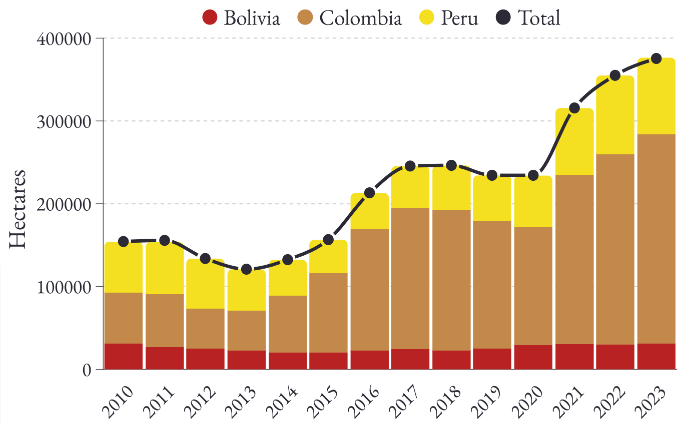
Global forces shaping security dynamics in Latin America

Organised crime in the region continues to evolve within a complex global environment that both shapes and sustains it. Whilst global drug demand remains the most visible driver of armed violence, other international dynamics also play a major role. Intensifying great power competition - particularly between the United States and China - together with US security policies and uncontrolled migration flows, all have significant repercussions on regional stability. Developments across these factors have converged to create conditions for the expansion of organised criminal groups and illicit economies, notably over the past year. Whilst US security policies adopted by President Trump towards Latin America since the start of his second mandate in January 2025 could disrupt financial flows and weapon trafficking at the core of armed violence dynamics, there is little evidence of such effects so far.

Trends in global drug demand

Global drug use has risen steadily over the past decade or so, reaching a record 216 million people in 2023 (latest data available) according to the United Nations Office on Drugs and Crime (UNODC) - the highest figure on record and nearly 30% higher than in 2013. Cocaine consumption has grown even more rapidly, with an estimated 25 million users in 2023, representing a 47% increase over the same period and a 0.47% prevalence use among people aged 15-64 (up from 0.36%). The surge in global cocaine demand has coincided with a dramatic rise in production

Global illicit cultivation of coca bush, 2010-2023



Source: UNODC, World Drug Report 2025, Statistical Annex

Output peaked at just over 3,700 tonnes in 2023 - an extraordinary 327% increase from 2013 levels -, driven primarily by the expansion of illicit coca bush cultivation and higher yields, particularly in Colombia, the world's leading producer of coca leaves (and cocaine). This trend was further corroborated by record global cocaine seizures that year, with quantities intercepted in Western and Central Europe surpassing those in North America for the fifth consecutive year. This underscores Europe's growing centrality within the global cocaine economy - whose proceeds are a crucial source of economic wealth for Latin American criminal groups - and the increasing importance of the trafficking routes that sustain it, amid a broader reconfiguration of supply chains and their actors. Said reconfiguration, has, in turn led to increasing criminal contestation around these newly important trafficking routes and ports - with the Amazon being a case in point - and surges in violence in countries which had previously been spared from armed conflict, including Ecuador as well as Argentina – notably the port city of Rosario -, Chile, Paraguay and Uruguay.

Whilst North America remains a major market for cocaine, fentanyl trafficking has emerged as a critical security and public health challenge - particularly in the US, where the synthetic opioid accounts for a large share of drug-related deaths. Although fentanyl seizures slowed in 2023 and overdose deaths declined by 36% between 2023 and 2024 in the US, the 48,422 deaths reported in 2024 point to the persistent scale of fentanyl consumption and the resilience of related criminal markets. Fentanyl trafficking to the US is predominantly controlled by Mexican DTOs, which have, in recent years, re-oriented their operations toward the production and trafficking of the drug, relying mainly on precursor chemicals imported from China to meet the strong US demand.

