



SOUTH AMERICA 2030

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GLOBAL AMERICANS

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Introduction

With the exception of Brazil, the 10 sovereign countries of South America included in this report (for reasons of cultural and political affinity we included Guyana and Suriname in the Caribbean Basin report) are all Spanish-speaking. But despite the dominance of Spanish as the official language in all but Brazil, the diversity of the region is staggering; the region boasts a range of indigenous languages, more than 100 according to *Americas Quarterly*,¹ from the rainforests of Venezuela, Colombia and Brazil to Patagonia in Chile, to the Chaco of Paraguay, to the highlands of Bolivia, Ecuador and Peru.

This report examines the security, political, institutional, economic, demographic, and technological trends in Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela. Despite the tendency to often lump the region together in examining regional political and economic trends, there are great differences between countries. For example, the oft-referred-to “pink tide”² of leftist governments elected in the late 1990s and early 2000s in Venezuela (1998), Brazil (2002), Argentina (2003), Chile (2006), Bolivia (2006), and Ecuador (2007) in fact had little in common beyond a pledged commitment to social justice. The origins of those movements—from economic collapse (Argentina), to political alternation in power (Brazil and Chile), to the total collapse of traditional party systems (Bolivia, Ecuador and Venezuela)—differed widely, as did the political and economic impact of those governments once in power—particularly in Bolivia and Venezuela, where those original movements have bent (and even broken) popular will and constitutions to remain in power.

Similarly, economically there is tremendous variation within a region that often appears to move in common waves. Many of the so-called pink-tide governments that came to power in the 1990s and 2000s had the good fortune of doing so as the growth of China and India sharply boosted demand for many of their exports—primary products, such as minerals, metals, hydrocarbons, and foodstuffs. What they did with that windfall, and its impact on corruption, economic stability, sustainable job growth, and the consolidation of political power, however, differed greatly across the continent. While the governments in Argentina, Brazil and Venezuela have fallen into corruption scandals

over collusion between the private sector and the public sector to mispend new-found wealth to enrich public officials and businesses, others such as Chile and Colombia—while not immune from corruption scandals—sought to use their windfalls for economic diversification and investment. As a result, while the region’s economies grew at a breakneck average rate of slightly over 5 percent between 2004 and 2010, when the commodities boom ended in 2010, what was left varied, and the fundamentals—both economic and political—remain different, today and for the future. Brazil slipped into the worst recession of its modern history, with its economy contracting by 3.5 percent in both 2015 and 2016. Argentina contracted less; but as a result of the profligate policies of the governments of first Nestor Kirchner and later Cristina Fernandez de Kirchner, GDP grew by only 0.01 percent between 2012 to 2017. Venezuela’s economic death spiral has been even more severe, with the one-time oil-rich economy losing almost half of its GDP between 2013 and today and with no end in sight.

Even the GDP growth projection numbers today for South America hide important differences. While Colombia is expected to grow by 2 percent this year, Paraguay is expected to see its economy expand by 4.5 percent. Venezuela’s economy is expected to contract by between 15 to 18 percent, its fifth straight year of economic contraction. The rest fall across the positive range of 2 percent to 4.5 percent—a significant difference and one that the World Bank in a recent report said may be soft.³ [Please see Figure 1 below]

Even the modest growth rates for some countries may be too optimistic, particularly Argentina—where the government of President Mauricio Macri just re-adjusted its projections for economic growth downward to -1.5 percent for 2018 and -.5 percent for 2019. At the same time, as Brazil starts to climb out of its recession, it faces the aftermath of a highly polarized election and angry electorate in which much-needed economic reform was not prominent in the political debates in a campaign dominated by issues of corruption and violence.

There are few outstanding border disputes in South America. Bolivia’s claims to the stretch of land it lost connecting it to the Pacific coast in the War of the Pacific with Chile was at least juridically resolved when the International Court of Justice at The Ha-

1. “Just the Numbers: The hemisphere’s indigenous languages,” *Americas Quarterly*, Winter 2011, <https://www.americasquarterly.org/node/2092> (Last accessed 10/15/18).

2. de Santiago, Monica, “The Pink Tide in Latin America,” *Modern Latin America*, <https://library.brown.edu/create/modernlatinamerica/chapters/chapter-8-venezuela/moments-in-venezuelan-history/the-pink-tide-in-latin-america/> (Last accessed 10/15/18).

3. “World Bank warns of Latin America’s ‘fragile’ recovery,” October 5, 2018, <https://www.channelnewsasia.com/news/world/world-bank-warns-of-latin-america-s--fragile--recovery-10796708> (Last accessed 10/17/18).

FIGURE 1
Gross Domestic Product Growth Rates, 2018-2023

COUNTRY	2018	2019	2020	2021	2022	2023
Argentina	2.0%	3.2%	3.1%	3.2%	3.3%	3.3%
Bolivia	4.0%	3.8%	3.7%	3.7%	3.7%	3.7%
Brazil	2.3%	2.5%	2.2%	2.2%	2.2%	2.2%
Chile	3.4%	3.3%	3.2%	3.1%	3.0%	3.0%
Colombia	2.7%	3.3%	3.6%	3.6%	3.6%	3.5%
Ecuador	2.5%	2.2%	1.7%	1.8%	1.6%	1.8%
Paraguay	4.5%	4.1%	4.0%	3.9%	3.9%	4.0%
Peru	3.7%	4.0%	3.9%	3.9%	3.9%	3.8%
Uruguay	3.4%	3.1%	3.0%	2.9%	3.0%	3.0%
Venezuela	-15.0%	-6.0%	-2.0%	-1.5%	-1.5%	-1.5%

SOURCE: IMF World Economic Outlook.

gue, in a 12 to 3 decision in October 2018, determined that Chile had no obligation to negotiate with Bolivia over its claims. Other disputes have similarly been resolved or tamped down, including an Ecuador-Peru border dispute that erupted into a brief war in 1995 but is now settled, and a number of minor territorial flashpoints between Chile and Argentina.

The only active border hotspots revolve around Venezuela. First is the country's longstanding dispute with Guyana, going back to colonial disagreements that were supposedly settled in 1966 by the Treaty of Geneva, signed by the United Kingdom, Venezuela and British Guiana. The treaty committed the parties to find a practical, peaceful and satisfactory solution to the dispute. But the dispute remains, and has flared in recent years after more than 2 billion barrels of oil were discovered off the coastal waters of the disputed territories. Recently the U.S. officially changed its public policy of urging a quick resolution to recognizing the borders as they are currently demarcated. With Colombia, tensions have also risen as the Venezuelan domestic crisis spikes. The Venezuelan government perceives Colombia, along with the United States, as

its main conflict hypothesis, and analysts fear that the Maduro regime will tend towards a "malvinization" in similar fashion to the Argentine dictatorship, attempting to draw attention away from the internal crisis by pursuing an external conflict with Colombia and reinforcing the discourse that the crisis is the fault of external actors.⁴ The third stems from the massive refugee crisis that has accompanied Venezuela's economic, humanitarian and political collapse; by October 2018 an estimated 2.3 million Venezuelan citizens had fled, mostly to neighboring countries, such as Colombia, Brazil, Ecuador, and Peru. While neighboring countries have given Venezuelan refugees a largely welcome reception and international assistance has started to flow to address the infrastructural and humanitarian strains, the indefinite resettlement of unemployed, impoverished refugees is already starting to cause strain in these countries and could bring resentment, political backlash and potential conflict. These issues are exemplified in the recent burning of a Venezuelan refugee camp in Roraima⁵, the collapse of the Ecuador-Colombia border⁶, growing discrimination against Venezuelans in Peru⁷ and the growing recruitment of refugees by guerrilla and paramilitary organizations in

4. Serbin Pont, Andrei. "La Fuerza Armada Bolivariana Como Obstáculo Para La Cooperación Colombia-Venezuela." In *La Problemática Del Tráfico Ilícito De Drogas: Impacto Regionales Y Globales*, 279-302. Bogotá: Editorial Javeriana, 2018.

5. "Brazil Sends Troops to Venezuela Border after Residents Drive out Migrants from Improvised Camps." *The Telegraph*, August 19, 2018, <https://www.telegraph.co.uk/news/2018/08/19/brazil-sends-troops-venezuela-border-residents-drive-migrants/> (Last accessed 9/15/18).

6. "Fleeing Venezuelans Face Suspicion and Hostility as Migration Crisis Worsens." *The Guardian*, August 19, 2018, <https://www.theguardian.com/world/2018/aug/19/fleeing-venezuelans-suspicion-hostility-migration-crisis-ecuador> (Last accessed 9/15/18).

7. "35,1% De Los Venezolanos En Perú Ha Sido Discriminado Por Su Nacionalidad." *NTN24*, July 11, 2018, <http://www.ntn24.com/americas-latina/venezuela/351-de-los-venezolanos-en-peru-ha-sido-discriminado-por-su-nacionalidad> (Last accessed 9/15/18).

FIGURE 2
Murder Rates South America

COUNTRY	Murder rate (per 100,000)
Argentina	5.94
Bolivia	6.3
Brazil	29.53
Chile	3.46
Colombia	25.5
Ecuador	5.85
Paraguay	9.29
Peru	7.67
Uruguay	7.69
Venezuela	56.33

SOURCE: UNDOC

Colombia⁸, among others, which serve as indicators of limited state capacity to deal with largest refugee crisis in the region’s history.

But even if inter-state conflicts are few and remote, in many countries these societies are at war within themselves. Across many countries, such as Venezuela, Brazil and Colombia, domestic murder rates equal the death tolls resulting from inter-state conflicts in other continents. Seven of the ten most murderous cities in the world are in South America, with the other three elsewhere in Latin America.⁹ See Figure 2.

The reasons for these abnormally high rates of violence are multiple and differ by country. For many historians and sociologists, the reasons are rooted in the patterns of domination and exclusion from colonization.¹⁰ More modern explanations, however, revolve around the traditional weak power of the state and illicit activities and networks. State weakness on the monopoly on the legitimate use of force (to use the minimalist definition from Max Weber¹¹) does not just extend to the vast rural areas but to cities them-

selves where the majority of citizens live. (See our summary demographics section below.) As a result, in prominent cities such as Rio de Janeiro, Bogota, Caracas, São Paulo, and Ciudad del Este, there are areas that remain far from the rule of law and the state. This has been complicated by narcotics trafficking and transnational crime, though the extent—as we address briefly below—varies by country, as have the successes in battling back.

While avoiding the reductionist region-wide summaries criticized above, politics are also in flux across the continent, driven largely by the same factors. Their impact, though, will vary depending on the institutional capacity of democratic regimes to check the accumulation of personal power, defend the rule of law, and constructively and democratically channel popular frustration with the political class and democracy in general to generate and promote a new generation of democratic leadership unsullied by past corruption scandals. Across the ten countries in South America, the levels of trust in political parties average a paltry 15.4 percent, ranging from a high of 24.3 percent in politically stable Uruguay to a low of 7.5 percent in Peru. Meanwhile support for democracy across the same countries averages 59.6 percent, ranging from a high of 82.4 percent in Uruguay to a low of 48.6 percent in Paraguay. In none of the countries however, does a majority support a military coup under scenarios of high crime or corruption.¹² While those levels have decreased over time from already low rates, the most alarming have been declines in support for democracy. Overall, in the ten countries covered in this report, popular support for democracy has declined from highs in 2008 or 2010 from on average 15.3 percent. The greatest drop occurred in Venezuela (24 percent decline), Brazil (21.3 percent decline), Colombia (19.4 percent decline), and Ecuador (16.4 percent decline).

To better understand and analyze these issues, their inter-relationships and likely impact in the future, we have untangled them into five separate themes: 1) transnational security and violence; 2) institutional capacity; 3) economic growth; 4) demography; and 5) technology and communications. In addition, we discuss four cross-cutting themes: the likely impact of extreme weather; the growing influence of extra-hemispheric actors; and growing popular di-

8. Respuestas Regionales a La Crisis Venezolana: Fortaleciendo Capacidades De La Sociedad Civil E Iniciativas Multilaterales. Policy Memo. CRIES. Panama: CRIES / Stanley Foundation, 2018.

9. “Latin America Is the Murder Capital of the World,” in Wall Street Journal, September 20, 2018, <https://www.wsj.com/articles/400-murders-a-day-the-crisis-of-latin-america-1537455390> (Last accessed 10/17/18).

10. For an excellent, readable summary of this thesis see Tina Rosenberg’s book Children of Cain: Violence and the Violent in Latin America, (New York: Penguin Group, 1991).

11. Weber, Max, Economy and Society Volume I, Edited by Guenther Roth and Claus Witch, (Berkeley: University of California Press, 1978).

12. These are taken from Vanderbilt University’s 2016-2017 Latin American Popular Opinion Project (LAPOP). Regional averages are unweighted averages intended to be illustrative. <https://www.vanderbilt.edu/lapop/> (Last accessed 10/8/18).

senchantment with existing political systems. By far the most important factor shaping a number of issues addressed here—from security to demographics—will hinge on the fourth outlier: the future of Venezuela.

Transnational Security Challenges and Violence

South America is facing a wide array of security challenges. The growth of transnational criminal organizations is becoming a prevailing concern in most of the countries in the region. It is not, however, a homogenous threat; criminal organizations have developed under different national contexts and with different strategies. At the same time, governments are using different approaches and policies to counter these illicit groups;¹³ state capacities differ; and endogenous factors like common crime and violence affect every country differently. This means that while there is a presence of common threats to the countries in the region, the security landscape varies drastically from country to country.

When it comes to transnational criminal organizations, drug trafficking is the most profitable international criminal activity in the world and the most prevalent in this region. It comprises a sophisticated globalized trade scheme that often combines a variety of illicit activities going from the production of raw materials, to the transshipment of raw and processed goods, to retail of final products to money laundering. In South America, we find the main producers of coca and cocaine (Colombia, Peru and Bolivia) as well as some of the main transit routes to the United States and Europe (of which Venezuela has become a major hub). In recent years, consumption in South America has also grown substantially along with violence associated with the distribution of narcotics. Brazil accounts for 13 percent of global murders.¹⁴ Added to the traditional mix of drugs, marijuana and cocaine are heroin and synthetic opioids. Many of the primary chemicals for the latter—which in 2017 claimed almost 64,000 lives in the United States from overdoses—come from China destined for the United States.

The region is also characterized by weak formal institutions, low compliance with the law and systematic violations of the rule of law, including by the state itself.¹⁵ In terms of responding to drug trafficking, governments in the continent have attempted to address this by subscribing to different United Nations conventions, establishing cooperation agreements between governments and conducting joint operations between different security forces or judicial agencies. Because of the criminal nature of narcotics trafficking, most consider the most relevant response the national or federal police forces.¹⁶ However, a significant part of the state response to drug trafficking depends on subnational state actors, such as provincial governments and/or municipal-level police forces. These generally lack the legal authority and institutional capacity to track and attack drug trafficking at the transnational level at the same time that they must deal daily with the local violence associated with this crime, especially its retail distribution.¹⁷

One example of this multi-national coordinated effort is the Latin American and Caribbean Criminal Court against Organized Transnational Crime (COPLA) initiative. While still in its early stages, the program is based on the idea of developing a supranational view and approach to a phenomenon—transnational crime—that threatens national security by coordinating contacts and the exchange of information on drugs, weapons and money laundering across countries. Currently COPLA has the support of some governments in the region as well as several civil society organizations and academics, yet has only advanced in a proposal for the statutes of the organization.

