



Latin America 2020: Discussing Long-Term Scenarios

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Latin America 2020

As viewed from the early 21st century, the prospects for Latin America in 2020 will be a mixture of lights and shadows. In recent years, Latin America has improved in terms of democratization, some institutional development and a broad consensus on the virtues of financial stability. But the region has also experienced poor social results, inconsistent economic growth, deep loss of legitimacy of its political players, and declining international relevance. At the outset of the new century, the political order of Latin American societies faces new crises.

In fifteen years' time, Latin Americans will be both more mature and more cautious in terms of democratization and macro-economic policies, but they will struggle with social problems, low institutionalization and recurring governance crises. Few countries will be able to take advantage of opportunities for development, and Latin America as a region will see the gap separating it from the most advanced nations of the planet grow wider. Some situations will improve but always within a cycle of oscillations, progress and setbacks. And those countries and regions that fail to find an economic, political and social direction will be immersed in crises and will experience reversals. All this will take place within the framework of mounting regional heterogeneousness, in which relations with the United States and the quality of domestic democratic governance will mark the great differences among Latin American countries.

This report intends to offer some views on the prospects of Latin America over the next fifteen years. It is divided in two parts. The first part identifies a set of 'drivers' (influence factors and agents fostering change and evolution in the region) and studies their meaning within a forward-looking exercise. We find that democratic governance and the quality of institutions; the region's international insertion—including its relationship with the United States and the main world powers—and the region's sense of security from new threats are the main, though not the only, factors determining the future of Latin America. In the second part, long-term scenarios and trends for Latin America are outlined based on the above-mentioned definitions.

1. Main 'drivers' in the outlook for Latin America in 2020

1.1. Institutions and governance (at domestic and international levels)

The democratic rules of the game to gain access to power (free and reasonably competitive elections) prevail in the region today, except for Cuba and Haiti. This trend, which entails the end of military coups and authoritarian regimes, has taken hold over time. However, 25 years after the global democratization process (the "Third Democratic Wave") changed the continent's political map, the Latin American democracies have shown growing differences with the longest-running democracies of North America and Europe. The political institutions, the rule of law and the level of accountability fail to work effectively and meet citizens' expectations.

The democratic leaders of the region face serious problems when trying to reform the state, enforce modernizing public policies, or reduce growing unemployment and poverty in most countries. This persistent obstacle to governments' performance, within a framework of mediocre economic growth rates, has eroded the Latin American states' ability to satisfy demands and guarantee the basic needs of the population.

In many cases the democratic governance crises have led to political instability, hastening the collapse of sitting presidents. Latin American "presidentialism"—a constitutional phenomenon with strong cultural roots—provides few tools with which to overcome such instability.

In addition, new forms of political crises are likely to appear in the years ahead. The political parties face crises of a different order throughout the region, and some party structures will disappear. Popular disaffection, social fragmentation, and the failure of existing structures to absorb sectors demanding inclusion (such as the mobilized indigenous groups) will have negative effects on politics and governance. The weakness of political parties—instead of leading to the emergence of new groups—will favor phenomena such as "mobilizationism," videopolitics, the emergence of charismatic leaders, and the mounting influence of societies' "de facto powers" (*los poderes fácticos*, including elites, media, business groups, military, criminal organizations, etc.) in electoral contests.

Another aspect of democratic governance in the next 15 years will be governments' ability to introduce the economic reforms and policies necessary to anticipate the economic problems of the future. The fragile fiscal sustainability of the countries in the region and the volatility of investment cycles suggest the need for tax reforms and anti-cyclical policies, raising questions about the future ability of Latin American countries to prevent future economic crises.

1.2. Relations with the US

For the next 15 years the United States will remain the leading force behind globalization and main player in the Hemisphere. The kind of relationship that Latin America forges with the United States will be a key factor in regional development. But the road to a beneficial relations between the United States, the region as a whole, and most individual nations will not be free of hurdles. In the years ahead, Latin America's agenda with the United States will compete more than ever against that country's own global agenda (including anti-terrorism and the emergence of other regions of worldwide importance), placing Latin America on the back burner of Washington's priority list. The ability of Latin American elites to articulate

national interests and Washington's will to integrate with the region will be decisive in the future relationship.

The combination of these factors will cause heterogeneousness among Latin American countries: some will be more or less economically and politically integrated to the United States. The informal border of the Panama Canal will be deepened; countries to the north will be more influenced by the American evolution, whereas those to the south will strengthen their subcontinental identity—especially as Brazil aspires to regional leadership.