Geopolitical and global stressors

The ongoing geopolitical rivalry between the US and China, exacerbated by President Trump's competitive stance towards Beijing, has notably important repercussions on conflict dynamics in Latin America, a region traditionally within Washington's zone of influence but where China has made substantial inroads in economic and security cooperation in recent decades. More fractious relations between the two powers are likely to mean less cooperation on curbing the flow of fentanyl to the US given the crucial role played by Chinese criminal groups in the drug's supply chain. Whilst Trump's muscular approach on the matter during his first term helped push China to restrict fentanyl production and export in 2019, the country's stance on the issue has been oscillating over time. Further efforts to clamp down on precursor markets may be used as a bargaining chip in broader negotiations with Washington and will probably stall in the current tense environment. An antagonised China may also be reluctant to combat money laundering and illicit financial flows linked to drug-trafficking from Latin America – a business in which Chinese organised crime holds a significant share. Trump's attempts to force Latin American countries to decouple with China and limit Beijing's presence in strategic infrastructure such as the Panama Canal may also prompt China to deepen its support for governments in the region that have a significantly less favourable view of the US, including Venezuela, Nicaragua and Cuba. Given Venezuela's central role in fuelling armed violence and insecurity in the region, any renewed lifeline to its government would undermine prospect for pacification and stability.

President Trump's security and migration policies toward Latin America may paradoxically exacerbate, rather than mitigate, regional instability by stoking armed conflict and reinforcing insecurity dynamics across the region. The adoption of a heavily punitive and supply focused approach to narcotics - centred on interdiction, targeting kingpins and pressuring affected countries to adopt similar measures - is unlikely to reduce drug demand and production on its own, as decades of 'war on drugs' have demonstrated. In the specific case of fentanyl, its extreme potency and fragmented production networks make a military response both inefficient and costly. Instead, these belligerent policies will probably only drive organised crime to diversify into other criminal activities and markets further. The designation of over a dozen drug-trafficking organisations[1] across the region as 'Foreign Terrorist Organisations' (FTOs) and 'Specially Designated Global Terrorists' (SDGTs) in February, May, and September of 2025 gives the US government a broader scope of action to disrupt these group's operations, by making material support to them a federal crime, authorising the use of sanctions and asset freezing in US jurisdictions, as well as immigration bans and deportations. This therefore has the potential to disrupt DTOs financial networks and curb the flow of smuggled weapons into Mexico and elsewhere in Latin America, both important building blocks of criminal actors' power. However, the designation has been used only sporadically to sanction businesses allegedly linked to organised crime, but has heavily been used to justify the deportation of migrants on the grounds of connections to FTOs. The recent US military build-up in the southern Caribbean and repeated lethal strikes against suspected drug smugglers suggest a similar instrumentalisation of the designation to justify operations as part of an 'armed conflict' with drug cartels - now considered fully-fledged terrorist groups.

Punitive migration policies, including planned large-scale deportations of undocumented workers in the US, may also exacerbate regional instability. Their effects extend to countries pressured either to prevent migration or to accept returnees, whilst also creating captive pockets of vulnerable people which may be exploited by organised criminal groups through human trafficking, extortion, and other forms of abuse. The economic and social strains caused by receiving and hosting migrants in countries with already limited resources may also be compounded by the loss of remittances, a crucial source of income for many economies in Latin America. According to the Migration Policy Institute, around 70% of undocumented workers in the US come from Mexico and Central America, where remittances represent over 4% of Mexico's GDP - especially vital for poorer states - and over 20% in most Central American countries. This situation will likely intensify the root causes of armed violence as well as migration flows from the region.

Latin America's security environment will remain heavily influenced by these external trends and is likely to worsen in the medium term, as rising global drug demand, intensifying US–China rivalry, and punitive, unidimensional security and migration policies, spearheaded by the US, continue to fuel organised crime, expand illicit economies, and ignite new hotspots of violence along reconfigured trafficking routes. With little evidence that current US measures are disrupting criminal financial or logistical networks, the region will likely see further fragmentation of state authority, greater criminal contestation—including in countries previously spared from high levels of violence—and heightened population displacement driven by both insecurity and mass deportations.