Other security threats also transcend national borders and defy authority. An example of this is black market for firearms in Brazil that has emerged from the demand of criminal organizations such as Primer Comando da Capital (PCC) and Comando Vermelho. In these cases, Paraguay has become one of the main suppliers to the Brazilian groups.¹⁸

Another security threat, of still unclear propor-

13. Pastrana Buelvas, Eduardo, and Diego Vera Piñeros. "Herramientas Teóricas Para Comprender La Multidimensionalidad Del Problema De Drogas." In *La Problemática Del Tráfico Ilícito De Drogas: Impacto Regionales Y Globales*, 21-54. Bogotá: Editorial Javeriana, 2018.

14. Muggah, Robert, and Katherine Aguirre Tobón. *Citizen Security in Latin America: Facts and Figures*. Rio De Janeiro, RJ: Igarapé Institute, 2018.

15. Levitsky, Steven and María Victoria Murillo. "Building Institutions on Weak Foundations." *Journal of Democracy* 24, no. 2 (2013): 93-107. <https://muse.jhu.edu/> (Last accessed October 17, 2018).

16. Flom, Hernán. "Política, Policía Y Violencia: La Regulación Del Narcotráfico En El Cono Sur." *Revista De Estudios En Seguridad Internacional* 4, no. 1 (2018), <http://dx.doi.org/10.18847/1.7.3> (Last accessed 9/15/18).

17. Flom, Hernán. "Política, Policía Y Violencia: La Regulación Del Narcotráfico En El Cono Sur." *Revista De Estudios En Seguridad Internacional* 4, no. 1 (2018), <http://dx.doi.org/10.18847/1.7.3> (Last accessed 9/15/18).

18. Paraguassu, Lisandra. "U.S. Biggest Source of Illegal Foreign Guns in Brazil: Report." *Reuters*, January 18, 2018, <https://www.reuters.com/article/us-usa-brazil-arms/u-s-biggest-source-of-illegal-foreign-guns-in-brazil-report-idUSKBN1EZ2M5> (Last accessed 9/15/18) and "Maior Parte De Armas Ilegais Vem Dos EUA E Paraguai, Diz PF." *Veja*, January 9, 2018, <https://veja.abril.com.br/brasil/maior-parte-de-armas-ilegais-vem-dos-eua-e-paraguai-diz-pf/> (Last accessed 9/15/18).

tions, is the presence of terrorist organizations in the region. Though there have been series of thinly substantiated allegations, we do know the following: the Paraguayan government has detained Lebanese Hezbollah leader Assaad Ahmad Barakat for having been illegally granted a Paraguayan passport.¹⁹ And there have been recurring accusations and evidence of a Hezbollah presence in Venezuela through government facilitation of passports, aerial transport and other means to establish activities in that country.²⁰ The little research available on the issue suggests that this presence is linked to safe-housing and financing activities, not training or targeting objectives in the region. Other studies on Hezbollah's presence in Paraguay and the Tri-Border area of Paraguay, Brazil and Argentina have reached similar conclusions.²¹

An overarching trait in the region is the lack of a multidimensional strategy by national governments to counter criminal organizations.²² This in turn leads to over reliance on single-faceted approaches to combating drug trafficking, in the end resulting in reducing state capacity to effectively counter threats and increasing the risks of widespread penetration of international criminal organizations. State responses are also varied in scope, focus and means used to tackle these security challenges, which complicates the effectiveness of international cooperation.

The region has also become source in a growing trend in money laundering: trade-based money laundering (TBML). According to the U.S. Department of State's 2016 annual report on money laundering and financial crimes, TBML concerns have surfaced in countries or jurisdictions that include Brazil, Colombia, Guatemala, Mexico, Panama, Paraguay, Uruguay, and Venezuela.²³

As commodity prices increased with the rise of China and India, criminal groups have also taken to illegal mining and resource extraction. In Peru, Venezuela, Colombia and Brazil, criminal syndicates operate mines for materials such as copper, coal, emeralds, and gold, and also engage in illegal logging. In some cases,

such as illegal loggers in Brazil and illicit mining in Peru, some of these groups have close contact with local and national politics, complicating efforts to effectively investigate and punish these illegal actors and close down their activities.

Though often overlooked and not technically a matter of transnational security, violence against women and femicide is a serious issue of violence in the region. According to "A Gendered Analysis of Violent Deaths," a report published in 2016 by the Small Arms Survey, "among 25 countries with the highest rates of femicide in the world, 14 are from Latin America and the Caribbean." According to the Economic Commission for Latin America and the Caribbean (ECLAC), on average 12 women are murdered a day across the region. However, due to data limitations, the ECLAC numbers do not include Brazil, a country with one of the worst records of gender-based violence. Between 2007 and 2012, Venezuela and Colombia led South America in the estimated number of murders of women per 100,000 (five each) with Brazil having an estimated rate of four per 100,000. Those numbers placed them ninth, tenth and thirteenth in world rankings of the most dangerous places to be a woman.²⁴

State Capacity

As in any of the sub-regions discussed in this series of reports, state capacity varies across South America, ranging from the centralized, relatively efficient, professional civil bureaucracy and security apparatus of the Chilean state, to countries like Colombia, Ecuador, and Peru that for centuries have struggled to integrate and govern vast sections of rural areas—many of them populated with indigenous or remote rural communities—while at the same time attempting to incorporate newly urbanized populations. In the case of Colombia, the legacy of its weak state has been one of the main factors, deeply aggravated by narcotics and illicit activities, that have so vexed the country's efforts to control irregular armed groups and to gain effective control over its territory. Brazil faces many of these same challenges (with the exception of armed combatants) but, given its size, on a much grander sca-

19. "Investigan En Paraguay Quién Facilitó La Ciudadanía De Un Terrorista De Hezbollah." INFOBAE, <https://www.infobae.com/america/america-latina/2018/09/05/investigan-en-paraguay-quien-facilito-la-ciudadania-de-un-terrorista-de-hezbollah/> (Last accessed 9/15/18).

20. Theis, Reyes. "¿Está Hezbollah En Venezuela?" El Estímulo, March 27, 2018, <http://elestimulo.com/climax/esta-hezbollah-en-venezuela/> (Last accessed 9/15/18).

21. Sabatini, Christopher, "The Islamist threat in Latin America and the Caribbean: What do we really know?" Global Americans, January 26, 2017 <https://theglobalamericans.org/2017/01/islamist-threat-latin-america-caribbean-really-know/> (Last accessed 10/9/18).

22. Castro, Rafael, and Nataly Triana. "El Debate Global Sobre Los Enfoques De Regulación Y Lucha Contra Las Drogas Ilícitas." In *La Problemática Del Tráfico Ilícito De Drogas: Impacto Regionales Y Globales*, 83-110. Bogotá: Editorial Javeriana, 2018.

23. Miller, Rena, Leana Rosen, and James Jackson, "Trade-Based Money Laundering: Overview and Policy Issues," Congressional Research Service, June 22, 2016, <https://fas.org/sgp/crs/misc/R44541.pdf> (Last accessed 10/15/18).

24. Global Americans, "Femicide and International Women's Rights" in *Solidarity with the People?* <https://theglobalamericans.org/reports/femicide-international-womens-rights/> (Last accessed 10/9/18).

le, both in extending effective rule of law and control to vast areas of the interior and the rainforests and to its sprawling cities and favelas. At the same time, the Brazilian government is heavily burdened—as we discuss below—with unsustainable pension and civil servant salaries, crippling its ability to meet rising popular demands unless it embraces deep reforms.

Ironically, the answer of many South American governments to these institutional deficits has been to create pan-regional organizations, which have done little to address the fundamental weaknesses both of domestic governance and regional coordination. As a result, South America is a graveyard of failed or marginal multilateral experiments such as the South American Parliament, a number of regional congresses, the recently defunct Union of South American Republics (UNASUR) and the pan-regional pipe dream of former president Hugo Chávez, ALBA. Two regional organizations have remained standing, though, both of relatively recent creation or re-birth. The economic, trade-focused Pacific Alliance, comprising Chile, Peru, Colombia and Mexico, has a narrow focus of integrating Pacific Rim economies to better compete and cooperate with Asian economies; it has already led to a series of important initiatives including the integration of their stock markets. The older—and one time enfeebled—Southern Cone Common Market (MERCOSUR), appears to also be going through a re-evaluation and renaissance.

The World Bank maintains a Governance Index that measures political stability and absence of violence, voice and accountability, government effectiveness, regulatory quality, rule of law, and control of corruption. It scores each of those variables individually and combines them on a scale of 0 to 100 percent with average scores closer to 100 percent marking better levels of governance. (Individual numbers for each country are below.) The scores show the diversity within South America. Uruguay scores the highest on the World Bank measurement with 80.3 average across all six measurements with Chile close behind at 79.5. The more developed countries such as Argentina (50.2), Brazil (46.2), Colombia (45), and Peru (48.7) cluster around the middle, while the more ethnically diverse and poorer such as Bolivia (28.7), Ecuador (31.2), and Paraguay (36) rank lower. The lowest in terms of governance is Venezuela, not just in the region but near the bottom globally at 8.2 average, a reflection of decades of a politicized state that has gutted the government of qualified civil servants and

crushed the checks and balances of democratic governance and the rule of law.

Another proxy measurement for institutional capacity and corruption is tax avoidance. According to a UN University 2017 study, by far the highest rate of tax avoidance, as measured as a percent of GDP, is Argentina with tax avoidance totaling 5.1 percent, followed by Peru at 2.7 percent.²⁵ On the flip side are negative tax avoidance rates of Paraguay (-1.32) and Brazil (-1.32). But rather than indicate an unusually obedient taxpayer population, the negative numbers reflect the cascading taxation rates of both countries that in some cases can total more than 100 percent of a company's profits. (Note: Information was not available for Venezuela.)

Corruption also remains a problem. According to Transparency International's 2017 Corruption Perception Index, which ranks 180 countries globally by perceived levels of corruption on a score of 0 to 100 (with a 0 ranking representing highly corrupt and 100 very clean), Uruguay (70) and Chile (67) top the list of the least corrupt on the continent. Most of the other countries cluster in the 30s, with the exception of Venezuela, which scores 18 on the corruption perception index, making it, according to Transparency International, one of the most corrupt nations in the world.

There is another proxy measure for state capacity that, like corruption, is related to security and narcotics trafficking. The percent of a country's roads that are paved is an indication of a state's capacity to extend its presence to rural areas to integrate them politically and economically with the rest of the country; conversely, a lack of hard infrastructure also provides an opening for illicit groups, by both limiting the access of security forces to critical areas but also providing opportunities for illicit groups to transport product. As one campesino told an author of this study, "I don't have highways to ship cacao or hearts of palm, but I don't need them because the narcos just fly in and pick up my coca."²⁶ According to this indicator, Argentina ranks highest (30 percent) with Chile in second (23 percent) in terms of paved roads. A number of the countries involved either in the production or transshipment of narcotics rank much lower: Bolivia (10.8 percent); Brazil (13.5 percent); Ecuador (14.8 percent); and Peru (13.3 percent). Data were not available for Colombia and Venezuela. This is not to imply causation but rather the security, economic and institutional hurdles of addressing the illicit economies in these countries.²⁷

25. UN University WIDER, "Global distribution of revenue loss from tax avoidance," WIDER Working Paper 2017/55, <https://www.wider.unu.edu/sites/default/files/wp2017-55.pdf> (Last accessed 10/10/18).

26. Interview conducted by primary author in 1996 with a farmer in northern Peru in recently liberated Sendero Luminoso territory.
27. CIA World Fact Book, "Roadways," <https://www.cia.gov/library/publications/the-world-factbook/fields/2085.html> (Last accessed 10/10/18).

The unprecedented exodus of Venezuelan refugees fleeing the country’s humanitarian crisis has added another challenge to the ability of South American governments integrate and respond to social pressures. The UN Special Rapporteur for Refugees recently estimated that more than 3 million Venezuelans have left the country, the bulk of them seeking shelter and new lives in neighboring countries, such as Brazil, Chile, Colombia, Ecuador, and Peru. By recent accounts, more than 1 million Venezuelan refugees reside in Colombia, and according to a July 2018 report, and more than 354,000, are in Peru, 39,000 in Ecuador, and 105,000 in Argentina²⁸—though those numbers are likely much higher today. The repatriation of these refugees is unlikely to occur any time soon, if at all. As a result, governments already struggling to meet social demands and provide safety nets for their own populations now confront a new sizable population in need of assistance.

States globally will also need to keep pace with technological developments. For governments and states in Latin America that challenge may be particularly acute. Technology will affect institutional capacity in a number of ways. First, governments will need to adopt modern, effective regulatory frameworks to govern this fast-changing world with implications for personal privacy, intellectual property rights, piracy, crime, popular mobilization, and more transparent government. Second, cybersecurity, as we discuss below, remains spotty in the region and will need to be improved and updated. Last, as technology and automation will change the contours and demands of the labor market, likely displacing large portions of the workforce in areas that governments have long depended on as employment engines for their populations.

Economic Growth

As mentioned above, removing Venezuela’s disastrous economy from the continent’s average yields an average of 3.27 percent expected GDP growth in 2019, according to the International Monetary Fund. But as also mentioned above, the World Bank recently claimed that these numbers may be soft, especially for Argentina and Brazil. And while the numbers indicate that the region has started to grow out of the dip from the decline of commodities markets, after the boom of the early 2000s, in Brazil and Argentina that may

FIGURE 3
Poverty Rates in South America

COUNTRY	Population below poverty line (US\$5.50/day)
Argentina	7.80%
Bolivia	25.00%
Brazil	19.40%
Chile	10.10%
Colombia	28.50%
Ecuador	23.90%
Paraguay	20.10%
Peru	24.30%
Uruguay	3.70%
Venezuela	N/A

SOURCE: World Bank; World Bank, 2018, Poverty Rate, Washington, DC: World Bank

not be sufficient to sustain the gains of the boom years or pull new entrants into the formal job market. After Brazil boasted of lifting more than 40 million citizens out of poverty into a (weakly defined) middle class, in recent years, 6 million of those people have slipped back into poverty.²⁹ Even after the years when economic growth reached averages of 4 percent and above, South America remains one of the most unequal regions in the world. Poverty rates range between 28 percent in Colombia to a low of 3.7 percent in Uruguay, but average around 18 percent. See Figure 3.³⁰

As a recent Inter-American Development Bank (IDB) report noted, “the region may only recover back to its mediocre longer-term average (per capita) growth rate in the coming years” and will likely continue to lose its relative share of the global GDP to other regions.³¹ One of the greater challenges facing the region is that the global commodities boom that fueled South American countries’ growth further concentrated country economies and exports around the raw materials that were in such high demand. China is now the number

28. Camilleri, Michael and Fen Osler Hampson, “No Strangers at the Gate: Collective Responsibility and a Region’s Response to the Venezuela Refugee and Migration Crisis,” Washington, DC: Inter-American Dialogue and Centre for International Governance Innovation, <https://www.thedialogue.org/wp-content/uploads/2018/10/NoStrangersatGate.pdf>, (Last accessed November 11, 2018).