Some phenomena, such as demographic change in the United States, will result in closer ties between the United States and several Latin American countries. If in the second half of the 20th century, US foreign policy towards Latin America was basically reactive, the bond over the next 15 years will be shaped by the new reality of its population: the United States is on its way to becoming a country with a considerable proportion of “Hispanic” population. This rise of “Hispanics” in the US population will influence the United States and its leaders as well as US relations with Latin America. It will encourage growing cultural, political and economic interaction with Latin America, particularly with the set of countries spanning from Mexico to Colombia, from which most of the future citizens and Hispanic-American voters are likely to come.

Nonetheless, trends in the opposite direction will also appear. Within the United States, trade integration projects with Latin America—FTAA and others that may emerge—will gather little support from the private sector. Except for cases of specific sectors and countries, the advances in trade openness (exports from Latin America to the United States) in the next 15 years will require a political push to overcome disinterest within the US private sector. Likewise, within the framework of the domestic security agenda that will continue to play a central role in the US policies, aspects of great interest to Latin Americans in the United States (migration, visa and residence policies, or remittances) could be subject to regulatory tightening. This does not mean relations between the United States and the region will deteriorate as a result of growing nationalist or ethnic tensions (which appears highly unlikely). But both factors—private trade disinterest and domestic security regulations—could become forces counteracting the advantages of the growing “hispanicness” of the United States by 2020.

In sync with this phenomenon, not all Latin American countries will share the same will to integrate with the United States. In some cases, geographical location and the predominance of political leaders pushing for more interaction with the United States will continue generating a long-term desire for integration. But in other cases, like Brazil, the desire to build a regional profile, thereby reducing interaction with the United States, comes precisely from a consensus among that country's leaders. In many cases, different levels of “resistance” to US influence on the part of Latin American populations will end up dragging their leaders to a policy of distancing and mistrust of the United States. In yet other cases, the resistance to greater integration will result from the view of the political and intellectual elites. Marred by enough problems of its own, Latin America as a region will have difficulty understanding a US political agenda focused on domestic security and the “war on terror.”

1.3. Challenges to security

In the next 15 years Latin America will continue being the region with the lowest relative exposure to the world conflicts of the 21st century, which have their axis—according to some

analysts—on a “clash of civilizations” and terrorist tactics as the main strategy of fundamentalist groups. Compared to the scenario faced by other regions, Latin America will be relatively peaceful in the years ahead. Border conflicts and territorial claims will exist—there are still over 20 unresolved territorial conflicts in the Latin American continent, many of which will be tackled in the next 15 years—but a scenario of armed confrontations is unlikely. The advance of democratization and trade integration, despite all the remaining problems, set strong trends mitigating the threat of interstate wars and even conflict involving non-state actors, such as irregular armed groups or mafias.

Likewise, a series of transformations in international security on a global scale, such as multilateral efforts for conflict resolution, will have a positive effect on Latin America in the next 15 years in a direct manner.

However, some trends involving internal conflicts will prevail and, in some cases, produce international repercussions and involve extra-continental axes—as happened during the Cold War. Many of these conflicts will be related to non-traditional threats. The remnant guerrilla structures (Colombia is the most serious case but not the only one) will not be easily dismantled by nation-states, and effective international action against such threats are not likely to materialize in the next few years. However, in a 15-year perspective, the continental institutional evolution in terms of regional security could begin to provide the mechanisms to militarily confront the armed conflicts within national borders. Otherwise, the *poderes fácticos* and non-state armed players (mafias, drug-traffickers, and international terrorist groups) both will seek partnerships or mergers—or at least a *modus vivendi*—with irregular armed groups in the region.

Based on this scenario, the effects of which are already appearing and could increase in the coming years, the nexus between domestic governance and international insecurity of the region will escalate. Areas without states’ full control (the departments of Boyacá, Caquetá and several others in Colombia; the Venezuelan-Brazilian and Venezuelan-Colombian borders; areas of Cochabamba in Bolivia; the coasts of Haiti, etc.) will be prime areas for this type of alliance.

The emergence of politically organized indigenous groups may also entail a risk to regional security. If in the years ahead the indigenous movements do not attain a legitimate role in the political system and certain levels of social inclusion, then many are likely to resort to claims of territorial autonomy (rather than insertion in national politics), as happened decades ago in the Nicaraguan Atlantic coast, in the south of Mexico, the Andean region, and some Central American nations. Territorial claims driven by irredentist indigenous groups could set the stage for armed insurgency and political violence.