[1] *The designated groups include: Barrio 18, Cártel de Jalisco Nueva Generación (CJNG), Cártel de los Soles, Cártel de Sinaloa, Cártel del Golfo (Gulf Cartel), Cártel del Noreste, Cárteles Unidos, Gran Grif (Haitian gang), La Nueva Familia Michoacana, Los Choneros (Ecuadoran gang), Los Lobos (Ecuadoran gang), Mara Salvatrucha (MS-13), Tren de Aragua (TdA), and Viv Ansanm (Haitian gang).*

Key security trends

Organised crime originating from Latin America has increasingly become a global threat, having most recently capitalised on the coronavirus pandemic to diversify into new illicit markets, expand alliances and deepen local governance and territorial control amid weakened state presence and opportunities in the formal economy. Latin American criminal actors have evolved into globalised networks that specialise in specific segments of criminal supply chains. This functional specialisation gives these networks greater flexibility to reorganise and enhance resilience when parts of their operations are disrupted by law enforcement. Today, they move billions of dollars through the international financial system whilst increasingly blending into the legal economy. Their geo-economic power rival that of many states. According to recent estimates from Universidad de los Andes, cocaine trafficking in Colombia alone generates USD $15.3 billion in annual revenues, or 4.2% of the country's GDP. In Peru, illegal economies accounted for over USD $7 billion in 2023 as compared to a combined USD $4.4 billion budget for the ministry of interior and defence. Conservative estimates suggest Mexican cartels earn between USD $37 billion and USD $58 billion annually only from drug-trafficking - an amount exceeding the yearly GDP of many Mexican states. Since 2005, these revenues could have totalled almost USD $1 trillion, and will likely continue to grow.

Organised criminal groups as global, diversified actors

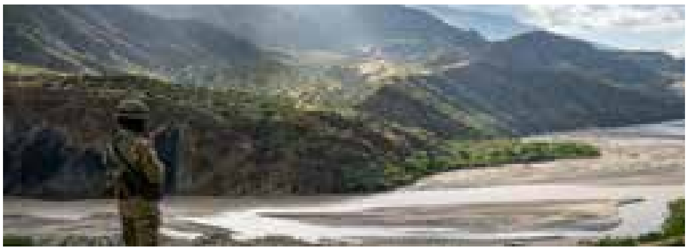
There are countless examples illustrating the increasingly transnational and diversified nature of organised crime groups in the region, a development that crucially underpins their substantial resources and growing political influence both at home and abroad. Major Mexican DTOs such as the Sinaloa Cartel and the CJNG are cases in point. These groups operate across multiple illicit markets, including drug trafficking (cocaine, fentanyl, methamphetamine, and cannabis), human smuggling and trafficking, extortion, illegal gold mining, fuel theft and the production of counterfeit pharmaceuticals, among others. They maintain a strong presence throughout Mexico, Central America, and South America, whilst also cultivating extensive global connections. The Sinaloa Cartel reportedly operates in more than 40 countries, whereas the CJNG has established links with drug distribution networks across Asia, Europe, and Oceania. The São Paulo–based Primeiro Comando da Capital (PCC) has evolved from a prison-based gang focused on Brazil's domestic drug trade into a sophisticated transnational criminal enterprise. Today, it operates across South America, Europe, and Africa, maintaining strong ties with European mafia-type organisations. Its criminal portfolio is broad and diversified, encompassing not only logistical support for cocaine trafficking to Europe - using routes and ports under its control in Brazil and other parts of South America - but also arms trafficking, illegal mining, cyber scams, and money laundering through legitimate businesses such as hotels, real estate developments, and even Portuguese football clubs, among others. Originally a local gang operating out of Tocorón prison in Venezuela's Aragua state, the Tren de Aragua leveraged the massive migration of Venezuelans across South America over the past decade to prey on vulnerable migrants and expand its operations into countries such as Chile, Peru, and Colombia. The group has also diversified into activities including extortion, human smuggling and trafficking, and illegal gold mining. Tren de Aragua has therefore been designated as a FTO and SDGT by the Trump administration, reflecting its transnational nature and the threat the White House believes it poses to US national security.