29. Prengaman, Peter, Sarah DiLorenzo and Daniel Trielli, “Millions return to poverty in Brazil, eroding ‘boom’ decade,” October 23, 2018, <https://www.apnews.com/89afd8d964984eb69678129e7d4a16cc> (Last accessed 10/17/18).

30. Note: Official poverty data from Venezuela are not considered credible. Independent analysts, though, have placed the rate as high as 80 percent.

31. I“2018 Latin America and the Caribbean Macroeconomic Report: A Mandate to Grow,” Washington, DC: Inter-American Development Bank, p. 3.

one market for Brazil, Chile, Peru, and Uruguay, but the bulk of the exports from those countries consist of raw materials such as copper and soy. At the same time, as Oswaldo Rosales has demonstrated, Chinese manufactured goods competed with locally produced manufactured goods, cutting into their higher end production even within countries' own domestic markets.³²

There are also long-term, structural challenges holding back the region's rate of economic growth potential in the future. The first among them is the region's low levels of productivity and the related low rates of investment. To quote the recent IDB report cited above, "Latin America and the Caribbean must search for sources of growth that can drive its economies forward. The expansion of the labor force and improving skills (human capital) have significantly boosted growth over the last 50 years. And while there are still major gains to be realized from further improving skills, the demographic trends are no longer favorable because population is now aging. This puts the onus for raising long-term growth on the shoulders of capital investment and aggregate productivity growth."³³ The culprits, the report concludes, are inefficient financial systems, onerous and inefficient corporate tax systems and tax administration and labor market regulations that make the hiring and firing of workers costly and burdensome.³⁴

Many governments in the region also face the daunting political challenge of reforming pension systems. Failure to do so risks mounting public debt. According to Santiago Levy in a paper written from the Brookings Institution, "Brazil spends 4 percent of its GDP in subsidies to its Pay As You Go system, Colombia 3.5 percent... and Peru 1.7 percent. These figures can be put in perspective noting that countries in the region spend on average 0.5 percent of their GDP on conditional cash transfer programs targeted on the poor."³⁵ As the region's population ages, with declining birth rates, these systems will be difficult to sustain and will require more government funding.

Nevertheless, for some, the continent's economic blocs may prove a boon to the region's economic long-term growth after several decades of feckless efforts at political groupings, such as UNASUR and ALBA. The

Pacific Alliance of Chile, Peru, Colombia, and Mexico continues with a pragmatic step-by-step process of economic integration and cooperation. While trade among the member countries is low (around 7 percent of combined total trade) the four economies represent 35 percent of the region's GDP. The four member countries have reduced 92 percent of their tariffs for intra-bloc trade (with plans to eliminate tariffs completely by 2020) and integrated their stock exchanges, increasing the capitalization of those exchanges and creating a better coordinated unit for the discussion of trade with Asian partners. It has also lit a fire under near-moribund MERCOSUR, with several South Cone member countries now exploring associate membership with the Pacific Alliance and the bloc beginning in earnest talks for a free trade deal with the European Union. The Latin American members' (Chile, Mexico and Peru) continued commitment to the Trans Pacific Partnership (TPP) trade deal by continuing with the pact even after the Trump administration pulled out shows commitment to free trade and holds great potential for their economies when finally implemented. Currently they are in the process of ratifying the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CP-TPP)—basically the TPP without the United States.³⁶ Nevertheless, as described below, addressing labor market demands and inequality will remain a challenge in the short and medium term that will go beyond simply opening up trade markets.

Demographics

Demographically, South America is a diverse continent. While Argentina remains primarily a European-descendent population (with only 2.4 percent indigenous and 0.4 percent Afro-descendent populations), Bolivia, Ecuador and Peru have large indigenous populations (40.6 percent of Bolivia's population is indigenous, 7 percent of Ecuador's and 27 percent of Peru's).³⁷ Afro-descendant populations in Brazil (50.9 percent), Colombia (10.5 percent) and Venezuela (53.4 percent) remain important segments of the populations in those countries.³⁸ In all of these cases, identity and political empowerment continues to grow, at the same time that both populations remain overrepresented in the country's poor and are often

32. Rosales, Oswaldo, "Trade Competition from China," *Americas Quarterly*, Winter 2012, <https://www.americasquarterly.org/32>. Rosales (Last accessed 10/30/18).

33. "2018 Latin America and the Caribbean Macroeconomic Report: A Mandate to Grow," p. 22.

34. *Ibid.*, p. 39.

35. Levy, Santiago, "The great failure: Retirement pensions in Latin America," February 27, 2017, <https://www.brookings.edu/opinions/the-great-failure-retirement-pensions-in-latin-america/> (Last accessed 11/20/18).

36. "What on Earth is the CP-TPP?" *The Economist*, March 12, 2018, <https://www.economist.com/the-economist-explains/2018/03/12/what-on-earth-is-the-cptpp> (Last accessed 10/14/18).

37. Country by Country Indigenous Population, IWGIA, <https://www.iwgia.org/en/indigenous-world> (Last accessed 10/14/18).

38. "Afro-Descendant and Indigenous Population by Country," PERLA: Project and Ethnicity and Race in Latin America, Princeton University, <https://perla.princeton.edu/table-afro-descendant-and-indigenous-population-in-latin-america-by-country/> (Last accessed 10/14/18).

FIGURE 4
Population South America (IN MILLIONS OF PEOPLE)

COUNTRY	2018	2019	2020	2021	2022	2023
Argentina	44.57	45.06	45.56	46.07	46.57	47.09
Bolivia	11.25	11.43	11.61	11.8	11.99	12.18
Brazil	209.21	210.68	212.1	213.46	214.77	216.02
Chile	18.58	18.77	18.97	19.17	19.37	19.57
Colombia	49.83	50.38	50.89	51.4	51.86	52.32
Ecuador	17.02	17.27	17.51	17.76	18.01	18.26
Paraguay	7.05	7.15	7.25	7.35	7.45	7.56
Peru	32.16	32.5	32.82	33.15	33.47	33.79
Uruguay	3.51	3.52	3.53	3.54	3.56	3.57
Venezuela	29.19	28.07	27.13	27.13	27.13	27.13

SOURCE: IMF DATAMAPPER

FIGURE 5
Urbanization South America

COUNTRY	Urbanization
Argentina	92%
Bolivia	69%
Brazil	86%
Chile	90%
Colombia	77%
Ecuador	64%
Paraguay	60%
Peru	79%
Uruguay	96%
Venezuela	89%

SOURCE: World Bank; World Bank, 2018, Urbanization, Washington, DC: World Bank

socially and politically marginalized.³⁹

Population growth rates in the continent will remain stable in the next four years, according to the IMF. Only Argentina, Brazil and Colombia will experience significant population growth rates (of 5 percent, 3 percent and 4 percent, respectively). See Figure 4.

Only Venezuela's population is expected to decline, due to the massive exodus from the country and the tragedy of increasing infant mortality rates.

One of the areas in which the South American countries are relatively uniform is in their levels of urbanization. Five of the 10 countries have urbanization rates higher than 85 of their total population: Argentina at 92 percent; Brazil at 86 percent; Chile at 90 percent; Uruguay at 96 percent; and Venezuela at 89 percent. The countries with the lowest proportion of population living in the cities are Bolivia (69 percent), Ecuador (64 percent), and Paraguay (60 percent). See Figure 5 below.

In several countries this concentration in urban areas, many of them close to large bodies of water—ri-

vers and the ocean—raises the risk of displacement and destruction from extreme weather, a point we return to below.

One of the greatest problems facing the continent will be sustaining sufficient, broad-based economic growth to generate formal employment for the current labor force and for new entrants. Despite reductions in inequality in the past decade, the region remains one of the most unequal in the world. In the nine countries for which data is available—Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay—the Gini coefficient declined by an average of 5.4 points (meaning less in equality) from 2006 to 2016. The greatest improvement was in Bolivia (12.1 point drop) and Ecuador (7.2 point drop). But despite these gains even in Bolivia and Ecuador, inequality as measured by the Gini coefficient remains stubbornly high, with Brazil (51.3), Colombia (50.8), and Chile (47.7) the most unequal countries in the region.

Official unemployment and underemployment levels in the region are misleadingly low—especially in Venezuela, where independent assessments place unemployment at over 20 percent.⁴⁰ See Figure 6.

39. "The Social Inclusion Index, 2015," Americas Quarterly, <http://www.americasquarterly.org/charticles/social-inclusion-index-2015/> (Last accessed 10/14/18).

40. "ILO Stat," Labor Underutilization, International Labour Organization, https://www.ilo.org/ilostat/faces/oracle/webcenter/portalapp/pagehierarchy/Page3.jspx;LOSTATCOOKIE=bRB0jhi37HF93S_d3i4D86gDEidBqwk6enotL-QvD-BI94kLSPw3B1254440622?MBLID=527&_afzLoop=2614748816794822&_afzWindowMode=0&_afzWindowId=null#%40%40%3F_afzWindowId%3Dnull%26_afzLoop%3D2614748816794822%26MBLID%3D527%26_afzWindowMode%3D0%26_adf.ctrl-state%3Dr6v6o1fm0.4 (Last accessed 10/14/18). Again, unemployment in Venezuela numbers should be treated with caution; unofficial, independent sources have placed unemployment higher than 20 percent and the government provides no data for underemployment.

FIGURE 6
Unemployment South America

COUNTRY	Unemployment (2017)	Underemployment (2017)
Argentina	8.70%	10.80%
Bolivia	3.10%	2.10%
Brazil	12.90%	5.90%
Chile	7.00%	7.80%
Colombia	9.00%	7.70%
Ecuador	4.80%	16.50%
Paraguay	5.80%	1.50%
Peru	3.70%	4.80%
Uruguay	8.10%	8.60%
Venezuela	8.10%	N/A

SOURCE: World Bank, ILO; World Bank, 2018, Unemployment, Washington, DC: World Bank

FIGURE 7
Ni_Ni's in South America

COUNTRY	Percent Ni/Ni's
Argentina	19%
Bolivia	13%
Brazil	19%
Chile	N/A
Colombia	21%
Ecuador	20%
Paraguay	16%
Peru	13%
Uruguay	17%
Venezuela	N/A

SOURCE: World Bank; LAC Equity Lab, 2015, Labor Markets-Youth Outcomes, Washington DC: World Bank

But these relatively positive numbers—save Brazil’s shocking 12.9 percent unemployment rate and Ecuador’s 16.5 percent underemployment rate—mask the larger problem of the high levels of employment in the unstable informal economy. According to the International Labour Organization, 71.08 percent of Bolivia’s workforce is engaged in the informal sector; in Paraguay that number is 64.43 percent; in Peru it’s 68.82 percent. In other words, well above the majority of the labor force in these countries is engaged in fragile economic activities that may remove them from the rolls of the unemployed and provide sufficient income to lift them out of poverty, but come with little security or safety nets. (Data were not available for Argentina, Chile or Colombia.)

While population growth rates as described above remain low, youth coming into the labor market will place further strains on the economy to absorb them.⁴¹ But even for the countries that are not experiencing a coming youth bubble, there is still a large pool of youth that fall in the category of those that are neither employed nor in school—the so called ni/ni’s. See Figure 7.

With roughly a fifth of the youth population in the countries that are reporting data are neither in school

nor working, there is a troubling pocket of the population that has limited prospects in the economy and society. Even in Argentina and Uruguay, 19 percent and 17 percent of youth between 15 and 24 have limited futures as economically productive citizens.

In addition to these stresses to labor markets from internal factors—structural unemployment, informal labor and ni/ni’s—there is the growing challenge of incorporating the growing flow of Venezuelan refugees that are fleeing their country to seek employment opportunities across the border.⁴² While governments and populations have been generally welcoming of the refugees, there are growing signs of strain. Citizens are beginning to express concerns over job competition, particularly in the service industry; there have been stories of refugees bringing measles, tuberculosis and other diseases; and refugee camps in Brazil recently came under attack by local residents. There is a risk that, despite attempts by the United States and other international donors and the host governments, continued flows may provoke a political backlash—an unprecedented and, as a result, unpredictable problem in the region.

Technology

Internet penetration rates vary across the region,

41. “Labor Equity Lab: Labor Market—Youth Outcomes,” The World Bank, <http://www.worldbank.org/en/topic/poverty/lac-equity-lab1/labor-markets/youth-outcomes> (Last accessed 10/14/18).

42. IOM, UN Migration, “Migration Trends,” September 2018, https://www.iom.int/sites/default/files/dtm/venezuela_dtm_201809.pdf, (Last accessed 10/17/18).

FIGURE 8
Internet Mobile Phone Penetration Rates
South America

COUNTRY	Percent of population using the internet	Mobile phone subscriptions per 100 inhabitants
Argentina	70.15%	150.67
Bolivia	39.70%	90.75
Brazil	59.68%	118.92
Chile	66.01%	127.12
Colombia	58.14%	117.09
Ecuador	54.06%	84.3
Paraguay	51.35%	104.77
Peru	45.46%	117.06
Uruguay	66.40%	148.71
Venezuela	60.00%	86.99

SOURCE: ICT Development Index 2017; International Telecommunications Union, 2017, ICT Development Index, Geneva: United Nations

while mobile phone connections remain high, especially in comparison to the rest of Latin America.⁴³ See Figure 8.

Argentina, Chile, Uruguay, and Venezuela all have internet penetration rates higher than 60 percent. Mobile phone subscription rates are also high relative to the rest of the region. These high levels of connectivity have permitted some of the more advanced countries to gain comparative advantages in the tech industry. Argentina has become the Latin American hub for Google and Microsoft, and local entrepreneurs there have created the Spanish-speaking version of E-Bay (Mercado Libre) and Paypal. Brazil, Chile and Argentina have made great advances in integrating tech into the financial sector and have dramatically expanded financial inclusion. After the scandal of the U.S.'s National Security Agency spying on Brazilian politicians, Brazil established cutting-edge regulations intended to protect internet privacy. Colombia too has ramped up its technological capacity in the area of logistics to better take advantage of commerce. In all of these cases, governments have made key investments to develop and improve technological capacity and industries, including Chile's program to channel a portion of copper profits

into tech start-ups and innovations. But there are risks as well. During the Colombian presidential election, a consortium of media tracked the use of fake media spread through social media to influence the elections, some of it allegedly from Russia, but some also from the campaigns themselves. And as The Guardian detailed in early October 2018, in Brazil, WhatsApp became a potent vehicle for the distribution of fake news and misleading information concerning presidential candidates.⁴⁴

According to the Global Cybersecurity Index (GCI), which measures the commitment of member states to cybersecurity, South American countries remain global laggards in terms of establishing the legal, regulatory and institutional capacity for ensuring cybersecurity. The GCI, compiled by the International Telecommunications Union (ITU), examines five "pillars" of internet security or hygiene: 1) Legal: the legal institutions and frameworks to address and punish cybersecurity and cybercrime; 2) Technical: the existence of institutions and the knowhow to address cybersecurity; 3) Organizational: national governmental institutions and coordination among them to address cybersecurity; 4) Capacity Building: research and development, trained professionals and public sector agencies prepared to address the threats of cybersecurity and cybercrime; and 5) Cooperation: the existence of international partnerships and information sharing networks.