Another factor that will grow in importance in the next 15 years is public insecurity in large cities. Insecurity and crime indicators have shown an upward trend for many years, reflecting the increase in poverty and inequality in most of the countries. Personal insecurity will be a leading issue in Latin American societies and elections: this phenomenon will give “heavy-handed” politicians and candidates access to mayoralties, governorships and presidencies in the region.

2. Other “drivers” in the Latin America 2020 outlook

2.1. Population and Society

Currently, the Latin American population accounts for 8 percent of world population. Demographic projections anticipate that the figure could drop slightly in the next 15 years because the regional birth rate exceeds that of the OECD countries but is lower than that of other world regions. However, economic forecasts indicate that Latin America’s share in the world’s GDP is poised to decrease as a result of the *low growth rates* (as seen in recent years) and the *drag* it will entail in productivity and installed capacity. All of this evolves within the framework of growing inequality among countries at the global level—and among countries at the Latin American regional level.

WORLD POPULATION PROSPECTS BY REGION (in thousands of people)

REGIONS	2000	2010	2020
Total population	6 158 051	7 032 294	7 887 856
Developed nations	1 185 536	1 212 865	1 231 987
Developing nations	4 972 515	5 819 430	6 655 869
Africa	831 596	1 069 378	1 347 789
Eastern Africa	261 292	342 049	441 314
Central Africa	95 577	127 210	166 962
Northern Africa	178 443	215 108	250 503
Southern Africa	53 004	65 128	77 232
Western Africa	243 280	319 882	411 778
Americas	830 155	935 414	1 033 983
North America	306 280	331 571	357 584
Latin America & Caribbean	523 875	603 843	676 399
Central America	139 610	164 286	186 859
South America	346 231	396 946	442 213
Caribbean	38 034	42 610	47 327
Asia	3 735 846	4 263 948	4 744 481
East Asia	1 493 284	1 605 221	1 707 477
Indian Subcontinent	1 525 812	1 816 977	2 076 460
Southeast Asia	527 103	607 479	679 498
West Asia	189 646	234 271	281 046
Europe	729 803	728 741	722 574
Eastern Europe	306 828	304 305	301 266

Northern Europe	94 665	96 206	97 813
Southern Europe	145 271	144 577	141 404
Western Europe	183 040	183 653	182 091
Oceania	30 651	34 814	39 028
Australia-New Zealand	22 981	25 401	27 855
Melanesia	6 485	7 982	9 450
Micronesia	541	678	827
Polynesia	644	773	895

Source: United Nations World Population Prospects

Poverty did not necessarily rise in the region during the globalization boom, and neither did the advantages brought by globalization reduce poverty. The failure of Latin American institutions to guide development strategies and ensure equal opportunities resulted in increased social inequality—with important political consequences. As poverty and inequality affect larger sectors, those people become more vulnerable to patronage practices and populist, demagogic and authoritarian electoral alternatives. Such alternatives will increase their influence in most of the region as long as no significant advances are made in the social field.

Another major social factor in Latin America is the informal economy, particularly in labor. Informal workers experience constant income declines, are deprived of social linkages, and have no access to the benefits of inclusion such as credit. Labor informality, which in many Latin American countries affects two out of three workers—sometimes more—is related to inequality, and current projections anticipate that job creation in the next 15 years will take place increasingly in the informal sector. This phenomenon has different causes in diverse countries—from the rigidity of labor legislation to the inefficiency of the state—but it brings similar consequences everywhere: inequality, exclusion and fiscal imbalances.

This phenomenon has institutional consequences that impinge on long-term political and economic prospects. The retirement system of the future faces serious sustainability risks due to the sprawling informality as today’s pensioners are supported by a smaller number of contributors and the funds will prove inadequate for tomorrow’s pensioners. Similarly, the growth of informality hinders fiscal balances throughout the region by distorting tax structures; the failure to collect taxes will seriously strain government budgets.

2.2. The Impact of globalization

Latin America is part of an environment of global transformation that it cannot control and does not always understand. Over the next 15 years, the United States will remain the leading military, economic and technological power in the world, but it too will be subject to the restrictive influences of globalization at times. This process presents change and opportunities for Latin America beyond its relations with the United States.