The growing diversification of contemporary criminal syndicates, highlighted by the examples above, enables their continued survival and viability by allowing them to move from sector to sector according to shifting profit/risk margins and to exploit economies of scale by sharing routes and infrastructure for smuggling different products. A related trend has been the increasing convergence among different criminal activities within the illicit mining sector, efficiently combining mercury trafficking, human trafficking, extortion, and the laundering of narcotrafficking profits, as a notable example. The convergence of traditional drug-trafficking activities and environmental crime is another growing and deeply concerning manifestation of this trend, affecting the Amazon and beyond. Labelled as 'narcoecology', this phenomenon involves the intersection of drug-trafficking with illegal logging, land grabbing and illicit mining (often in indigenous lands) among others, and the formation of alliances among DTOs and other groups engaged in environmental crimes to consolidate territorial control. This dynamic is exemplified by narco-deforestation, where large tracts of tropical forest are cleared to build clandestine landing strips and roads used to transport drugs, a practice increasingly common in the Amazon, Central America and Mexico.

Alleged members of Venezuelan gangs being transferred to El Salvador, (Credit: Casa Presidencial El Salvador)

Case Study:

The expanding shadow gold economy



A Peruvian soldier deployed to combat illegal mining (Credit: Ministry of Defence, Peru)

Illicit gold mining and trafficking have emerged as a critical revenue stream for organised criminal groups in Latin America, now rivalling traditional illicit markets both in scale and profitability. The region's large gold production and the metal's soaring value amid ongoing global economic uncertainty, have made the sector increasingly attractive. Gold offers twice the profit of cocaine per kilogramme, whilst carrying comparatively lower legal and operational risks. Illicit gold revenues are now estimated to generate three times more income for Peruvian non-state armed groups (NSAGs) than narcotrafficking, and yield greater profits for Colombian groups than cocaine trafficking, even as the country remains the world's top cocaine producer. Stronger enforcement measures - spearheaded by the Trump administration - against other illicit activities, particularly drug trafficking, have further accelerated this shift. This has been compounded by the impact of stringent migration policies in the United States and elsewhere on human smuggling and related criminal revenues.

Beyond financing criminal networks, illicit gold plays a pivotal role in money laundering. Its extraction and trade create synergies with - and opportunities for - other criminal activities, including mercury trafficking, human and sex trafficking, forced labour in mining areas, as well as extortion targeting miners and communities. Revenues from gold are frequently reinvested into other criminal operations, reinforcing and diversifying illicit economies. In Colombia, NSAGs have gained control over many artisanal and small-scale gold mining (ASGM) sites that often operate outside designated mining zones, rendering them illegal. In these regions, limited alternative livelihood opportunities enable criminal exploitation, as miners are forced to pay taxes to NSAGs in exchange for protection from law enforcement.

In Ecuador, illicit gold mining has increased exponentially in the last six years. Reports from the Attorney General's Office, published by Amazon Watch, now indicate illegal gold extraction in 22 of the country's 24 provinces. The sector's growth has been facilitated by strategic alliances between Mexican DTOs and domestic criminal groups. The Los Lobos gang, one of Ecuador's most powerful criminal organisations, has used its territorial control to forge an alliance with the CJNG, securing dominance over nearly every stage of the illicit mining supply chain, coordinating extraction, processing and smuggling routes across borders. Illicit gold mining has also severe environmental costs, in terms of deforestation, toxic mercury contamination and long-term ecological degradation. Since 2019, the Amazon basin has become a primary theatre for illegal gold mining, expanding continuously and now accounting for two-thirds of the region's total gold output.

Square kilometres affected by gold mining-related deforestation in the Amazon

Year	Area Affected (In square Kms)	% Increase
2018	9,700	
2019	11,800	22%
2020	13,600	15%
2021	15,500	14%
2022	17,500	13%
2023	19,300	10%
2024	20,400	6%

Source: Amazon Mining Watch

In the Peruvian Amazon, particularly in the Madre de Dios region, according to the Monitoring of the Andes Amazon Program, one quarter of deforestation between 2021 and 2024 is linked to illicit gold mining, extending into indigenous communities and protected areas.