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None of the countries in South America is a global cybersecurity leader, according to the ranking. On the 2017 list of 180, the highest ranking South American country was Uruguay at 29, with Brazil second at 38. Chile surprisingly was ranked low, at 80. The least prepared for cybersecurity in their laws and international and domestic capacity were Paraguay (86 out of 180) and Bolivia (133). In the case of the latter, the country failed to have even basic domestic mechanisms and networks for international cooperation. (Venezuela was not included in the survey.)⁴⁵

Another risk is one mentioned earlier: displacement

43. ICT Development Index, <http://www.itu.int/net4/ITU-D/idi/2017/index.html> (Last accessed 10/14/18).

44. Phillips, Dom, "Brazil battles fake news 'tsunami' amid polarized presidential election," The Guardian, October 10, 2018, <https://www.theguardian.com/world/2018/oct/10/brazil-fake-news-presidential-election-whatsapp-facebook> (Last accessed 10/15/18).

45. Global Cybersecurity Index, 2017, International Telecommunications Union, https://www.itu.int/dms_pub/itu-d/opb/str/D-STR-GCI.01-2017-R1-PDF-E.pdf (Last accessed 10/16/18).

of workers due to automation. At particular risk are labor forces employed in lower end manufacturing, which has long provided a backbone for employment in the region. The large displacement of South American labor forces risks further socioeconomic shifts and political disruptions of the sort described above regarding Brazil's contracting middle class.

There is one last risk related to the description below of China's growing role in region. As detailed in a recent Reuters investigative report, China is making inroads in providing surveillance technology to governments in the region. In this case it was the Chinese company ZTE providing the technology for the development of Venezuela's Fatherland Card, which may allow the autocratic government of President Nicolás Maduro to maintain personal information of citizens and track their communication and activities.⁴⁶ Similarly it has been rumored that China has shared face-recognition technology with the Ecuadoran government.

Outliers

The above factors will be important in shaping politics, relations and the geopolitical direction of South America in the next 12 years. But there are other variables that will also have an impact. Below we list and analyze several of those.

VENEZUELA

The once-oil rich country's economic, political and social downward spiral is well documented, and there is no clear end in sight.⁴⁷ As we have already begun to see, Venezuela's crisis and its resolution in whatever form will have an impact well beyond its borders— affecting not just domestic politics and economics in neighboring countries but also regional security and relations. As mentioned earlier, the approximately 3 million refugees that had fled Venezuela by mid-October 2018 were already provoking growing concerns by citizens in receiving countries. One overlooked impact on local politics is the involvement of the military in Brazil in Roraima state in monitoring refugee camps, part of a larger trend in the country of the federal military's integration into state and local security issues. A potential nativist backlash against the refugees and fears over jobs and a drain on social services may also affect local politics, similar to what

has occurred in the European Union over Syrian refugees (though not identical given cultural affinities and regional solidarity). The changing party system and political landscape—described below—make this even more possible.

The fallout over Venezuela's crisis, though, goes far beyond the flow of refugees. Venezuela's implosion will affect the region's economic health and security. Regarding the first, in 2018 the International Monetary Fund (IMF) revised its predictions arguing that Venezuela's economy would now contract by 18 percent that year—the fifth consecutive year of contraction—with inflation reaching 1 million percent.⁴⁸ Rebuilding the country's now decrepit oil infrastructure—which provides 96 percent of its income—resurrecting critical social services, paying off debt, and addressing other social, political and institutional deficits will take \$30 billion per year in international assistance for the foreseeable future, according to the IMF.⁴⁹ This level of investment will serve as a serious drain on capital markets and multilateral banks that could tighten liquidity for other investment in the region. In addition, it's quite likely that neighboring governments may also be tapped to chip in for any rebuilding efforts, placing a crimp on their fiscal capacity for domestic investment.

At the same time, credible reports of the penetration of illicit networks into the Venezuelan state, including its military and its political class—creating what Insight Crime has called a mafia state⁵⁰—will raise broad regional risks with the end of the chavista government. The country's border with Colombia has become a major flyover route for narcotics heading to Africa, Europe and the United States; military and national guard officers have become deeply involved in narcotics trafficking, either through charging traffickers or engaging in it themselves; high-level political leaders and close associates, including President Maduro's nephews and members of his inner circle, have been accused by the Treasury Department (and, in the case of Maduro's nephews, convicted) of narcotics trafficking; and there are numerous reports of the government's involvement in arms trafficking, including even by former Vice President Tareck Al Aissami. This is not even to speak of the other more common forms of corruption through bribery, money laundering or the gaming of

46. "How ZTE helps Venezuela create China-style social control," Reuters, <https://www.reuters.com/investigates/special-report/venezuela-zte/> (Last accessed 11/18/18).

47. "Naim, Moises and Francisco Toro, "Venezuela's Suicide," Foreign Affairs, October 16, 2018, <https://www.foreignaffairs.com/articles/south-america/2018-10-15/venezuelas-suicide?cid=int-lea&pgtype=hpg> (Last accessed 10/17/18).

48. "Nelson, Eshe, "Inflation in Venezuela will be 1,000,000% by end of year," Quartz, July 7, 2018, <https://qz.com/1335025/venezualas-inflation-rate-will-be-1000000-by-the-end-of-the-year-the-imf-says/> (Last accessed 10/15/18).

49. Rathbone, John Paul and Shawn Donnan, "IMF Crunches the Numbers for Possible Venezuela Res-cue," Financial Times, <https://www.ft.com/content/3908e5c0-b19b-11e7-a398-73d59db9e399> (Last accessed 10/15/18).

50. "Is Venezuela a Mafia State?" Insight Crime, <https://www.insightcrime.org/investigations/venezuela-mafia-state/> (Last accessed 10/17/18).

the country's complex, multi-tiered exchange rate system. When—or if—there is meaningful political change in Venezuela, including a purge of corrupt military officers, many of these networks will seek other bases and networks to conduct their operations. The question is where they will flee and how governments around the region can coordinate to identify and close down these networks so that they don't infect their territories or institutions.

CLIMATE CHANGE

As we have detailed in our reports on Central America and the Caribbean, extreme weather—including rising water levels, droughts, flooding, hurricanes, and shrinking glaciers—in the next 12 years and beyond will affect economics and politics in the region. At this point, much of the impact is speculative, though higher temperatures in the Andes have already led to smaller glaciers and thus less glacier melt to meet water demands, including for farming and personal use in Bolivia, Chile, Ecuador, and Peru.

At the same time, South America has relatively high concentrations of population in low-lying areas at risk of flooding from rising tides, a risk made greater by the region's high rates of urbanization. In Argentina, more than 5 million citizens (or 11 percent of the total population) will reside in low-elevation coastal zones by 2030. In Brazil that total is more than 15 million people or 6.6 percent of its population, and in Venezuela the total is 2 million people, or 5.15 percent of its population.⁵¹ In these cases, rising tides, hurricanes and general flooding risk large-scale displacement of populations and the destruction of housing and urban infrastructure, affecting both economic productivity and public budgets.

The threats of rising temperatures, water levels and extreme weather are not lost on citizens in South America. According to Vanderbilt University's LAPOP surveys, on average 75 percent of respondents in the 10 countries covered say “climate change is a serious problem.”⁵² Brazilians, at 80 percent, are the most concerned about the effects of climate change.⁵³

OUTSIDE ACTORS: CHINA AND RUSSIA

Both China and Russia have increased their diplomatic and economic presence in the region, though in different ways and using different methods. While the relationship between China and the region remains

largely economic and trade-based, with the rising Asian power showing little direct interest in sparking a rivalry with the United States, China's diplomatic and soft power in the region is likely to increase as it engages with the Community of Latin American and Caribbean States (CELAC), which excludes the U.S. and Canada. Beijing has already invited the region to participate in its “One Belt One Road” initiative, which will assist in infrastructure investment and increase educational and cultural contacts and exchanges with students and leaders.

China's rapidly expanding economy and its growing demand for goods and services have presented Latin American economies and companies with an opportunity to increase and diversify their markets. Last year, the region's exports to China grew by 23 percent. Meanwhile, imports to the U.S. from South and Central America have declined by 39 percent since 2011. In contrast, in 2017 exports from Brazil to China grew by 37 percent; exports from Colombia to China increased by 60 percent; from Peru, they swelled by 26 percent. In seven Latin American countries, China has surpassed the United States as the main destination for exports, and in five of those countries—Brazil, Chile, Cuba, Peru, and Uruguay—China is now the largest export market.

China's economic relationship with the region is largely centered around commodities, and most Chinese investment is focused on natural resources and extractive industries. Between 2011 and 2015, the top five LAC-China exports were soybeans (20 percent), iron ore and concentrates (16.8 percent), crude petroleum (11.8 percent), copper (11.4 percent), and copper ore (10 percent). Almost 60 percent of Chinese investments and acquisitions in Latin America are in extractive industries, although recent greenfield investments have branched out to additional sectors including manufacturing, finance, and utilities.

At the same time, China has ramped up its investment in the continent. Since 2005 until 2016, China has invested more than \$1.1 trillion in countries in South America. See Figure 9 below.⁵⁴

Since these data were collected, China has continued to invest, in particular in Venezuela, helping to bail the country out of its defaulted debt—though Chinese officials are reportedly wary of becoming closer to the flailing Maduro government.

51. “Future Coastal Population Growth and Exposure to Sea-Level Rise and Coastal Flooding,” U.S. National Library of Medicine, National Institutes of Health, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4367969/> (Last accessed 10/18/18).

52. This is an unweighted average from individual surveys in each country.

53. Evans, Claire and Elizabeth Zechmeister, “Education and Risk Assessments Predict Climate Change Concern in Latin America and the Caribbean,” <https://www.vanderbilt.edu/lapop/insights/IO929en.pdf> (Last accessed 10/15/18).

54. “China-Latin America Finance Database,” Inter-American Dialogue, http://www.wds.thedialogue.org/mapList2/index.html#W8TnfC_Mzrk (Last accessed 10/15/18).

FIGURE 9
Ni_Nis in South America

COUNTRY	Chinese investment since 2005
Argentina	\$19,000,000,000
Bolivia	\$611,000,000
Brazil	\$22,000,000,000
Chile	\$150,000,000
Colombia	\$75,000,000
Ecuador	\$10,800,000,000
Paraguay	N/A
Peru	\$2,300,000,000
Uruguay	\$10,000,000
Venezuela	\$56,300,000,000

SOURCE: The Dialogue China-Latin America Finance Database, Gallagher, Kevin P. and Margaret Meyers, 2017, "China-Latin America Finance Database," Washington, DC: Inter-American Dialogue

China is also a growing regional supplier of arms. Between 2008 and 2016, it supplied Venezuela and Brazil with 14 percent and 8 percent of their total arms purchases, respectively. The country is also the top arms supplier to Bolivia, providing it with over a third of total arms purchases. PRC-based conglomerates like NORINCO and AVIC now sell goods throughout the region ranging from radar to armored personnel carriers.

Last, but not least, China has increased its efforts to gain influence in Latin America through soft-power initiatives. One of the PRC's most deployed soft-power tools is its people-to-people exchange initiatives, which invite cooperation between institutions as well as personal exchanges. While visiting Peru in 2016, Chinese President Xi Jinping declared that his country would expand the number of training opportunities to 10,000 Latin Americans over the next three years. The country has also pursued an initiative that invites Latin American elites to visit China free of charge. Educational exchanges are critical to China's sharp-power strategy. As of 2018, there are 39 Confucius Institutes and 19 Confucius classrooms across Latin America, with around 100,000 students enrolled in Chinese language programs. Public funding for international scholarships, particularly for students from developing

nations, has increased dramatically. Official government estimates show that between 2004 and 2014, the number of foreign students enrolled in programs in China increased from 84,000 to 377,000. The Chinese government plans to increase the number to 500,000 students by 2020.⁵⁵

Russia's activities and role in the region are more limited and focus on a narrower set of countries. Russia has extended loans to cash-strapped Venezuela and, in the process, (temporarily) gained an equity stake in CITGO, a subsidiary of the Venezuelan state oil company, PDVSA (until it was exchanged for exploration rights). Russia has also increased sales of military materiel to the region, increased its military and intelligence cooperation with Sandinista government in Nicaragua, and recently launched the Spanish version of Russia Today (RT), the state-funded media outlet linked to the spreading of fake news and misinformation activities in the United States and internationally.

Concerns have also been raised over potential Russian meddling in the 2018 elections in Colombia and Brazil. While the long-term impact and sustainability of the growing Chinese and Russian presence in the hemisphere is unclear, a responsible regional response, along with sustained U.S. leadership, is more important than ever. This includes consolidating and promoting international norms regarding fair trade and human rights, bolstering regional anti-corruption efforts, expanding people-to-people contacts and educational exchanges, and battling narcotics trafficking and organized crime.

Perhaps Russia's most ambitious activity is linked to promotion of Spanish-language RT programming, which effectively acts to advance Russia's geopolitical interests and to counter traditional media outlets, often trying to exploit existing political and social divisions in a country and suppress or distort political participation. RT in Spanish has been more successful at getting new viewers than any other foreign channel. By the end of 2016, RT in Spanish was available in almost every Latin American country: 27 TV cable providers offer RT in Spanish as a separate channel to its subscribers. Furthermore, the RT in Spanish YouTube Channel is reported to have almost 4.5 million monthly viewers and by August 2018 had approximately 400,000 subscribers.

While the U.S. is a member of the hemispheric community, the increased activity of China and Russia

55. Much of the data, conclusions and writing draws from Global Americans' 2018 High Level Working Group Report on extra-hemispheric actors, <https://theglobalamericans.org/reports/responding-growing-influences-outside-hemisphere-setting-new-inter-american-agenda/> (Last accessed 10/15/18).

have raised concerns over how the United States government should respond. Growing popular concerns over corruption in the region and the potential corrupting influence of Chinese and Russian investment provide an opportunity for U.S. collaboration with its partners in the hemisphere. The ability of U.S. businesses to engage in bribery is criminalized under the Foreign Corrupt Practices act. The U.S. government can help promote similar legislation in the region to address this issue and popular concerns over corruption and China and Russia in the region.

Despite perceptions that the region remains deeply anti-American, Latin America and the Caribbean are the region with the highest approval of the United States. As Baker and Cupery⁵⁶ demonstrate, those positive feelings toward the United States are strongly correlated with trade and immigration with the giant to the north. Those two areas have helped to build up a strong reserve of support for the United States. At the same time, educational, cultural, military, personal and familial relations tightly bind the U.S. to its neighbors to the south, and also represent a powerful form of soft power.

COLLAPSE OF TRADITIONAL PARTY SYSTEMS

Citizen confidence in political parties and the political class is at an all-time low. While this frustration has already wreaked havoc on the party systems in Peru, Venezuela, Bolivia, and Ecuador, it is now being felt in Brazil with the election of President Jair Bolsonaro, and is eroding traditional parties' dominance in Chile and Colombia. Even in the once-PRI dominated Mexico, the rise of AMLO as an outsider candidate backed by a newly formed electoral machine indicates that the foundation of Mexico's traditional three-party system is eroding. Given public opinion trends, the search for new leaders and even outsider, anti-system candidates is to be expected.