The next 15 years will witness many changes in the world, posing risks and opportunities. Asia and its large countries—China and India mainly, whose growth prospects outpace Latin America’s as a whole in terms of GDP—will not only compete economically and politically with the region but will also become growing buyers of Latin American commodities

(including food) and other exports. The integration of Eastern Europe to the EU will result in even less attention to Latin America in Europe's main capitals, including Madrid.

On the trade front, Latin America's degree of integration into the globalized economy will depend not only on the strategic policies for international integration but also on the competitiveness of its production and exporting capacity.

2.3. Latin American society and its cultural values

The slow growth of Latin America in the long-term and poor performance of national institutions have often led historians and social scientists to analyze the system of values and cultural content of the Latin American society—and how they relate to underdevelopment. According to some, Latin America is not part of the West—although that was the origin of the men and ideas that gave birth to it—but forms a different cultural and civilizational entity.

Latin America has a young political history, in which its “personalistic leadership”—its emphasis on particular leaders rather than institutions—has prevailed. This condition, among others, helps explain the divergent development of European and North American institutions compared to the Latin American ones.

The next 15 years will see a growth of cultural contradictions in Latin American society resulting from the emergence of new ethnic and regional influences. The most resounding expression of this phenomenon will be the indigenous movement, whose influence is expected to grow particularly in the Andean Region, Central America and the south of Mexico.

The impact and nature of indigenous movements, advocates of old social values and historic claims, will depend on the degree of inclusion that existing societies and powers give them. Where successful inclusion occurs, they will gradually join the representative system and, perhaps in some cases, pursue greater autonomy at local and subnational level. But where political and economic exclusion rigidities prevail, indigenism will evolve into more radical expressions that will openly confront the social, political, economic and cultural institutions of the European structures prevailing in Latin America. In these potential situations, the values of historical identity and compensation will displace economic growth expectations as the key driver of people's actions.

The cultures and values of the Latin American societies are not a major influence variable; although they are not insignificant. As long as Latin American societies ignore the importance of institutions in the exercise of power—as in the personalist tradition of *caudillos*—or ideologically reject economic growth and well-being as public goods for all—as may happen with some indigenous movements—those cultural contradictions that are not satisfactorily resolved by the Latin American elites and institutions will be a “driver” against economic and institutional development in the region.

2.4. Natural resources and the environment

Latin American biodiversity will be one of the greatest regional assets in 2020. Nonetheless, environmentalists forecast that unfavorable trends—climatic change; degradation of land, soil, sea and coastline; the depletion of forests and fresh water supplies—will deepen in the next 15 years, particularly in the countries without efficient state policies to counteract them. Whether the region raises awareness of this problem and commits to joint solutions will determine the

impact of this driver. The region will be particularly vulnerable to the eventual economic impact of climate change (for instance, droughts) due to the relatively high percentage of the population that relies on the natural resources economy in 2020. By the same token, political and technological changes affecting this issue will exert a strong impact on the region (for instance, the evolution of the Kyoto Protocol on agribusiness or the future exploitation of the vast natural gas resources in the continent).

The participation of the United States in addressing hemispheric environmental problems will be one of the keys to the results of multilateral initiatives. Should Washington fail to play that role, Brazil is likely to assume leadership in coordinating environmental policies in South America.

2.5. Science and technology

Generating its own knowledge capacity—scientific-technological finding or adaptation—is a major aspect of any country’s search for sustained growth. However, almost none of the Latin American countries will be able to invest their scarce resources in developing large research and development projects. This applies both to the public sector—traditional source of support for most Latin American researchers—and the private sector. The gap between the technological capacities of the region and the advanced countries is set to widen. No broad-based Latin American project of relevant technological adaptations—allowing for the creation of an exporting capacity in line with that of Asian countries, for example—will be developed in the next 15 years.

Nonetheless, there will be some exceptions and some innovation in specific sectors. This poor trend in scientific-technological capabilities does not preclude the possibility of some successful cases such as Intel’s investment in Costa Rica. Some state-sponsored technological projects in industrial production or defense industries will emerge in Brazil.