Moreover, as UNODC reports, the intersection of illegal gold mining and drug trafficking has become increasingly apparent, reflected in their shared use of private landing strips, logistical networks and money laundering channels. The illicit gold business illustrates the convergence of criminal economies with environmental crimes and human exploitation, generating compound security threats that cut across governance, human rights, and ecological stability.

CANNING HOUSE

The rise of criminal politics

The growing geo-economic power of Latin American criminal groups, combined with their need to control territory and influence political decisions to safeguard their diversified strategic interests, has turned them into increasingly quasi-political actors. This trend has manifested in various ways, including their expanding role in governance and the provision of basic services to populations under their control - alongside or in place of services provided by the state - which often reinforce their legitimacy and embed them more deeply within society. According to the International Committee of the Red Cross, 81 of the 84 (over 96%) armed groups of humanitarian concern they identify in Latin America either provide public services - such as security, justice, utilities, healthcare, and education - collect taxes, or both. This contrasts with a global average of 80%.

This imitation of the state's core functions includes the display of military power and monopoly of force - capacities the CJNG has mastered effectively. These groups also employ sophisticated communication strategies to advance their objectives: from portraying themselves as legitimate political alternatives and de facto authorities to using terroristic messaging to intimidate both the state and the local population.

Their quasi-political nature is also reflected in their attempts to alternatively challenge, infiltrate, or capture state institutions in pursuit of their strategic objectives. This includes influencing the outcome of electoral processes through corruption, intimidation and political violence, as well as leveraging the votes they control to support or extract concessions from certain candidates. Political violence has been on the rise across the region, with the most recent high-profile example being the shooting of senator Miguel Uribe, a presidential hopeful, in Colombia in June 2025. In Mexico, political violence has long been present and shows no sign of abating, with over 2600 reported threats, killings, armed attacks and kidnappings to people active in the political sphere from 2019 to September 2025. The assassination of Carlos Alberto Manzo Rodríguez, the mayor of Uruapan in Michoacán, in early November 2025 exemplifies this enduring trend. Other groups refrain from directly confronting the state, employing their financial muscle rather than overt violence. The PCC exemplifies this approach, appearing to prioritise corruption as a means of control of political decision over political violence.

Combined with transnational interests, these groups appear to be increasingly developing a form of (criminal) foreign policy, one that entails building tactical alliances, expanding transnational violence, and leveraging geopolitical divisions, including through partnerships with global powers such as China, Russia and Iran as well as their respective non-state actors amid an increasingly conflictive geopolitical order. The ties developed with Chinese criminal groups within the fentanyl supply chain, laundering of narco-profits and illicit gold business, as well as the likely involvement of these actors in tariff evasion and smuggling activities, often through Chinese-managed ports, are cases in point. Equally illustrative is the evolving footprint of Iran's proxy non-state armed group, Hezbollah, in the region - particularly in the tri-border area of Argentina, Brazil, and Paraguay; as well as Venezuela - and its engagement in drug and contraband smuggling, natural resource exploitation and financial crimes to fund its operations in the Middle East.

Looking ahead, Latin American criminal groups are likely to further consolidate their role as hybrid political actors with influence that reaches well beyond illicit economies. Their territorial control and service provision will entrench durable zones of criminal governance, further eroding the authority and legitimacy of the state. As their transnational networks expand and alliances with global partners deepen, these groups will further refine their external strategies and goals, using both their expanded connections and ongoing geopolitical rivalries to advance those objectives. Meanwhile, state institutions may confront heightened exposure to corruption, coercion, and electoral meddling, fostering political landscapes in which criminal support becomes an increasingly decisive factor.

