

## **LATIN AMERICA IN: Global Trends 2025: A Transformed World<sup>1</sup>**

Although many of Latin America's major countries will have become middle income powers by 2025, others, particularly those such as Venezuela and Bolivia that have embraced populist policies for a protracted period, will lag behind—and some, such as Haiti, will have become even poorer and less governable. Overall, Latin America will continue to lag behind Asia and other fast-growing areas in terms of economic competitiveness. (vii)

Asia, Africa, and Latin America will account for virtually all population growth over the next 20 years; less than 3 percent of the growth will occur in the West. Europe and Japan will continue to far outdistance the emerging powers of China and India in per capita wealth, but they will struggle to maintain robust growth rates because the size of their working-age populations will decrease. The US will be a partial exception to the aging of populations in the developed world because it will experience higher birth rates and more immigration. The number of migrants seeking to move from disadvantaged to relatively privileged countries is likely to increase.

***“In terms of size, speed, and directional flow, the global shift in relative wealth and economic power now under way—roughly from West to East—is without precedent in modern history.”***

Although this transfer is not zero-sum, early losers such as most of Latin America (with the exception of Brazil and a few others) and Africa are receiving neither a stake in the initial asset transfer nor any significant inbound investment from the recipient countries.

### *Latin America: Moderate Economic Growth, Continued Urban Violence*

Many Latin American countries will have achieved marked progress in democratic consolidation by 2025, and some of these countries will have become middle income powers. Others, particularly those that have embraced populist policies, will lag behind—and some, such as Haiti, will have become even poorer and still less governable. Public security problems will continue to be intractable—and in some cases unmanageable. Brazil will become the leading regional power, but its efforts to promote South American integration will be realized only in part. Venezuela and Cuba will have some form of vestigial influence in the region in 2025, but their economic problems will limit their appeal. Unless the United States is able to deliver market access on a permanent and meaningful basis, the US could lose its traditionally privileged position in the region, with a concomitant decline in political influence.

Steady economic growth between now and 2025—perhaps as high as 4 percent—will fuel modest decreases in poverty levels in some countries and a gradual reduction of the informal sector. Progress on critical secondary reforms, such as education, regressive tax systems, weak property rights, and inadequate law enforcement will remain incremental and spotty. The relative growing importance of the region as a producer of oil, natural gas, biofuels, and other alternative energy sources will spur growth in Brazil, Chile, Colombia, and Mexico, but state ownership and political turmoil will impede efficient development of energy resources. The economic competitiveness of Latin America will continue to lag behind Asia and some other fast growing areas.

---

<sup>1</sup> United States National Intelligence Council, [www.dni.gov/nic/NIC\\_2025\\_project.html](http://www.dni.gov/nic/NIC_2025_project.html), November 2008  
NIC 2008-003

Population growth in the region will be relatively moderate, but the rural poor and indigenous populations will continue to grow at a faster rate. Latin America will have a graying population as the growth rate of adults aged 60 and over rises. Parts of Latin America will continue to be among the world's most violent areas. Drug trafficking organizations, sustained in part by increased local drug consumption, transnational criminal cartels, and local crime rings and gangs, will continue to undermine public security. These factors, and persistent weaknesses in the rule of law, will mean that a few small countries, especially in Central America and the Caribbean, will verge on becoming failed states. Latin America will continue to play a marginal role in the international system, except for its participation in international trade and some peacekeeping efforts. US influence in the region will diminish somewhat, in part because of Latin America's broadening economic and commercial relations with Asia, Europe, and other blocs. Latins, in general, will look to the United States for guidance both globally and for relations with the region. An increasingly numerous Hispanic population will ensure greater US attention to, and involvement in, the culture, religion, economics, and politics of the region. (15)

Women in much of Asia and Latin America are achieving higher levels of education than men, a trend that is particularly significant in a human capital-intensive global economy. (16)

By 2025, international migration's human capital and technological transfer effects will begin to favor the most stable Asian and Latin American countries. Although the emigration of professionals probably will continue to deprive poor and unstable countries across Africa and parts of the Middle East of talent, the likely return of many wealthy and educated Asian and Latin Americans from the US and Europe will help boost the competitiveness of China, Brazil, India, and Mexico.(24)