3. Scenarios and trends in Latin America 2020

3.1. Introduction: the quandary of finding and missing the course

The transition of Latin America to the 21st century brought with it lights and shadows. In the 1980s and 1990s, the region made progress in democratization and experienced some institutional development and financial stability. But its societies face, at the outset of the new century, new forms of crisis. The region’s poor socio-economic results, coupled with the inability of Latin American leaders and elites to improve governance, have caused a deep loss of legitimacy and credibility in players and political parties. Latin America’s international standing decreased as a result of world changes that distracted the political and economic interest of the United States and Europe to other areas of the planet. These new challenges have affected most countries in the region—to some degree or other—raising new questions about the future of governance and institutionalization of the region.

The Latin America of 2020 will inherit all these assets and liabilities. Among the assets, in 15 years, Latin Americans will be more mature and cautious in terms of democracy and macroeconomic policies. On the liabilities side, Latin Americans will bear a heavy mortgage of social problems, low institutionalization, and weak (and even undemocratic) governance. Both will have an impact throughout the next fifteen years, suggesting oscillations between progress and setbacks.

By the year 2020, several Latin American countries probably will have started to find a way to make progress toward serious poverty reduction and improving institutional development. This would help end the cycle between ungovernance and populist responses and, in this way, help these countries integrate into the “globalized world” along with the most advanced countries. Their economic policies will consolidate; they will develop more vibrant national capitalism; and they will attract long-term investments. It is likely that a considerable part of the region will move in that direction, though it is hard to estimate which countries and with what probability. Certain players of the region—both due to objective indicators as well as subjective preference—give rise to moderate optimism on their long-term evolution. In other cases, more certainties prevail about how difficult and vertiginous the road will be towards those results; those countries face a higher probability of political, economic and social stagnation and reversion to the failed models of the past.

Scenarios of political and economic governance are outlined below in relation to the countries and regions of Latin America in 2020.

3.2. Democratic governance: between ongoing deinstitutionalization and successful adaptation to globalization

The weaknesses of Latin American democracies (as discussed above)—including their growing differences with the most institutionalized “models” of the advanced countries in the north—have deep roots and appear likely to deepen in many countries in the next 15 years.

A fairly likely scenario in these cases is a continuation of the ongoing deinstitutionalization as defined above. Against a background of social deterioration and exclusion set to prevail in many nations, the political preferences of the excluded will favor the emergence of populist and charismatic leaders little interested in the development of institutions. In these cases, the political parties and institutions of representative democracy will lose influence to movements and the *poderes fácticos*, and phenomena such as patronage, personalism and arbitrariness of governments will flourish. This decreasing democratic quality trend in much of the region, however, will not be even. Many of the South American, Caribbean and Central American countries face the challenge of overcoming these trends, and some could even experience a reversal of the democratic progress achieved in the past decades—probably not as traditional *coups d'état* but through the resurgence of authoritarianism with or without a military component.

Nonetheless, in other cases, the trend could be the opposite, yielding greater institutionalization, democratic governance and adaptation to globalization. Chile, Mexico, Costa Rica and Uruguay have moved in this direction for the last decade and show the conditions to continue in that same course. Brazil will also achieve interesting advances but within a different regional profile that includes more complex challenges. If we had to make a more thorough analysis of the future political heterogeneity of the region, we would say that:

A. A considerable part of the region will be affected by recurring governance crises. A gap between people’s expectations and governments’ and societies’ satisfaction of those expectations will be the common denominator: poverty and inequality, coupled with a decreasing political capabilities to implement solutions and the failure of reforms to achieve persistent economic growth, will erode the legitimacy of governments and political players—and be conducive to high levels of social conflict. Weak administrations and populist or authoritarian leaders will make little or no contributions to institutionalization. This is the

scenario most South American and Caribbean countries and some Central American nations are expected to confront.

B. Some countries will make greater advances in democratic governance and be prepared for a successful adaptation to globalization—the major driver of regional heterogeneity in the upcoming years. In these cases, greater macroeconomic stability, development of political institutions, and trade integration with the United States and other world powers will result in successful governance, greater social development and reduced influence of the *poderes fácticos*. Chile, Mexico, Costa Rica and Uruguay are heading for a scenario of that sort. (Brazil will share some but deserves a separate scenario due to its special regional role.)

C. Brazil will seek to consolidate a regional role that will entail a lower level of interaction with the United States, a project that will advance somewhat but not the way that Brazil may have expected at the turn of the century. The country will continue its gradual progress in terms of institutional development, but its complex domestic political and social processes will may retard achievement of its regional leadership ambitions. Brazil's regional role will also depend on the level of US involvement with the region. A more active policy on the part of the United States in South America, for example, would limit the Brazilian influence on the subcontinent.