Security responses

High levels of armed violence linked to organised crime have prompted many Latin American governments to adopt increasingly punitive, tough-on-crime security strategies. El Salvador, once considered one of the most violent countries in the region, experienced a drastic decline in conflict-related fatalities since the implementation of the country's 'Territorial Control Plan' in 2019. The primary objectives of this security strategy were to dismantle criminal organisations, reduce homicide rates and reassert state authority over areas previously controlled by gangs. The declaration of a state of exception in March 2022, continuously extended to this day, has notably allowed security forces to detain and imprison suspected gang members without due process. The apparent success of El Salvador's model has sparked a wave of interest across Latin America, with several countries looking to emulate its approach.

In Ecuador, in response to escalating gang violence, President Daniel Noboa declared an internal conflict against criminal groups and a state of exception in early

2024, which is ongoing. His administration held a successful referendum that expanded the military's role in combating organised crime and increased penalties for offences such as drug trafficking, homicide and human and arms trafficking. Similarly, in Honduras, President Xiomara Castro declared a state of emergency in late 2022 and announced the construction of a 20,000-inmate 'megaprison' in mid-2024. These prolonged states of emergency have facilitated the growing militarisation of security forces across the region, as armed forces have increasingly supplemented police operations against criminal organisations.

In Chile, tougher punitive strategies have also been introduced. In early October 2025, the government established a Supraterritorial Prosecutor's Office with nationwide jurisdiction to strengthen criminal prosecution and combat organised crime. President Gabriel Boric has also announced the transformation of the controversial Punta Pueco prison in November 2025, which has long housed dictatorship-era human rights violators under privileged conditions. The facility is now set to be incorporated into the public prison network, both to toughen conditions for its inmates and in an effort to curb prison overcrowding across the wider system.

Departing from former president Andrés Manuel López Obrador's 'abrazos, no balazos' ('hugs not bullets') - focused on addressing the social and economic root causes of violence rather than pursuing direct confrontation -, Mexico, under President Claudia Sheinbaum has shifted toward a more assertive, intelligence-based strategy against organised crime emphasising the disruption of its primary revenue sources.

In February 2025, the Mexican government launched the 'Northern Border Operation', a large-scale military deployment aimed at combating organised crime and curbing illegal immigration in response to President Trump's declaration of a national emergency at the southern border. Since the start of the operation, over 8000 people have been detained and authorities have seized more than 6000 weapons and over 100,000 kilograms of narcotics, figures that are expected to continue rising. Elsewhere, incoming leaders in the region have signalled a similar commitment to punitive and militarised security policies. In Peru, interim President José Jerí - sworn in in early October 2025 after the ousting of Dina Boluarte, in part over her government's failure to address surging crime rates - visited a maximum-security prison and launched a series of high-profile raids. Jerí has declared that the priority for his interim government will be to tackle Peru's impunity and rising levels of crime. Reflecting this stance, his government imposed a 30-day state of emergency in Lima and Callao in late October.

Upcoming elections in Chile and Honduras in 2025, and in Costa Rica, Peru, Colombia, and Brazil in 2026, could likely deepen the region's shift toward tougher security agendas, as issues like crime, organised violence, and border control increasingly dominate public debate and voter priorities. Newly elected Bolivian President, Rodrigo Paz, is also likely to change approach to tackling crime, prioritising the fight against corruption and OCGs, and shifting towards increased international cooperation.

Results and shortcomings of current security approaches

The renewed 'Mano Dura' approach adopted across the region has achieved some success in curbing violence, as exemplified by the reduction in the homicide rate in El Salvador, from 36 homicides per 100,000 inhabitants in 2019, at the start of the 'Territorial Control Plan' , to 1.9 in 2024. In Rosario, one of Argentina's most violent cities, homicide rates dropped by 65% after federal and local authorities implemented Operativo Bandera, which toughened the conditions in prisons hosting criminal organisations' leaders and deployed 1400 agents across the city.