While democracy still enjoys majority support in most countries—except Paraguay, where only 48.6 percent of those surveyed by LAPOP supported democracy as the best form of government—in many countries it is just the slimmest of majorities, with only 52.4 percent of Brazilians, 52.8 percent of Ecuadorians, and 52.7 percent of Peruvians supporting democracy. Support for democracy is the strongest in Uruguay (82.4 percent) and Argentina (77.2 percent). At the same time, after the wave of corruption scandals that have swept the continent, well over a majority of citizens believe that half or more of their politicians are corrupt.

As a result, trust in political parties in countries such as Brazil, Chile and Peru hovers in the single digits, while on average 15 percent of citizens across South America have confidence in their political parties.⁵⁷ These trends raise troubling questions about electoral volatility, political stability, and potential of electorates to choose untested and even anti-democratic leaders in the search for change.

56. Baker, Andy and David Cupery, "Anti-Americanism in Latin America: Economic Exchange, Foreign Policy Legacies, and Mass Attitudes toward the Colossus of the North," *Latin American Research Review*, Volume 48, Number 2, 2013, <https://muse.jhu.edu/article/516198/summary> (Last accessed 11/20/18).

57. Cohen, Mollie, Noam Lupu and Elizabeth Zechmeister, "The Political Culture of Democracy in the Americas, 2016/2017," https://www.vanderbilt.edu/lapop/ab2016/AB2016-17_Comparative_Report_English_V2_FINAL_090117_W.pdf (Last accessed 10/15/18).

Country by Country

ARGENTINA							
Electoral Cycle	2019	2021	2023	2025	2027	2029	
	OCTOBER Presidential and Vice Presidential, Senate (1/3), Chamber of Deputies (1/2), 22 Governors, 23 Provincial Legislatures	Senate (1/3), Chamber of Deputies (1/2), 2 Governors, 13 Provincial Legislatures	Presidential and Vice Presidential, Senate (1/3), Chamber of Deputies (1/2), 22 Governors, 23 Provincial Legislatures	Senate (1/3), Chamber of Deputies (1/2), 2 Governors, 13 Provincial Legislatures	Presidential and Vice Presidential, Senate (1/3), Chamber of Deputies (1/2), 22 Governors, 23 Provincial Legislatures	Senate (1/3), Chamber of Deputies (1/2), 2 Governors, 13 Provincial Legislatures	
Support for Democracy	77.2%	State Fragility Index 46.1 out of 120 with a country ranking of 141 out of 178.					
Number of Homicides per 100,000	11.9						
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption	Average
	66	54	61	34	40	46	51.2
	Most Likely Scenario by 2030	Opportunities	Challenges	Best Case Scenario	Worst Case Scenario		
Security	Armed criminal organizations continue to penetrate Argentine territory, expanding operations and undermining authorities while corroding existing state capacities to further strengthen their local drug-refining operations as well as to increase their drug shipments to the European market.	The planned transformation of the <i>Policia Federal Argentina</i> into an institution mainly directed toward criminal intelligence and investigation may be an opportunity to strengthen core capacities for fighting criminal organizations.	The debate over policies to counter crime and illicit groups will likely focus on issues of militarization and legalization/de-criminalization of drugs, which will lead to competing and contrasting security models, undermining a coordinated, more effective policy.	The next three governments maintain consistent policies, increasing criminal intelligence capabilities, allowing for more effective strategies to counter organized crime, reduce overall violence, increase speed of judicial processes and decrease prison population.	Modifications to National Defense and Internal Security laws give a central role to the military in fighting criminal organizations. This reduces the budget and role of criminal intelligence and the intelligence agency regionally and in the tri-border area.		
Institutional Capacity	State policy will continue to veer from administration to administration with little consistency. Struggles between national and local politics will sustain. This will affect security, economic and foreign policy, and the development of technical capacity. Corruption continues.	The current popular outrage over the cuadernos corruption scandal and the AMIA investigation will generate a progressive, technocratic political center that will seek international assistance in improving rule of law and public administration regardless of the party in power.	Collusion between the private sector and the public sector remains a perennial problem. The Peronist dominated union, CGT, maintains a stronghold over state policy regarding wages and subsidies. The competing pressures whipsaw government policy.	A moderate political center emerges, leading to a series of technocratic, non-partisan administrations that establish a consistent policy framework for taxation, economic policy, federal payouts to state governments, trade and economic policy, and non-partisan judicial reform.	Wrenching policy change occurs from administration to administration, forcing new governments to forge new—often corrupt—alliances with economic sectors to remain in power. This prevents governments from addressing patronage and prevents judicial reform.		
Economic Growth	While GDP may recover growth at around 2% in the short term after 2019, future rates will remain tied to the prices of commodity exports internationally, the strength of the peso and its ability to reduce fiscal debt (public debt equals 54.1% of GDP). The latter will prove politically difficult.	Argentina's economy will wrestle with the hangover of the Kirchner policies for years. Technical and financial assistance can help cushion the fallout of cuts in public spending and attract investment in sectors of the economy that build off the country's human capital and natural resources.	Argentina's public-focused economy is embedded in its policy and its public opinion. At the same time, powerful economic sectors, the unions and the Peronist base maintain strong powers of mobilization to affect economic policies in their interests, while inflation still lingers as a threat.	The economy recovers in 2020, giving the next government some breathing room to implement fiscal reforms and shore up reserves, setting a foundation and momentum for future market-oriented reforms that could include a MERCOSUR free trade agreement with the EU and other blocs.	Confidence in the peso, despite IMF support, continues to plummet, inflation remains high, economic growth fails to reach expectations. This creates political demands in the 2019 elections for a dramatic shift away from domestic and international market-oriented policies.		
Demographics	The country will struggle to lower its high un- and under-employment rates (8.7% and 10.8% respectively) with sluggish or volatile growth. Nevertheless, with some of the highest levels of education and best urban infrastructure, Argentina will be able to continue attracting high-end investment.	With a literacy rate of 98% and average years in school of 9.9, Argentina has important human resources that can be leveraged for value-added investment, especially if it is able to tie its market to more advanced economies such as the EU and the United States.	Un- and under-employment rates as well as the percent of ni/ni's (19%) remain stubbornly high. Given levels of urbanization (92%) and high population—mostly urban—in low lying areas (8.2%), Argentina is particularly at risk of disruption from flooding and rising oceans.	Economic growth exceeds expectations, improving the labor market. At the same time, efforts by MERCOSUR to negotiate an agreement with the EU succeed and Argentina develops closer relations with the Pacific Alliance, leading to more high-end investment and economic growth.	Labor markets fail to pick up, and un- and under-employment remains high, as do the number of ni/ni youth, who in frustration mobilize through the CGT union and radicalized grassroots groups. Flooding also causes damages in low-lying areas, forcing dislocation of populations.		
Technology	The country will remain an important center for the tech industry in the region. But unless the government makes a coordinated effort to integrate with other more developed markets global-ly and in the region, it will not reach its full potential given its human resource capacity and existing innovation.	There is untapped talent in Argentina for developing its tech economy. Despite its connectivity, the country only has a rating of 62 out of 180 countries in cybersecurity—middling for the region—providing an opportunity for international collaboration.	The need to finance fiscal obligations and a volatile economy may undercut the country's ability to cultivate and grow its tech industry. Its low cybersecurity ranking also indicates that it may be susceptible to hacking, a particular risk given its high level of connectivity.	Stabilizing its fiscal situation, the government is able to foster and enhance existing modes of tech innovation and leverage access through new trade agreements with developed economies and the region to become a tech leader and improve its cybersecurity for public and private users.	The economy continues on a rollercoaster under competing administrations that deters investors and prompts the relocation of companies like Google and Microsoft and of local entrepreneurs to other markets. Weak cybersecurity protections also allow for hacking and disruption.		

South America by 2030: Political, Economic And Security Outlook

BOLIVIA								
Electoral Cycle	2019		2024			2025		
	OCTOBER	President and Congress	President and Congress			President and Congress		
Support for Democracy		55.7%	State Fragility Index					75.2 out of 120 with a country ranking of 76 out of 178
Number of Homicides per 100,000		6.3						
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism		Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption	Average
	47	38		33	17	10	27	28.7
	Most Likely Scenario by 2030	Opportunities		Challenges		Best Case Scenario	Worst Case Scenario	
Security	Bolivia has a below-average homicide rate for the region. Nevertheless, growing coca production could lead to a slight but steady erosion of the security situation in the country as politics become more polarized around Morales' attempt to run for another term.	If the opposition fields a candidate who can pose a credible challenge to Evo Morales in 2019 elections, opportunities will open up for broader regional collaboration on issues of arms trafficking, coca production, and the Venezuela refugee crisis.		The Morales government—potentially further isolated and arbitrary in the near future—is unlikely to accept assistance from the U.S. in the region in combatting coca production. Arms trafficking and collaboration with the Maduro regime are also concerns.		A new government with broad popular support realigns itself in the region, moving away from kinship with Venezuela and working with like-minded partners to crack down on narcotics and weapons trafficking.	After a reduction in coca bush cultivation between 2010 and 2015, production re-bounds as the increasingly isolated Morales government flirts with narco-state status. Bolivian territory is further opened up to narcotics and weapon trafficking.	
Institutional Capacity	President Morales continues to consolidate power and wins a fourth term in 2019 elections, either legitimately or through rigged elections. Bolivia likely doesn't have the potential for a Venezuela-style collapse, but another five-year term for Morales risks destabilizing the government and polarizing politics.	Much hinges on presidential elections in 2019. If the opposition can field a candidate who can rally a diverse coalition and defeat Morales in free and fair elections, it will be a crucial step for moving Bolivia back in the direction of democratic competition.		Morales has already ignored the results of a 2016 constitutional referendum that would have allowed him to run for another term (voters narrowly rejected the referendum). There's no evidence to suggest Morales will bow to future democratic pressures.		Morales loses (and concedes) a free and fair election in 2019. Bolivia's new president works to unite the country and avoids isolating Morales loyalists (and the ex-president), placing the rebuilding of the country's democratic institutions above his or her self-interest.	The opposition fails to field a strong candidate in 2019 elections, and Morales wins a fourth term against the will of the Bolivian people. In the five years that follow he further consolidates his power and stays in office indefinitely	
Economic Growth	Barring an unlikely opposition victory in 2019, Bolivia's economy will continue to grow at slightly-above average rates for the region. Still, in its move to consolidate political control, it's likely that the Morales government will increase public spending to unsustainable levels.	Bolivia's abundant natural resources have proved to be a boon for the country's export market, but the government must work to further diversify the economy if it is to catch up to the rest of the region in terms of economic output.		Bolivia has the lowest GDP per capita in South America. Political instability, an inadequate education system, poor infrastructure, and isolated rural populations have plagued Bolivia and will continue to do so in the near future.		The Bolivian government—no matter who is at the helm—allows increased private sector growth and responsible foreign investment without compromising the interests of the Bolivian people.	The Morales government increases spending and interventionist policies while becoming increasingly beholden to China. Poorly targeted high social spending and corruption fail to pull the 25% of Bolivians above the poverty line.	
Demographics	Bolivia is the most indigenous (40.6% of the total population) and one of the least urbanized (69%) nations in South America and will continue to be so for the foreseeable future.	The Morales government has made considerable progress in increasing opportunities for indigenous Bolivians. Future governments should continue this work as well as improving market-based options for the poor.		As previously mentioned, Bolivia is highly rural and indigenous. As a result, it's one of the most diverse countries in the world; addressing issues of integration and social inclusion has proved difficult. Disappearing glaciers may bring hardship to communities that depend on the water, forcing displacement.		High levels of social spending are adjusted to better address the needs of the most vulnerable Bolivians: the rural indigenous. The government places increased focus on improving road infrastructure and education.	More than 80% of Bolivia's rural population lives below the poverty line. Without a concerted effort on the part of the national government, this is unlikely to change any time soon. At the same time, the number of disenfranchised ni/ni's (13% of the youth population) grows.	
Technology	Low levels of internet usage improve, but only marginally. Bolivia lags behind the rest of the region in terms of technology usage and development of high tech industries and cybersecurity remaining a looming problem.	Improvements in the education system would help give more Bolivians access to the internet. At the same time, much needed diversification of the economy could focus on the tech sector.		Bolivia is ranked by the ITU as the least cyber-secure country in South America (133 out of 180 globally). Less than 40% of the population uses the internet.		The government focuses on computer learning and tech vocational training as it works to overhaul the Bolivian education system, which also helps to diversify the economy. At the same time, the government and international partners make a concerted effort to help rural populations gain access to the internet.	Despite upticks in usage in urban centers, internet usage in already-impoverished and disadvantaged indigenous rural populations stagnates, further isolating the most vulnerable Bolivians from the rest of the country.	

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BRAZIL								
Electoral Cycle	2022		2026			2030		
	OCTOBER 2 President, Vice President, Senate (1/3), Chamber of Deputies, Governors, State Parliaments		OCTOBER 4 President, Vice President, Senate (2/3), Chamber of Deputies, Governors, State Parliaments			OCTOBER 6 President, Vice President, Senate (1/3), Chamber of Deputies, Governors, State Parliaments		
	OCTOBER 30 Second round President and Vicepresident, if needed		OCTOBER 25 Second round President and Vicepresident, if needed			OCTOBER 27 Second round President and Vicepresident, if needed		
Support for Democracy	52.4%		State Fragility Index	68.7 out of 120 with a country ranking 106 out of 178				
Number of Homicides per 100,000	29.53							
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism		Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption	Average
	62	30		48	47	52	38	46.2
	Most Likely Scenario by 2030	Opportunities		Challenges		Best Case Scenario	Worst Case Scenario	
Security	While some large urban centers manage to tackle common street crime at a municipal level, other less-developed cities will continue to see increased violence. Large criminal organizations will continue to expand their operations.	Security has become a central issue in Brazilian politics, forcing many key political figures in the country to prioritize the security agenda. This may lead to increased international cooperation and an increased budget for security forces.		The trend has been the militarization of domestic security issues, which has led to a reduction of a multidimensional approach that views security as a developmental issue, and has exposed the armed forces to widespread popular scrutiny and the risk of corruption.		Efforts are aimed at reinforcing state-level security capacities, federal-level criminal investigation capacities and international cooperation with the aim of reducing militarization of security and focusing on intelligence-based strategies to counter criminal activities.	Militarization continues to be the main strategy employed to counter the growing presence of large criminal organizations, which then leads to increased overall violence, human rights violations and increasing corruption within the armed forces.	
Institutional Capacity	Brazil remains a fragile state that struggles to mediate extremes levels of political polarization and social conflict. The 2018 elections were both a reflection of that weakness and a sign of its future struggles. The polarized presidential election stemmed from public anger over the state's inability to control crime, violence and corruption.	With crime and corruption foremost in the public debate, the U.S. and international actors can offer technical assistance to future Brazilian governments to improve civilian-based, multi-dimensional security approaches and public transparency.		Unsustainable pension and civil servant salaries and high tax avoidance levels place a burden on budget planning and resource distribution to provide basic services.		Rather than seek to isolate itself from the international community, the new government in Brazil and future governments seek innovative ways to address security and corruption through international cooperation and structural reforms that strengthen civilian.	With high public debt and pension obligations at unsustainable levels, future governments will face difficult political and economic choices. The shifting political system will complicate policymaking and increase potential for undemocratic concentration of executive power.	
Economic Growth	Brazil will remain the largest economy in Latin America, with a GDP calculated at approximately \$4.439 trillion by 2030. But economic recovery will be slow, especially with a new government that has shown little concern about the economy and economic development.	A much-needed pension reform, greater foreign investment, the reduction of red tape and regulatory barriers to promote entrepreneurship, reduction of trade barriers, and greater and efficient public spending are priority areas to achieve long-term growth in Brazil.		High poverty rates, especially among children and youth, continue, well above OECD levels. Additionally, Brazil lags behind in the ease of doing business (ranked 125 among 190 according to the 2017 World Bank annual ratings), which will be a drag on investment and growth.		Pension and fiscal reforms are implemented with minimal disruption. The country reorients its economy to the global market through trade agreements, either through MERCOSUR or individually.	A fractured Congress impedes the approval and implementation of pension and fiscal reforms. Corruption continues to dampen the business environment and private participation in infrastructure development. Growth lags behind potential.	
Demographics	By 2030 the Brazilian population reaches 225 million people, but population growth slows given a drop in fertility rates. Life expectancy increases, meaning that the number of pensioners outpace those contributing to pensions.	Greater participation of women and the poor in the workforce helps accelerate economic growth. Improvement in educational attainment levels and professional training to relieve skill shortages allows Brazil to expand its participation in the digital economy.		Unsustainable urban development and extreme inequality between urban and rural areas persists. Brazil is the world's 10th most unequal country. Regional, gender and racial income disparities also play an important role in income disparity.		Public expenditure is effectively allocated on public health and education, the 20-year spending ceiling is reversed, which allows Brazil to implement the National Education Plan, and the country reaches higher rates of schooling, translating into higher productivity and higher incomes.	High concentration of population living in urban areas (approximately 90.5% of the total population by 2030) will likely limit access to water, gas and electricity. Greater urbanization will also lead to a housing crisis and crowded favelas where high crime, insecurity and disease outbreaks are common.	
Technology	Brazil will continue to have rates of internet usage, ranking among the top ten globally. This will lead to greater adoption and implementation of smart technologies and big data applications in the public and private sector. It also continues to upgrade its good cybersecurity framework.	Improvement of STEM training throughout the school system can help provide skillsets to help the country upgrade its tech economy along with a focused government effort to expand its tech industry.		Broad Internet coverage and penetration remains limited with nearly 30% of Brazilians still lacking access to the internet. This digital divide reflects socioeconomic divisions, limiting up-ward mobility.		The Brazilian start-up ecosystem and e-commerce market matures, becoming the largest in Latin America, with a focused government program and the benefits of the returnees in the now-defunct Without Borders educational exchange program.	Internet penetration rates remain constant, but the digital and connectivity gap increases between users and non-users, reducing opportunities to participate in the digital economy.	