D. In a small group of nations, economic stagnation, political crisis, and domestic conflict (in which social, ethnic and political elements converge) could led to deeper institutional crisis with a growing intervention of the military—or security forces—in politics. That will lead to authoritarian influence or cooptation of institutions and the media—and isolation from the Inter-American system. In countries like Paraguay, Bolivia, Guatemala or Venezuela there are certain tendencies away from democracy and toward a new militarism in the years ahead.

E. In one or two other cases, the steep institutional crisis could deepen even more, with internal decomposition processes that could—should international involvement fail—lead to a deep statehood crisis in terms of the collapse of authority, escalation of internal conflict, institutional fragmentation (often territorial as well), and of the expansion of mafias and irregular *poderes fácticos*. This failed state scenario corresponds to cases like Haiti and some areas—not necessarily countries—of the Andean region.

3.3. Hemispheric Integration: from the FTAA project to project heterogeneity

The bond established between the countries of Latin America and the United States will be one of the greatest factors of regional heterogeneity. Not all Latin American nations will agree on the advantages of joining the US economy. Neither will the United States be interested in partnering with all Latin American countries. From the Latin American perspective, Brazil's regional project and resistance to partnering with the United States—at least in some sectors of the Latin American society and/or leadership—will cause the failure of the hemispheric integration project as conceived by the original concept of an Free Trade Area of the Americas (FTAA). Some Latin American countries, whether on grounds of underlying geopolitical trends or the political choices of the leadership, will favor partnering with the United States rather than with others. The most likely scenario for the United States will be to deepen ties with Mexico and Central America, recognizing the growing role of Brazil and the Mercosur in the Southern Hemisphere, and develop a “selected partners” policy with the rest of the Latin American countries.

Where there is not a specific partnership policy at a country or bloc level on the part of the United States, Washington's objective for the region will be to solve problems for its own interests: prevent conflicts derived from drug-trafficking, massive emigration, or political instability from spreading, and act to prevent or stop crisis scenarios.

The failure or relative failure of the FTAA plan and regional heterogeneity in dealings with the United States would mean a limitation (by action or omission) of US hemispheric leadership. These factors will create a void of multinational initiatives in the years ahead in areas requiring political coordination, such as matters involving defense and security, environment, drug-trafficking, and migration. The United States will not be able to participate as regional leader in many cases, and no other big country—Mexico, Canada, Brazil and Argentina—will be positioned to fill this vacant role except in specific situations. However, in the long-term (perhaps beyond 2020) the hemisphere will solve this problem through the strengthening of multilateral institutions and the greater leadership of key countries (for instance, Mexico in the Central American isthmus and Brazil in the Southern Cone).

4. Less likely scenarios and “wild cards”

When it comes to planning scenarios, it is important to bear in mind that “the likely” does not always occur and that, as history demonstrates, “the unlikely” occurs more often than expected. Although the scenarios described above are the most likely for Latin America in 2020, a series of less likely hypothesis also deserve attention due to the high impact they would entail. These scenarios are “*low likelihood—high impact.*” From the analytical viewpoint, they are important because they involve endogenous processes in the region. Also, some “wild cards”—unforeseen and practically imponderable phenomena—could have high potential impact. The difference between the former and the latter is that the latter is not linked to events the region could control or avoid.

4.1. “Low likelihood—high impact” scenarios

Three low-likelihood scenarios would substantially change the political, economic and social perspectives of the region: large scale emergence of revolutionary indigenism, Brazilian financial collapse, and a wave of “anti-imperialistic” governments in the region.

A. Radical, politically revolutionary indigenous movements in several countries of the region could eventually converge with some non-indigenous but radicalized movements—such as the Brazilian “landless,” the Paraguayan and Ecuadorian peasants, and the Argentine “picketers.” Radicalized indigenous groups already exist in a number of the Latin American countries. In this scenario, by 2020 the groups will have grown exponentially and obtained the majority adherence of indigenous peoples in their countries, and a “demonstration” or “contagion” effect could cause spillover into other nations. The resulting indigenous irredentism would include rejection of western political and economic order maintained by Latin Americans of European origin, causing a deep social fracture that could lead to armed insurgency, repressive responses by counter-insurgent governments, social violence and even political and territorial balkanization. A turbulent scenario such as this would drive away capital, investment and the market dynamic itself for a long time. Likewise, regional heterogeneity would deepen among the countries that suffered the advance of ethno-political irredentism (for instance, the Andean Region or Guatemala) and countries with majority European population (for instance, the Southern Cone).