Looking ahead however, despite the short-term appeal, the long-term effectiveness of these policies remains debated. These strategies often consolidate power within the executive branch, undermining the autonomy of the judiciary, prosecutors and local governments. Such centralisation of power contributes to democratic backsliding and risks weakening institutional autonomy. Moreover, the widespread use of force and the mass incarceration of individuals have led to human rights violations whilst failing to address the structural roots of violence. The persistence of deep social and economic inequalities further exacerbates this issue. Latin America remains one of the most unequal regions in the world where poverty, limited access to education, and limited economic opportunities in the formal economy potentially fuel the proliferation of organised crime. A correlation between Gini Index scores and homicide rates globally shows a strong relationship between high inequality and elevated murder rates, suggesting that long-term sustainable reductions in violence require policies addressing inequalities and social exclusion, as well as coercive measures.

Multidimensional and long-term security strategies must also include prison reforms as an essential component. Prisons in the region have long operated as headquarters for criminal groups, where the latter orchestrate operations and conduct recruitment. A penal system overhaul must consider both increased oversight and control within prisons as well as better work conditions, welfare systems and salaries for police officers to prevent corruption. Furthermore, reinforcement of judicial and prosecutorial institutional capacity must form integral parts of broader prison reform. Enhancing the independence and effectiveness of prosecutors' offices is essential to reducing impunity, one of Latin America's most persistent obstacles in the fight against organised crime, and to ensuring robust accountability and justice mechanisms.

Additionally, tough-on-crime approaches have often produced adaptive and fragmentary responses from criminal groups. When leaders are imprisoned or targeted, organisations tend to splinter into smaller, less hierarchical cells that are harder to monitor and control. This fragmentation frequently leads to increased criminal contestation and violence, as emerging factions fight for territorial control or illicit markets. Such cases have been apparent in Mexico, where the arrests of two Sinaloa Cartel leaders in 2024 intensified infighting between the cartel's two main factions, and contributed to a drastic increase in violence. Reported homicides in Sinaloa surged by 294% in the first half of 2025, increasing to 883 from 224 during the same period in 2024. Similar patterns have been observed in Ecuador at the beginning of 2025, where increased military control inside and outside prisons have fostered intra-gang power struggles and fragmentation, leading to the most violent months on record in the country at the start of 2025. In the first four months of the year, fatalities related to violent events increased by 58% in contrast to the same period in 2024. Repeated violent police raids in Rio de Janeiro have failed to reduce violence or weaken the dominance of the city's main criminal group, the Comando Vermelho. Instead, they have drawn criticism for endangering civilians, undermining due process, and relying on military-style tactics in densely populated neighbourhoods –criticisms brought into sharp focus by 'Operation Containment' in October 2025, the deadliest police operation in Rio's history, which left over 120 people dead.

Regional and multinational security responses

As the threat posed by non-state armed groups grows beyond national borders, security strategies in the region have increasingly sought regional and multinational cooperation.

Cocaine production and trafficking, remain the central focus of regional security frameworks. For decades, the US has played a pivotal role, driven by both its strategic interest in regional stability and its national security objective of reducing illegal drugs flow into its territory. Through initiatives such as the Mérida Initiative (2008-21) and Plan Colombia (2000-16), the US has provided funding, training, and intelligence-sharing to increase partner nations' counter-narcotics and law enforcement capabilities. The US Southern Command collaborates with the region, in particular Central America, to tackle illicit trafficking through capacity-building and information sharing through annual regional security exercises such as Tradewinds, Fuerzas Comando, SOUTHDEC and UNITAS. In recent years, European states have also become an increasing more prominent player, responding to a surge in cocaine seizures and growing consumption across European markets.

Beyond these, numerous bilateral and international frameworks have been developed across the region. Collectively, these initiatives underscore a growing recognition that security challenges demand sustained and coordinated responses, as indicated in the following table.