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CHILE							
Electoral Cycle	2020	2021	2023	2025	2028	2029	
	OCTOBER 25 Mayors, Councilors, and Regional Governors	NOVEMBER Presidential, Chamber of Deputies, Senate (1/2), Regional Boards	Mayors, Councilors, and Regional Governors	Presidential, Chamber of Deputies, Senate (1/2), Regional Boards	Mayors, Councilors, and Regional Governors	Presidential, Chamber of Deputies, Senate (1/2), Regional Boards	
Support for Democracy		61.0%	State Fragility Index 40.7 out of 120 with a country ranking 150 out of 178				
Number of Homicides per 100,000		3.46					
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption	Average
	77	64	79	90	85	82	79.5
	Most Likely Scenario by 2030	Opportunities	Challenges	Best Case Scenario	Worst Case Scenario		
Security	Chile will see an increase in domestic drug consumption and continue to serve in a limited role as a transshipment hub for cocaine. The likely decriminalization of marijuana will contribute to reducing the strength of criminal organizations that profit from drug commercialization in country.	Progressive drug policies, combined with strong anti-corruption programs and disposition to international cooperation to counter illegal activities, could help improve cooperation and information-collection efforts.	Human trafficking is likely to continue to grow in Chile while living conditions in other countries in the region continue to decrease. An increase in drug trafficking, gang activity and violence, along with terrorist episodes in La Araucanía region in the southern part of the country, will continue unabated.	Chile continues to maintain low levels of criminality, reduced presence of large criminal organizations and limited participation in international drug trafficking activities. Corruption decreases and the judiciary maintains its effectiveness above regional average.	As a result of increased maritime connectivity, Chile becomes an important hub for drug and people trafficking operations, which in turn leads to the penetration of inter-national criminal organizations.		
Institutional Capacity	Chile maintains a stable political system with strong institutional capacity and rule of law, but with growing citizen concerns about the representativeness and responsiveness.	Although Chile topped the list of the least-corrupt countries in the region according to Transparency International, it still needs to address growing citizens concerns over the issue. Chile can address concerns with a series of proposed reforms including the proposal of introducing electronic and early voting.	Public opinion remains critical of the state's delivery of public services such as health, education, and public transport. This has increased public frustration with the political class and political parties in general	Chile continues on a steady growth path, alleviating poverty and income inequality, and achieves universal education coverage. It makes significant progress on converting Chile into an innovative e-state with the implementation of the "Chile sin Papeleo" 2025 strategy (Chile without Paperwork).	Slow progress in improving quality of public services in education, health, public transportation and crime prosecution sharpen citizen dissatisfaction at the same time that political parties struggle to meet popular demands, sparking a generalized rejection of political leadership in Chile.		
Economic Growth	Steady economic growth (projected at 3% annually) will sustain the country along with diversified industrial activity. Good fiscal management will lead to decreasing fiscal deficit levels of 2% of GDP.	Chile's free-trade orientation (CPTPP and the Pacific Alliance) and entrepreneurial ecosystem are huge opportunities for upgrading the country's economic base and productivity.	As the OECD has noted, Chile's copper and natural resource-dependent economy places the country in a situation of vulnerability against external shocks. Low productivity is also a constant challenge as most workers are employed in low productivity-jobs or tied to seasonal activities that add little value.	Chile diversifies its copper-dependent economy and plugs successfully into global value chains beyond mining and commodity production. Chile reaches the United Nations Sustainable Development Goal of eradicating extreme poverty by 2030 at a country level.	Chile fails to diversify its economy. As a result, its domestic economy and labor market remain dependent on natural resources and mining activity.		
Demographics	According to UN estimates, Chile's population will reach approximately 19.5 million people by 2030. The rate of reproduction will decrease, and migration will accelerate. As life expectancy increases, reaching 80.2 years by 2020, people over 65 years will total more than 3 million people by 2025.	Chile is the country in the region that has made the most progress in the last 15 years in terms of educational performance and coverage, yet there is room for improvement to decrease dropout rates. Large differences remain in learning outcomes by socioeconomic level.	Significant gaps remain between the rural population (30% of the population) and those living in urbanized areas in terms of infrastructure, quality of health and education services, and poverty. Strong discontent over the pension system is a looming challenge.	Chile launches an ambitious national plan to improve quality and access to education including free and universal access to pre-school education, modern technical-professional education aligned to labor demand and accessible higher education.	Chile fails to reform its pension systems. Waiting lists to access basic health services (currently at 2 million citizens) increase rapidly, worsening non-communicable disease affliction. An aging population strains pensions and reduces productivity.		
Technology	Chile continues to champion the digital economy and make progress in digital banking and mobile financial inclusion. Internet penetration and online shopping grow exponentially as more consumers access mobile payment solutions.	Prioritizing investment and development of infrastructure projects that contribute to improving connectivity within the country, Chile promotes an entrepreneurial ecosystem to successfully include the country in the fourth industrial revolution.	Low investment rates in research and development, low participation in the development of patents and low amount of researchers per capita are all challenges. Gaps remain in terms of access to the Internet and ease of doing business in the country.	Chile positions itself as a regional leader in innovation, start-up creation and the digital economy. Banking and financial services cover the unbanked population, who in turn have greater opportunities to participate in the digital economy as users and consumers.	Chile is unable to adapt and align its educational system to the skill set demands of the 21st century digital economy, blockages to financial inclusion remain, and the country makes little to no progress in terms of infrastructure connectivity and universal internet access.		

South America by 2030: Political, Economic And Security Outlook

COLOMBIA							
Electoral Cycle	2019	2022	2023	2026	2027	2028	
	Local elections	President, Vice President and all seats in lower house of Congress	Local elections	President, Vice President and all seats in lower house of Congress	President, Vice President and all seats in lower house of Congress	Senate (1/3), Chamber of Deputies (1/2), 2 Governors, 13 Provincial Legislatures	
Support for Democracy	53.3%		State Fragility Index	76.6 out of 120 with a country ranking 71 out of 178			
Number of Homicides per 100,000	25.5						
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption	Average
	50	14	54	67	41	44	45
	Most Likely Scenario by 2030	Opportunities	Challenges	Best Case Scenario	Worst Case Scenario		
Security	The core of FARC and possibly the ELN are demobilized through the current and upcoming peace agreements, but the vacuums created are filled by new criminal organizations. Colombia continues to be a leader in cocaine production, and maintains strong ties with the United States.	The peace agreements offer the unique opportunity to demobilize and disarm combatants. If accompanied with development strategies that contribute to avoiding the creation of economic and power vacuums, a coordinated state presence can contribute to long-lasting peace and more effective security strategies.	The historical trend in Colombia has been toward the replacement of older criminal organizations with newer ones as the state struggles to fill the vacuums of demobilized or neutralized organizations in remote areas.	Continued reforms in judicial system, armed forces and overall security structure lead to more professional armed forces, a more effective and less corrupt judicial system and increased effectiveness of policies for countering criminal organizations linked to drug trafficking as well as other illicit activities.	The peace process fails to fully reduce violence and integrate former combatants into civilian life and is rejected politically. This failure leads to the resurgence of armed groups. Cocaine production continues to grow, as well as other illicit activities linked to drug trafficking.		
Institutional Capacity	Pockets of ungoverned rural space will remain in Colombia, despite the peace agreements, and are filled by criminal groups engaging in illicit commerce. In urban areas the Colombian state will remain effective, but will continue to struggle in some rural areas.	Colombia's technocratic class remains one of the best in the region. The peace agreements offer the possibility of extending that knowhow and capacity to rural areas to improve service delivery, local government and security in cooperation with international partners including the United States.	Recovering ungoverned space where the government has promised to extend its services is a historical hurdle. This will involve establishing and improving local government presence and municipal police forces, addressing long-standing land disputes, and resolving local conflicts.	With continued support from the international community, the Colombian central government provides the necessary fiscal, human and technical support to local government units to deliver promised services, invest in local economies and resolve conflicts.	Irregular and illicit groups fill the vacuum left by the state in rural areas. National efforts to quickly address local needs continues to be shadowed by corruption, while coca and other illicit production continues to climb.		
Economic Growth	A recently admitted member of the OECD, Colombia will continue to hew to economic and fiscal norms. Its participation in the CPTPP and Pacific Alliance will also serve as an anchor, allowing it to continue strong growth just above 3 percent. The potential of a middle-income trap remains.	Colombia will remain a strong partner of the U.S. and Europe. As it confronts the challenge of the middle-income trap, international partners should seek possibilities for investment and for assisting the country implement its ambitious peace and national integration efforts.	The specter of corruption hangs over Colombia, especially over its public procurement efforts related to the peace plan. Integrating the rural economy into the national and global market will remain crucial not just for the economy but also for the success of the peace agreement.	The country's links to trade agreements through CPTPP, the Pacific Alliance and with the U.S. lead to higher-end investment in logistics, tech and infrastructure that create a nationally integrated economy.	The former guerrilla-controlled territories remain marginal from the national formal economy, both physically and in terms of opportunities. As a result, illicit commerce—in narcotics, mining and other areas—grow, further distancing these areas from the national economy.		
Demographics	The struggle to integrate Colombia's historically diverse and dispersed population will continue as it attempts to make good on its promises to build a new post-conflict nation. It will run up against constitutional, legal and political commitments to respect indigenous and Afro-descendant rights in seeking private sector investment.	A large reserve of underemployed youth, the integration of the rural labor sector and international commitments concerning indigenous and Afro-descendant land rights open up the possibility of public-private collaboration on one of the most vexing issues in the region.	Marginalization of the rural sector and a weakly centralized state remain problems for Colombia's development. Rural areas remain under-integrated, complicating the integration of informal combatants and the estimated 6.5 million internally displaced people.	The peace plan provides a moment to finally integrate an historically dispersed, divided nation, bringing rural, indigenous and Afro-descendant communities under one nation-state and generating broad-based economic opportunities for all in an integrated economy.	The peace agreements deepen the urban/rural and ethnic divide as rural and indigenous, Afro-descendant communities remain removed from the national economy. Meanwhile shallow economic growth fails to integrate urban youth and the underemployed into formal labor markets.		
Technology	Colombia will remain on the cusp of the digital economy but without a serious push by the government will remain in a middle-income trap. Efforts to ensure cybersecurity will help ensure that Colombia becomes a leader in the region.	Colombia aspires to be a logistical and tech hub for the region. Investment and improvements not just in its connectivity in urban but also in rural areas can help its global competitiveness and its drive for national integration.	The urban/rural divide that has plagued Colombia historically remains. While 58% of the population is connected to the internet, it's easy to believe that the large, remaining 32% are in the rural areas that the national government and peace plan seeks to integrate.	The Colombian government makes massive investments in internet infrastructure in rural areas, including in education in STEM. The effort both integrates the basic economy and expands Colombia's potential for a digitally oriented economy.	The digital economy remains marginal to the broader effort of national integration. As a result the digital divide is added to the broader, historical challenge of economic and political integration between rural and urban sectors, leading to an additional dimension of marginalization.		