B. Another scenario that would change many assumptions about the future of Latin America would be a Brazilian financial collapse—default followed by economic and social crisis like that experienced by Argentina in 2001-2002. This is widely considered unlikely due to the structural robustness of the Brazilian economy, the negative example of the Argentine experience, and the fact that Brazil’s geopolitical role will favor sustained support from international organizations and G7 governments. However, Brazil’s financial exposure will be high for several years, and the default hypothesis is not impossible. In this scenario, the depth of the crisis will depend on how well the Brazilian government manages it. If the crisis is deep, Brazil’s regional leadership aspirations would aimlessly drift away and the United States would be forced to take a greater role in South America. Mercosur would suffer serious damage, which its members would seek to offset by signing bilateral deals with world powers. The financial impact on the region, even on Mexico, would be heavy. Argentina would suffer somewhat less due to its isolation from the international capitals market.

C. Lastly, a political variant of these three scenarios would be the emergence and proliferation at the regional level—amid social crisis and unrest—of a wave of radicalized and anti-American administrations in Latin America. Considering the above-mentioned scenarios of recurring governance crises affecting most of the region, this less likely scenario would add to the fragile conditions the emergence of radical left-leaning or nationalist governments in Brazil (resulting from a hypothetical financial crash) and Mexico, triggering a “contagion effect” on the other countries. This continental “anti-imperialistic” scenario would entail sub-scenarios of international isolation, impoverishment and capital flight plus conflicts and ungovernance on a regional level.

4.2. ‘Wild cards’

Seven unforeseeable events of high potential impact could possible occur:

A. A serious terrorist attack (such as another 9/11) or terrible war in the United States: This would move Latin America on the US agenda (as discussed above) to a lower position.

B. Emergence of “anti-Hispanic” nationalism in the United States—caused by the above-referred attack or war, or by a cultural reaction by non-Hispanic US citizens fearful of a “Hispanic advance” that they perceive as threatening American values and way of life. This wild card includes the possibility that the United States could close its borders, tighten migration policies, or restrict remittances (the main foreign currency source in many countries).

C. US military intervention in Cuba: This would be the only alternative to the status quo as long as Fidel Castro lives and could occur within the framework of the “global war on terrorism.” . It would have unpredictable effects in international security: the United States would easily win the war but could not “win the peace” due to Castro’s guerrilla mobilization across the island. Also, a strong anti-American reaction would be created in the Latin American continent with politico-electoral consequences.

D. Changes in the international drug-trafficking situation, as a result of the legalization of drugs, the replacement of cocaine with another product that does not require coca leaves (e.g., synthetics), or another imponderable. The drug-trafficking mafias operating in Colombia, Mexico and other countries would probably attempt to adapt quickly to the new conditions, but this illegal trade would experience an immediate income drop, which would be strongly

felt in countries highly dependent on the drug-trafficking economy. In addition, the deterioration of the cocaine industry would undermine the logic of the Colombian narcoguerrillas, paving the way for conflict resolution in this country.

E. Replacement of oil with renewable power resources or other major changes in the world energy situation: Such a development would alter the political matrix far beyond Latin America, including the Middle East and Russia, and would have sizable global effects. At regional level, it would immerse Venezuela, Ecuador and Mexico—the most dependent on oil revenues—into a structural crisis.

F. High-impact natural disaster or climatic change: In the poorest regions with inefficient national states, natural catastrophes (floods, hurricanes, earthquakes) would have a deeper detrimental effect. The same applies to climatic change, with profound socio-economic impact for rural populations that are highly dependent on natural resources (desertification, droughts). Reliance on the production of raw materials will make the region particularly vulnerable to ecosystem transformations.

G. Collapse in China or another Asian crisis: As counterpart to the above-described scenarios forecasting increased exports of Latin American commodities (food) to Asia in the coming years, this unpredictable event would entail the fall of international prices of commodities and a harsh blow to Latin American agriculture. Worldwide growth and trade would hit a slowdown to the point of a driving a certain *deglobalization*, which would have a negative impact on the regional economic growth rate. Against such a scenario, investment flows to emerging nations would contract, and capital would shift toward low-risk positions in stable countries. Lastly, a serious crisis in Asia—the continent is expected to comprise 60 percent of the world population by 2020—could drive millions of emigrants to Latin America.