Troops at the CECOT Prison, El Salvador, (Credit: Casa Presidencial El Salvador)

Selected security partnerships and initiatives

Initiative	Parties Involved	Start Year	Description
INTERPOL- Amazon International Police Cooperation Centre (CPPI Amazônia) joint operation against illegal gold mining	INTERPOL-Brazil	2025	Formed in response to the escalating threat of illicit gold mining in the Brazilian Amazon. The operation disabled 277 dredges involved in illegal gold mining and disrupted criminal profits valued at approximately USD $193 million.
Memorandum of Agreement on Communications Information Security	Ecuador-United States	2025	Part of a broader series of bilateral agreements outlining cooperation in intelligence sharing, capacity building, drone acquisition, training and the provision of communications and surveillance equipment to strengthen efforts in the fight against criminal organisations.
US-Mexico 2025 bilateral agreement	Mexico-United States	2025	Framework for enhanced coordination between national security, law enforcement and judicial authorities to combat transnational organised crime and irregular migration. The agreement aims to strengthen border security, disrupt fentanyl and other drug trafficking and curb the flow of illicit arms through security and intelligence cooperation. A key component of the agreement is "Mission Firewall", a new initiative targeting illicit firearms trafficking from the US. This initiative will support Mexico's expansion of intelligence technologies and foster more effective bilateral information-sharing mechanisms.
Vida Colombia Strategy	Colombia-United States	2024	Joint initiative supporting peace accord implementation, anti-narcotics operations and the promotion of human and orderly migration management.
Global Coalition to Address Synthetic Drug Threats	170+ participating countries	2023	A multinational effort to counter the illicit production and trafficking of synthetic drugs through early detection of emerging substances, improved data sharing and public-health oriented interventions.
Joint Task Force Alpha (JTFA)	United States, Mexico, Guatemala, El Salvador, Honduras, Colombia and Panama	2021	US-led operational partnership focused on combatting human smuggling and trafficking.
EL PAcCTO 2.0	EU-Latin American and Caribbean countries	2023	Second phase of the 2017 cooperation programme on the fight against transnational organised crime, corruption and money laundering by strengthening partnership on justice and security. It promotes political dialogue, technical assistance and institutional capacity building.
Inter-American Development Bank (IADB) Alliance for Security, Justice and Development	22 Latin American and Caribbean countries	2024	Regional platform fostering dialogue, cooperation and joint action to strengthen institutions and curb the rapid expansion, growth and influence of organised crime in the region.
Gang Suppression Force	United Nations, Haiti	2025	United Nations Security Council-mandated mission replacing the Kenyan-led Multinational Security Support Mission (MSS) in Haiti to conduct intelligence-driven operations to combat gang violence, provide security for critical infrastructure and support humanitarian access.

Chilean armed police

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Conclusion

The security outlook for Latin America remains challenging, amid persistent armed violence, fragile institutions and an increasingly complex global environment. Deep-seated inequalities, limited economic opportunities, and entrenched corruption will continue to bolster the power and political influence of organised criminal groups. Their constant reconfiguration based on risk/profit margins and demand trends will fuel criminal contestation over strategic ports, border regions and trafficking routes. As a result, armed violence is likely to intensify across both established and emerging hotspots, intersecting with growing inter-state tensions to heighten regional instability, unless effective solutions can be found.

Policies centred around punitive security and measures may produce short-term gains but could risk exacerbating the underlying causes of armed violence by undermining economic growth in the region and institutional strength. Similarly, although militarised security strategies spearheaded by El Salvador have proven to be successful in the short-term, they may prove counterproductive in the long term due to their impact on judicial independence, financial sustainability and human rights. When applied in isolation without complementary, multidimensional policies to tackle the root causes of conflict, such approaches have historically contributed to the fragmentation of criminal groups, further amplifying violence and instability.

Growing awareness of the need for regional and multinational approaches to organised crime has led to promising initiatives in intelligence sharing, police coordination, and institutional strengthening, including in the criminal justice sector, among others. However, looking ahead, political differences and limited resources are likely to continue undermining their full effectiveness. Additionally, under President Trump, the United States' foreign and trade policies will likely persist in creating uncertainties and could potentially fuel instability in the region. Meanwhile, China's expanding economic and criminal footprint - particularly in precursor chemicals and illicit gold - will complicate coordination and enforcement efforts.

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