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ECUADOR							
Electoral Cycle	2021		2025			2029	
	President, Vice President, National Assembly		President, Vice President, National Assembly			President, Vice President, National Assembly	
Support for Democracy	52.8%	State Fragility Index	74.2 out of 120 with a country ranking 82 out of 178				
Number of Homicides per 100,000	5.85						
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption	Average
	38	43	38	13	27	29	31.33
	Most Likely Scenario by 2030	Opportunities	Challenges	Best Case Scenario	Worst Case Scenario		
Security	Due to its geographic features (major shipping port and bordering two of the world's largest cocaine producers), it is likely that Ecuador will continue to be a key transshipment point for illegal activities such as drug trafficking to U.S. and European markets.	Ecuador has one of the best-reputed national police forces in the region in terms of professionalism, which, in combination with the shift in the current government toward re-establishing cooperation with the United States in security and defense areas, will allow for the continuation of strengthening of Ecuador's security policies.	Due to growing corruption scandals in the police, the previous government expanded the military's role in fighting criminal organizations. Ecuador has also been historically susceptible to spillover of paramilitary and criminal organizations from neighboring countries, mainly Colombia.	Ecuador manages to pursue more effective and less militarized policies against criminal organizations, contributing to reduction in violence indicators in the country as well as countering the growth of illegal mining, people smuggling and drug trafficking.	Corruption continues to penetrate national police and military forces, as well as the judicial system, severely capping the state's capacity to counter criminal organizations and strengthening Ecuador's role as a regional hub for a diversity of illicit activities.		
Institutional Capacity	President Lenin Moreno provides for a stable transition from the politically polarized years of former president Correa and toward de-politicizing the state. Nevertheless, rural areas of the country remain underserved (only 14.8% of roads are paved). Unless assisted through international efforts, Venezuelan refugees begin to tax social services.	President Moreno's moderating influence will provide opportunities for international cooperation on issues of security, judicial reform, rule of law and the development of more transparent regulations for investment and land use. Addressing the Venezuelan refugee crisis will also open up possibilities for international cooperation.	Political consensus remains fragile in Ecuador, as does the party system. Future governments will continue to struggle to balance the demands of the country's civil society, address traditional crime, and manage land resources and disputes in rural areas.	Politics stabilize and security sector reform continues and policing is improved to address both domestic security concerns and narcotics trafficking. The government becomes more independent and effective in areas of rule of law and delivery of social services.	The police and military struggle to address narcotics trafficking, politics become polarized again, the judicial system remains inefficient and corrupt, and international investment and loans—particularly from China—remain cloaked in suspicions of corruption.		
Economic Growth	Boosted by investment in hydrocarbons and the high price of oil, Ecuador's economy has grown at a healthy rate in the past 15 years. That will start to decline to under 2% due to declining oil prices and lack of economic diversification.	Facing a possible decline of GDP growth, Ecuador may be willing to seek new economic opportunities and open up its market to new investors, including joining with one of the regional free trade blocs such as Pacific Alliance.	Ecuador has a bonanza of natural resources, which has hampered the diversification of its economic base. While the country's dollarized economy has served as an anchor, it has also overpriced exports. It also has received the highest per capita Chinese investment since 2005.	Successive moderate governments seek to link Ecuador's economic future to the bloc of neighboring market economies—Colombia, Peru and Chile—by joining their efforts at integration and establishing stable links to Asian markets.	Failing to diversify its economic base, Ecuador's economic fate remains tied to commodity prices, while Chinese investment continues to reinforce those patterns and tie exports to the Chinese market under unfavorable terms for Ecuador.		
Demographics	Population growth will be stable, but the country will remain riven by a highly polarized civil society, in particular within the mobilized and politically powerful indigenous movement. Underemployed youth will remain a vexing issue for the cooling economy.	There are a number of unresolved policy issues, such as indigenous land rights, that can help cool ethnic tensions. U.S. and Canadian support on both issues would be important in building bridges and solving a critical problem.	In the past two decades, civil society groups have taken down numerous governments. Reduced glacial melt will hurt campesinos, leading to more urbanization (currently 64%). Slowing economic growth and flaws of resource extraction will also limit ability to integrate the ni/ni Ecuadoran youth (20% of all youth).	Present and future governments set out to address ethnic issues and integrate those groups formally into the political process. Targeted government programs in collaboration with international donors help to address climate change-driven migration, as well as the Venezuelan refugee crisis.	The economy remains tied to commodities, providing an insufficient labor market for the country's un- and under-employed youth. Climate change, including reduced glacial melt, drives rural citizens to cities looking for opportunities as government struggles to find political and economic response.		
Technology	Internet penetration will remain low, limiting opportunities for Ecuador to leap into the global digital economy. With the fourth highest regional ranking in cybersecurity, according to the ITU index, cybersecurity risks remain low.	With only 54% internet penetration and 84 out of 100 people having a mobile phone subscription, connecting the country's dispersed population (36% of Ecuadorians reside in rural areas) will be important for the economy and for political integration.	Ecuador's terrain is varied and diverse, complicating efforts to expanding internet to large segments of its rural population. The diversity of indigenous language speakers also serves as a barrier, but one that could open opportunities for local-language programming.	The government launches a targeted program to connect its population, leveraging its linguistic diversity to develop indigenous language programs and software and helping to integrate the diverse country, while maintaining and improving cybersecurity.	The country's population remains under-connected and thus under-prepared for a leap into the digital age and tech economy.		

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PARAGUAY								
Electoral Cycle	2023			2028				
	APRIL OR MAY Presidential, legislative, gubernatorial, and provincial governments			APRIL OR MAY Presidential, legislative, gubernatorial, and provincial government				
Support for Democracy	48.6%		State Fragility Index 69.8 out of 120 with a country ranking 101 out of 178					
Number of Homicides per 100,000	9.29							
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism		Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption	Average
	45	53		22	42	29	25	36
	Most Likely Scenario by 2030	Opportunities		Challenges		Best Case Scenario	Worst Case Scenario	
Security	Paraguayan institutions, due to lack of infrastructure, human resources and training, continue to be unable to effectively counter criminal organizations working in the country, with the added threat of further penetration of corruption in state institutions, limiting the capacity to fight against drug trafficking organizations.	Paraguayan authorities may be open to significantly increasing the presence of foreign security and intelligence agencies that contribute to audit processes, supervision and overall support in key strategic operations against criminal organizations.		The main challenge is to stop the penetration of criminal elements in state structures, such as politicians and judges supported and financed by drug organizations. Paraguayan guerrilla group, the Paraguayan People's Army, will continue to displace families to increase its role in the country's booming marijuana trade.		International cooperation contributes to strengthening and creating a more transparent judicial system, that, in combination with more sophisticated criminal intelligence strategies, reduces the presence of international criminal organizations. Initial partnership with Brazil and the U.S. to stop illegal arms trafficking is effective.	Drug trafficking organizations continue to grow, further influencing state institutions and undermining Paraguayan state efforts to counter illegal criminal organizations. Hezbollah's constant shadow continues to finance and support illicit activities in the Tri-Border Area.	
Institutional Capacity	The country's Colorado Party remains in power as Paraguay continues its struggle to fight corruption and crime. The result is a continued drop in citizen support for democracy and an inability to tackle organized criminal activity at its roots.	There is an opportunity to invest and partner with international organizations to rebuild Paraguay's underfunded and understaffed judicial system. The country's Attorney General and anti-graft commission could create an institution similar to that of the CICIG in Guatemala.		The main challenge is to end the impunity and corruption within the country's judicial system, which has given a pass to politicians linked to criminal activity and failed to prosecute or shown leniency against drug smugglers.		Public support for democracy and discontent with the political climate increases, leading to government accountability and transparency. The government begins to invest in institutions to advance social development.	Criminal organizations in Paraguay continue to infiltrate local government and impunity worsens as the government fails to contain corruption at all levels of government, leading to more rampant criminal activity.	
Economic Growth	Economic growth will remain around 4% annually, with Paraguay's two main policy anchor's—inflation targeting and the 2015 fiscal responsibility law—keeping the economy even keeled.	The passage of tax reform to lower tax rates and reliance on indirect taxes would help make the system more progressive and address income inequality.		Paraguay's institutions lack the capacity to target illicit transactions—from minor bribes to drug trafficking and money laundering. The government also needs to generate additional tax revenue to meet the country's priority spending in areas of reform and development.		Paraguay invests in infrastructure and social development projects, such as health and education. Increased investment in structural reforms and improved capacity in security and the judicial system leads to a decline in corruption, organized crime and a dependency on the informal economy.	The government fails to integrate the youth population into the formal labor market leading to greater inequality and poverty. Crime and violence increase, scaring off foreign investors and resulting in slowed economic growth.	
Demographics	Urbanization will continue to rise from its current level of 60 percent. With the country's low fertility rate, population is projected to total 7.4 million by 2025 and 7.74 million by 2030.	Reform is needed to tackle corruption and inactivity in the country's education system. One way to do this is offering children, especially in rural areas, the opportunity to be taught in Guarani, one of Paraguay's official languages.		Guarani is the main language of over 80% percent of Paraguay's rural population, yet it continues to be repressed by the national government. Discrimination against the language is most notable in the educational system.		Investment in human capital, most notably education, will lead to the creation of a well educated generation with higher productivity capable of supporting Paraguay's aging population.	Corruption and mismanagement continues to undermine the educational system. If government inaction continues social inequality will deepen. The government cannot curb the 65% dropout rate, and the number of ni/ni's (16%) will continue to grow.	
Technology	A little over 50% of the country is connected to the internet. In 2014, the country announced it was forming a space agency, and now it is starting plans to launch its first satellite in 2021. If Paraguay succeeds, it will improve communications by accelerating internet connectivity and other technological advances.	The Paraguayan government should provide incentives and create projects in which innovators and civil society can solve social issues through technology. Software and technology in Guarani would also help address the digital divide.		Paraguay is the least prepared country in the region for cybersecurity in terms of laws and international and domestic capacity. It also has the slowest internet service in the region, in part due to past government's disinterest in advancing tech and digital connectivity.		Paraguay's space agency succeeds in using its satellite to increase speed and connectivity across the country. The state makes technology a priority and works to catch up to the innovation of the rest of the region.	Government inefficiency leads to delays in launch of satellite, leaving the small landlocked country's tech sector far behind more advanced countries in the region. At the same time, software in Guarani lags.	

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PERU							
2021				2026			
Electoral Cycle	APRIL 11 Presidential and legislative elections			APRIL 12 Presidential and legislative elections			
Support for Democracy	52.7%	State Fragility Index	70.1 out of 120 with a country ranking 100 out of 178				
Number of Homicides per 100,000	7.67						
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption	Average
	56	41	48	70	34	43	48.7
	Most Likely Scenario by 2030	Opportunities	Challenges	Best Case Scenario	Worst Case Scenario		
Security	As cocaine production is slowly but consistently reduced, illegal extractive industries grow and continue as organized criminal activity. Corruption further challenge state capacity to counter these illicit activities.	An ambitious government plan to reduce coca production by 50% may be effective if crop-substitution programs—including infrastructure for getting them to market—are adequate for the intended purpose.	Coca eradication cannot be the main focus of anti-drug policy; there needs to be a broader effort at development and money laundering. Countering other illicit activities such as illegal mining and timber trade require policies to counter growing government corruption.	Coca eradication plans are effective, cocaine production and trafficking are reduced, and overall state capacities to counter criminal activities are strengthened through medium- and long-term policy implementation.	Coca eradication plans are ineffective, cocaine production rises, once again empowering illegal criminal groups such as Shining Path and drug trafficking organizations operating at a regional level. Lack of state capacity and increased corruption also expands illegal timber and mining activities.		
Institutional Capacity	With President Vizcarra's efforts to address corruption, support for democracy improves briefly. But given Fuerza Popular's majority in congress, little progress is made and state capacity in rural areas remains weak.	With only 13.3% of roads paved in Peru, investing in infrastructure can increase the state's capacity to extend its presence and services to rural areas and reduce the presence of illicit groups who benefit from the lack of a security apparatus.	Power within Peru's political system is highly fragmented. Decentralization has redistributed resources to local authorities who lack the capacity to effectively use these funds, and has led to disintegrated national political parties that can help elect presidents, but cannot guarantee them majorities in congress.	Through anti-corruption reform and increased citizen trust, the Peruvian government regains its authority and capacity to strengthen democratic institutions and claws back some of the more extreme elements of decentralization, improving national and local state capacity and congressional function.	Corruption remains rampant, which leads to the further deterioration of citizen trust in politicians and institutions; as a result, congress and the executive branch struggle to enact structural reforms and strengthen democratic institutions. Politics become further polarized, raising risk of outsider, anti-system candidates.		
Economic Growth	Peru's economy will continue to grow at rates close to 4%, and foreign investment will continue to grow, particularly in mining, banking and telecommunications, agriculture, and construction.	The Peruvian government will seek to move up the value-chain in investment. Economic players in Peru, such as the Confederation of Private Business Institutions (CONFEP), and trade unions can work to develop a more constructive relationship.	Peru's economy is still heavily reliant on mineral and metal exports and manufactured and tech imports, which makes the economy vulnerable to fluctuations in prices and changes in international financial conditions. Sharp political and policy disputes could undermine policy consistency.	As Peru's economy continues to grow, higher commodity prices lead to stronger investments in mining and targeted investment in higher value production, leading to growth in manufacturing and high tech jobs.	International commodity prices, including copper, decline significantly and the government failure to diversify the country's economy, leading to a decline in GDP growth. This results in lower private investment, less fiscal income and weak consumption.		
Demographics	Lima is Latin America's sixth largest metropolitan area, with a population of nearly 10 million. With 80% of the population already living in urban spaces, urbanization is expected to grow as a result of Peru's new aspiring middle class.	According to a poll by Arellano Marketing, 57% of the urban population in Peru self-identifies as middle class. This provides an opportunity for investment in social programs which would facilitate the country's booming middle class and expand consumption for the local economy.	Much of the urbanization in Peru comes from informal settlements, known as "pueblo jovenes," most of these are underserved and, according to Insight Crime, can breed illicit criminal groups. The growing population of Venezuelan migrants arriving in Peru has also started to have political implications.	The Peruvian middle class continues to grow. Government spending in social development addresses poverty in rural Peru and better integrates society.	Venezuelan migrants fail to integrate into society, contributing to the informal economy, as the Peruvian government fails to address social needs of rural and indigenous populations and ni/ni's (13% of youth).		
Technology	There has been significant progress in tech over the last couple of years, which will continue in the next 12 years. Initiatives created by the Ministry of Production and increased funding by the Ministry of Finance, the IDB and the World Bank will lead to continued progress in tech.	Through continued government support and creation of initiatives like Startup Peru and Innovate Peru, the Peruvian government is starting to jumpstart the growth of a nascent tech sector, part of a broader mission to reallocate resources to knowledge-based and innovation sectors.	According to the World Economic Forum, the political and regulatory environment for encouraging the development of information and communication technologies is especially weak in Peru.	Government efforts to increase internet availability throughout Peru, especially in rural areas, are successful. Innovation projects backed by the Peruvian government attract investors and help to expand the knowledge-based sector.	Failure to garner the investment needed to fund innovation projects leads to an exodus of innovators, resulting in brain drain.		