Most displaced persons traditionally relocate within their home countries, but in the future many are likely to find their home countries have diminishing capabilities to accommodate them. Thus the number of migrants seeking to move from disadvantaged into relatively privileged countries is likely to increase. The largest inflows will mirror many current migratory patterns—from North Africa and Western Asia into Europe, Latin America into the US, and Southeast Asia into Australia. (53)

Elsewhere surveys have shown democracy having taken root, particularly in Sub-Saharan Africa and Latin America, where opinion views it positively independent of any material benefits. Still, nascent democracies have historically been shown to be unstable to the extent that they lack strong liberal institutions—especially rule of law—which can help support democracy during economic downturns. Case studies suggest widespread corruption is especially threatening because it undermines faith in democratic institutions. (87)

On balance, views of the United States are fairly favorable and stable, much more so in Central America, but less so in the Andean region. Some level of migration to the United States for jobs and subsequent remittance of earnings back to Latin America will be a key. Also important will be the degree to which US and Latin interests are viewed as shared, especially on multilateral tasks such as interdicting illegal drug supplies and combating organized crime and gangs. (96)

**Foresight 2020 Economic, industry and corporate trends<sup>2</sup>**

In Latin America, growth in GDP per head will merely be sufficient to prevent the current gulf with the developed world from widening. Sub-Saharan Africa will fall further behind.

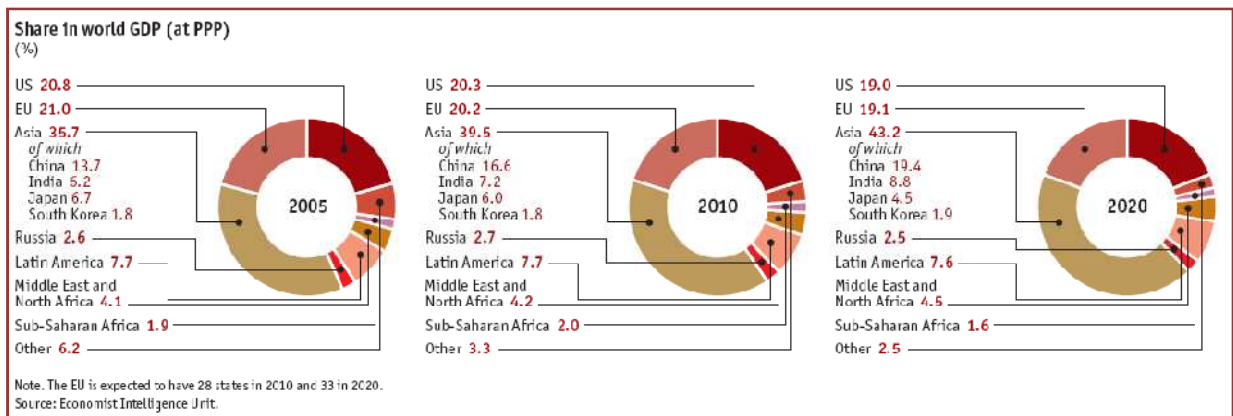
**Latin America**

Latin America’s average rate of growth, at about 3%, will be an improvement on the performance of recent decades, but disappointing compared with potential and the much faster-growing emerging markets in Asia. Macroeconomic stability is being consolidated in the region and there has been progress in structural reforms. But the region’s politics will make it hard to push through painful fiscal and institutional reforms. The growth of the working-age population will slow. The quality of human capital, in terms of the health and skills of the workforce, lags behind that of emerging markets in Asia and Eastern Europe.

**Pressure on wages**

Globalisation will continue to cause big shifts in the relative prices of labour and capital. The full entry of China, India and Eastern Europe into the global economy has roughly doubled the size of the global labour force. This has exerted downward pressure on average wages throughout the world, certainly relative to the return on capital. In Latin America, by contrast, the trend is expected to be far more subdued, and indeed the gap between developed countries’ and average Latin American wages is actually expected to widen slightly between now and 2020. For example, the average wage in Brazil is now double that in China and India. By 2020, Brazil’s average wage is expected to be some 30% below China’s average wage.

The current consensus is that massive new hydrocarbons reserves are unlikely to be discovered, although quite a few smaller new resources, most of them in the Middle East and Latin America, could be brought onstream, especially as high prices enable greater investment in exploration and production.



<sup>2</sup> A report from the Economist Intelligence Unit, sponsored by Cisco Systems, 2006