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URUGUAY							
Electoral Cycle	2019	2020	2024	2025	2029	2030	
	OCTOBER President, National Congress, Gubernatorial NOVEMBER President second round if necessary	All local elections	President, National Congress, Gubernatorial	All local elections	President, National Congress, Gubernatorial	All local elections	
Support for Democracy	82.4%	State Fragility Index		35.4 out of 120 with a country ranking of 157 out of 1			
Number of Homicides per 100,000	7.69						
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption	Average
	87	90	73	69	74	89	80.3
	Most Likely Scenario by 2030	Opportunities	Challenges	Best Case Scenario	Worst Case Scenario		
Security	Continuation of progressive and technocratic policies in the security realm contribute to Uruguay maintaining lower levels of crime than most countries in the region. Nevertheless, the penetration of sophisticated international criminal organizations poses a significant threat.	Separation of the armed forces from internal security in combination with the application of advanced policies and strategies for countering criminal activity (including legalization of marijuana) may offer lessons that can be exported to neighboring countries.	Uruguay's small size in geographic and demographic terms means that the threat from large international criminal organizations such as Brazilian PCC can be an enormous challenge and state capacity may be limited.	Uruguay continues to modernize its security policies, adapting to new challenges, and creating conditions for effective containment of regional security threats.	State institutions are overwhelmed by the capacity of large criminal organizations, leading to the growth of criminality and violence in Uruguay to historic levels for the country.		
Institutional Capacity	Already one of the most stable countries in the Americas, Uruguay continues to hold free and fair elections with a stable party system. Its institutions will continue to be among the strongest in Latin America.	With strong institutions, satisfied citizens, and a healthy economy, Uruguay should work to project itself more on the regional level, especially in terms of standing up to rogue regimes such as Venezuela and Bolivia.	Despite a vibrant democracy, Uruguayans have little faith in their political parties (26.7%). Elected leaders should work to improve public confidence in parties to reduce the risk of populist outsiders in the future, especially given the long-turn in power of the Frente Amplia (FA).	Uruguayans remain satisfied with their government and continue to support the democratic system. The ruling FA coalition stays united and continues to govern responsibly from the center-left.	In the run-up to elections in October 2019, the FA coalition splinters because of disagreements about fiscal policy, paving the way for a populist outsider to win elections and put Uruguay's institutional strength to the test.		
Economic Growth	The Uruguayan economy will continue to grow at a modest but respectable rate despite fractures in the FA coalition over a fiscal adjustment plan and existing structural issues.	The economy already began to bounce back from a slowdown in 2017, and is expected to grow at a respectable but moderate rate for the next five to ten years. If the unpopular fiscal adjustment plan doesn't fracture the ruling coalition, the country will be stronger for it.	An inflexible labor market, extremely strong unions, and an appreciated real exchange rate make sweeping economic reforms difficult. MERCOSUR remains flawed but efforts to negotiate an agreement with EU is a positive sign, if successful.	Uruguay continues its tradition of responsible center-left governments, which have been able to successfully blend popular social reforms with responsible economic governance. The country continues to be a beacon of stability in the region.	Negotiations with the EU falter, but Uruguay remains a member of MERCOSUR as it limps along rather than looking for other markets. Unpopular economic reforms fracture the broad FA coalition, paving the way for an outsider candidate with little economic experience.		
Demographics	Uruguay is already highly urbanized (96%) and has a vibrant middle class, with only 3.7% of the population living below the poverty line. Proximity to the Rio de la Plata of Montevideo and other cities place them at risk of extreme weather.	Youth who are neither in school nor employed (ni/ni's) make up a significant portion of the Uruguayan youth population (17%). The government should work to improve schooling and work opportunities for youth through foreign investment and social programs.	Given its small size and location near the Atlantic Ocean, Uruguay is highly susceptible to climate change. More than 10% of the total population lives in low-elevation coastal zones, which will be disproportionately affected by rising sea levels.	With the luxury of a cohesive society, the Uruguayan government is able to focus on improving education and job training for disenfranchised youth, significantly reducing the levels of ni/nis and further reducing the already low poverty rate.	The government fails to address a growing ni/ni population. As a result, gang violence and out-migration both spike. Through no fault of its own, world powers fail to adequately address climate change, posing an existential threat to the survival of Uruguay's population centers.		
Technology	Uruguay has the second highest internet usage (66.4%) and number of mobile phone subscriptions in South America after Argentina, and is the best performing country in the region on cybersecurity. Given its small size and strong economy, it will continue to be a regional tech leader for the next decade.	Given its proximity to major urban centers (Buenos Aires, São Paulo), Uruguay has an opportunity to position itself as a Silicon Valley of Latin America. Quality of life in Montevideo is high and has attracted entrepreneurs from those other countries because of its low crime rate; the government should work to attract more.	Uruguay must compete with much larger economies for the attention of valuable tech industries. Many multinational corporations have already set up elsewhere, so the country has some catching up to do.	As part of its effort to better-integrate Uruguay's youth to the economy, the Uruguayan government spends considerable resources on high-tech training for youth, giving the country a comparative advantage over the rest of the region.	Because of its small size, Uruguay lags behind larger neighboring countries in terms of developing a competitive tech sector. As automation increasingly replaces traditional careers, large segments of the workforce are left behind.		

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VENEZUELA							
Electoral Cycle	TIMETABLE UNKNOWN						
Support for Democracy	59.8%	State Fragility Index		86.2 out of 120 with a country ranking 46 out of 178			
Number of Homicides per 100,000	56.33						
World Bank Governance Indicators	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption	Average
	18	13	9	2	0	7	8.16

	Most Likely Scenario by 2030	Opportunities	Challenges	Best Case Scenario	Worst Case Scenario
Security	The symbiotic relationship between criminal organizations, paramilitary organizations and state institutions continues to deepen, becoming a major obstacle for the effective implementation of security policies precluding meaningful cooperation with regional neighbors and responsible extra-regional powers.	Profound political change in the country can lead to increased interest in international cooperation and support to strengthen domestic capacities to fight illegal criminal activities. These actions could also complement efforts to reestablish democratic institutions, reduce the role of the military in politics and address corruption.	The predominant role of the military in politics and the economy, in combination with the need to maintain relative stability within state security structure means that any policies to improve anti-crime efforts will require the support of military leadership.	Venezuelan leadership perceives fighting corruption in state institutions as an electorally feasible platform, leading to an increased interest in dismantling the symbiotic relationship between criminal organizations, paramilitary organizations and state institutions, increasing state capacity to fight criminal organizations.	Current leaders remain in power within the national security structure, deepening the relationship between a wide array of state and non-state actors involved in illicit activities, reducing international cooperation and furthering the conditions for Venezuela to become an international criminal hub.
Institutional Capacity	Even with a political transition, the Venezuelan state remains hollowed out. Decades of corruption, politicization and lack of attention to institution building will have left a shell of a state structure; rebuilding will remain an unprecedented, complex task.	There will be few on the ground, but the international and regional community will need to remain engaged and committed to supporting the rebuilding of Venezuela's state structure from the ground up, including the police, armed forces, judiciary, and local government, not to mention PDVSA.	The extent of Venezuela's institutional collapse and corruption is unprecedented in the hemisphere. Partisans have replaced professionals at every level, portions of the security sector are in collusion with transnational criminal networks and local paramilitaries, and the government is bankrupt.	There is a consensus-based, thorough transition that gives the regional community and local actors a relatively clean slate to start rebuilding the state with the support of a broad segment of society.	There is no transition, allowing corrupt actors to remain embedded in state structures. Political polarization continues with few clear exits for developing a consensus-oriented path forward to re-build a professional, independent, transparent state.
Economic Growth	Venezuela's economic deterioration will continue at an unprecedented rate. With the economy already having contracted by close to 50%, 2018 to 2023 will bring another 27.5% contraction. Hyperinflation, expected to reach historic rates of over 1 million percent, will continue to climb. The damage will take decades to repair.	It is astounding how conditions can continue to deteriorate even beyond what many thought was possible. At some point, however, the hemorrhaging has to stop, and with the world's highest oil reserves and capital investment, the country can eventually start to rebuild and hopefully diversify its economy.	Challenges are multiple: rebuilding the independence and capacity of the state oil company; establishing the rule of law to attract investment; getting out from underneath loans guaranteeing below-market oil to China; recovering from debt default and returning to international capital markets; and attracting the human capital that has fled since 1999.	There is a quick, peaceful transition with support from a broad cross-section of society that permits a technical, professional and non-polarizing rebuilding of the economy and the return of transparent, productive investment.	The current regime refuses to loosen its grip over the government or there is a charade transition that continues on the same economic course, making only cosmetic, ill-advised, half-baked fixes to the economy.
Demographics	Unless there is a change in the country's political and economic system, citizens will continue to flee, emptying Venezuela of precious human capital that will be difficult to attract back. Those that remain will increasingly suffer from malnutrition and disease.	Until there is some broader political and economic change it is impossible to imagine positive developments in the country's demographics.	Unprecedented brain drain, the lack of an agricultural rural sector that can produce for the local population, massive under- and unemployment, malnutrition, the return of diseases like tuberculosis and measles, and deterioration of educational standards all will serve as serious drags on potential recovery in Venezuela.	A quick, peaceful, consensus-based transition allows the return of economic growth and the rebuilding of social services and critical infrastructure such as schools to re-attract refugees and rebuild the country's torn social fabric.	More of the same: the government refuses to change course and the opposition fails to effectively mobilize, worsening the humanitarian crisis and leading to a greater exodus of refugees from the country.
Technology	Even with a peaceful, consensus-based transition, the largest challenge will be rebuilding the country's technology base. More than internet penetration (60%) or mobile phone subscriptions (86.9/100 people), the country's internet will need to be re-privatized and liberalized.	Venezuela remains under-connected because of the government's control of CANTV, the country's primary telecom company. If there is political change, re-privatizing CANTV will be crucial; in the meantime, exploring non-traditional means of connectivity can be a potential means of keeping citizens engaged.	Government control of CANTV and censorship of social media and traditional media have limited not just access to technology but also its utility to citizens and the private sector. Because of interconnection of government with internet, cybersecurity will remain a serious concern.	With a peaceful transition, a new government privatizes CANTV and opens up the market to new internet providers and media (social and traditional). This is an opportunity to invite new investors to open up the new market.	Nothing changes, while criminal elements within the state and transnational criminal networks extend their control over the internet for illicit activities. Assisted by Russia and/or China, the country also becomes a haven for cybercrime.

Looking into the Crystal Ball: South American by 2030

What will South America look like in 2030? While it's difficult, if not impossible, to predict with any certainty, especially given the uncertainty of what will happen in Venezuela and with global economic growth trends, a few possible scenarios are outlined below.

- **Growing rise of outsider, populist candidates threatening democratic checks and balances.** With faith in democracy and citizens' trust in political at all-time lows, party system-outsider candidates—even in once-strong party systems such as Chile—will emerge and gain in popularity. Some will win elections. The probability of this scenario will increase as inequality remains at current levels or increases and governments struggle to address under- and un-employment. The combination of popular rage and outsider candidates will threaten democratic checks and balances, especially in already-weak institutional environments such as Peru and Ecuador.
- **Economic growth rates in South America fail to return to those of 2003 to 2014, resulting in stagnating job growth.** Commodity prices remain flat or decline as China taps more domestic sources and growth declines. As a result, economic growth in Argentina, Brazil, Ecuador, Peru and, to a lesser extent, Chile and Colombia, is not sufficient to pull new large numbers of workers into the formal economy.
- **With the exception of Venezuela, democracy endures in South America.** Despite challenges and weaknesses, elected governments will remain in Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, and Uruguay. With no clear alternative, election and elected governments will continue, but popular confidence in institutions will continue to decline.
- **Technology and automation lead to a contraction of employment in basic manufacturing.** The result is weakened worker's unions, displaced workers, and increased popular disaffection. Politicians in Colombia, Brazil, Peru, Argentina, and Peru struggle to address their demands. Party systems fragment even further, and workers' unions fail to effectively channel demands of an under-employed working class.
- **Venezuelan refugees spark nationalistic backlashes in Brazil, Colombia, Argentina, Peru and Chile as governments struggle to integrate permanent new Venezuelan residents.** Far from being a temporary exodus, the bulk of Venezuelan refugees remain in the countries they fled to. As a result, they become a permanent immigrant population, living in inadequate housing, lacking burdens on social services and creating strains on employment markets. There is a nativist backlash that favors more nationalistic politicians and platforms.
- **Colombia's democracy remains stable while struggling to incorporate former combatants, internally displaced people.** While the peace agreement fails to fully integrate former FARC combatants and leads to a spike in organized crime and narcotics trafficking in rural areas, the peace holds. As a result, large parts of the Colombian rural economy are brought into the formal sector and violence declines. Despite the challenges and declining support for the country's traditional party system, the political/technocratic class manages to sustain the moderate, non-partisan trajectory of the country's recent development.
- **The Maduro government in Venezuela collapses, leaving in its wake a failed state, a deeply polarized society and rampant criminal networks.** With no mediated agreement in place, the Maduro government collapses, leaving in its wake a deeply polarized society teetering on the brink of civil war, hobbling any future government, economically and politically. International development assistance struggles to respond, and cannot fill the deep void. Some multilateral and private investment help to stand up the oil industry, but more broadly the economy struggles to provide employment. The state remains institutionally studded with partisan appointees, weakening its effectiveness and setting up partisan backlash during a transition. Private sector investment may possibly panic given Venezuela's collapse and struggles not to default, drying up capital investment for other countries in the region.
- **Argentina sees a return of Peronism and continues with policy volatility.** Whether in the presidential elections of 2019 or later, Argentina returns the Peronist (Partido Justicialista) party to power. Their new turn in power marks a return to power of a free-spending government that re-imposes the free-spending fiscal policies of the previous Kirchner government, threatening default and inflation.
- **China increases its economic and soft-power influence in the region.** While the U.S. reduces its leadership on economic matters in the near future, China expands its economic and diplomatic influence. The PRC manages to flip a few more countries to recognize it diplomatically over Taiwan, especially in the Caribbean and Central America, with promises of investment under the One Belt, One Road initiative. At the same time, China remains a major trade partner of Argentina, Brazil, Chile,

and Peru. Nevertheless, concerns over bribery and undelivered promises of investment start to turn popular and diplomatic opinion against China.

- **The Frente Amplio's hold on power in Uruguay is finally weakened.** After three consecutive presidencies of the Frente Amplio, a non-FA president is elected before 2030. The election helps solidify electoral competition in Uruguay and consolidates a multi-party system.
- **In Bolivia, President Morales' efforts to sustain power leads to polarization.** In 2019, President Evo Morales will likely run for a constitutionally questionable third term. Bucking the results of a referendum that rejected his third-term bid, President Morales will pursue it and leverage his partisan allies in the electoral system and local governments to secure another turn in power. Against a fractured though growing opposition, Morales secures a victory, but broad democratic opposition to his leadership mounts. By 2030, Bolivians elect a coalition government that tries to steer a middle course between Morales' revolution and the positions and demands of the existing opposition, avoiding a Venezuelan-style collapse.
- **Ecuador lands safely.** While there are concerns of party-system fragmentation, the government of current president Lenin Moreno manages to ratchet back political polarization, reduce the politicization of the judiciary, and roll back anti-democratic restrictions on the media and civil society. As a result, there emerges a broader democratic center that helps guide the country to a moderate path.
- **Narcotics trafficking continues unabated.** Despite increased efforts to address narcotics production, trafficking and use across South America, these criminal activities remain unabated in the next 12 years. Coca production in countries such as Colombia, Bolivia and Peru continues and even increases, as does the production and shipping of cocaine. At the same time, drug consumption increases in Argentina, Brazil and Chile. All of this complicates the U.S.'s capacity to tackle the narcotics issue at its base.
- **Brazil's democratic institutions and norms survive.** Even in the face of right-wing populist president Jair Bolsonaro, the country's checks and balances survive and manage to contain his worse impulses. The judicial system will challenge Bolsonaro's anti-crime policies and civil society will mobilize against his stated anti-LGBTI, environmental and women's rights policies. While the country will become mobilized and potentially polarized, the basic institutions and norms will barely survive.
- **Past efforts at regional integration die on the vine and the OAS struggles.** UNASUR is already abandoned. CELAC will also prove a vacuous exercise in supposed collaboration. Meanwhile, the Organization of American States (OAS) will remain torn by ideological alliances—irrespective of objective concerns over human rights and democracy—weakening its capacity to serve as a credible arbiter of international norms in the hemisphere.
- **The United States regains its leadership in the hemisphere.** After a series of years in which the U.S. government debased the non-partisan foundation of U.S. policy in the hemisphere, future administrations re-engage hemispheric partners on matters of economic development, trade, and immigration reform. The result is a return to partnership on matters of countering the Chinese “threat,” consolidating and harmonizing free trade alliances, and better coordinating anti-narcotics policy.

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