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LATIN AMERICA COUNTRY RISK INDEX AND ANALYSIS 2025

POLITICAL, SOCIAL, ECONOMIC, AND INTERNATIONAL RISKS

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Foreword

Carlos Díaz-Rosillo, PhD | Founding Director, The Adam Smith Center for Economic Freedom

From Risk to Resilience: A Business-Centered Perspective

What does a company look for before investing in a country or expanding its operations? For businesses aiming to grow and succeed, resilience is not merely a defensive stance —it is a core business strategy. Corporate success depends on the ability to anticipate disruption and manage risks arising from political shifts, security challenges, and global power competition.

That is why the Adam Smith Center for Economic Freedom's *Latin America Country Risk Index and Analysis* can play a vital role in a company's decision to set up shop in the region. The study provides a rigorous and objective framework for business leaders navigating a rapidly changing environment. By systematically assessing political, economic, social, and international risk trends, it enables decision-makers to identify both vulnerabilities and opportunities. This type of research initiative lies at the heart of the Center's desire to deepen our understanding of how governance and free markets influence human freedom and promote prosperity worldwide.

Institutional legitimacy, a cornerstone of long-term competitiveness and investment security, is key for investors, but the study reveals a crisis of trust unfolding across the region. This can lead to stagnating reforms, inconsistent policies, and regulatory uncertainty, causing higher operational costs and unpredictable bureaucratic barriers. Where institutions are trusted, however, capital flows more freely, investors are protected, and business leaders can make long-term decisions.

Another crucial pillar to monitor is global realignment. The shifting international order is opening new prospects for Latin America. Supply chain reconfiguration, geopolitical competition, and nearshoring trends are generating business opportunities for companies and investors in strategic sectors such as manufacturing, logistics, energy, and technology.

Finally, businesses that grasp local social dynamics gain a decisive advantage. The most pressing social risk in Latin America remains the influence of organized crime. Beyond threatening public safety, organized crime undermines the business environment. Companies must spend more on security, compliance, and insurance, while reputational risks grow. A careful analysis of the region's crime dynamics is just as essential as evaluating financial and market indicators.

Looking ahead, Latin America remains a region of enormous opportunity. Unlocking that potential, however, requires clarity and a long-term vision. As this study shows, resilience is no longer optional —it is the essential framework through which companies must approach the region. By applying the assessment methodology presented here, businesses can better manage volatility and lead with confidence amid uncertainty.

Preface

Erich de la Fuente, PhD | Lead Author and Project Director

The *2025 Latin America Country Risk Index and Analysis* reveals a region at a pivotal juncture. Internal challenges and shifting global dynamics are converging to shape a complex and uncertain risk landscape. The increasing interconnectivity between organized crime, low institutional trust, high polarization, and pressures from inflation and unemployment is placing unprecedented strain on governments, which have proven largely ineffective in providing long-lasting solutions.

Our newly developed "Trust-O-Meter" shows that confidence in political parties, legislatures, and institutions is at a historic low, underscoring a region-wide crisis of legitimacy. Even so, Latin American citizens continue to support the idea of democracy and transfer of power via the ballot box. This demonstrates how thin the line is between democratic resilience and democratic decay. The lesson for policymakers is clear: government legitimacy will not only depend on winning elections, but on government capacity to deliver essential public goods—security, jobs, and justice.

Although domestic factors remain the most acute risks, the United States' efforts to counter China's influence in Latin America are reshaping the region's strategic landscape. For nations economically dependent on both, maintaining a balanced relationship has grown more difficult. Yet, global realignment presents opportunity: countries that can provide legal certainty, skilled workers, infrastructure, and security can benefit from the diversification of global supply chains.

Understanding these converging dynamics is essential for businesses and investors to anticipate disruptions, mitigate exposure, and identify opportunities. Low institutional trust, for example, undermines a government's ability to implement business-friendly reforms, while the top risk of organized crime demands greater due diligence, supply-chain integrity, and compliance.

This study was made possible thanks to our excellent and committed partner organizations across all 12 participating countries. I am deeply grateful for their dedication and high standards of work. My special thanks go to Dr. Eduardo Gamarra, whose role in shaping the study's methodology and insightful guidance greatly enriched our analysis. I am also grateful to the Center's team for their invaluable assistance, and Dr. Sary Levy for her input on the survey data evaluation.

I would like to extend my special gratitude to Dr. Carlos Díaz Rosillo, founding director of the Adam Smith Center for Economic Freedom, for his unwavering support in advancing this research and expanding its reach. The spirit of academic freedom that defines Florida International University—and the Center in particular—has provided an ideal environment for this kind of work. Finally, I wish to extend my appreciation to you, the reader, for considering this publication a meaningful contribution that deepens understanding of the forces shaping Latin America.

EXECUTIVE SUMMARY

The *2025 Latin America Country Risk Index and Analysis* assesses the main political, economic, social, and international risks in 12 countries: Argentina, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, El Salvador, Mexico, Panama, Paraguay, and Peru.

This study also revisits and analyzes the trends identified in the June and November 2025 studies conducted by the Adam Smith Center for Economic Freedom. This approach enables year-long comparisons of key risks within each category. It reveals patterns of both fluctuation and stability, providing strategic insights valuable to companies and investors operating across the region.

Understanding the fundamental role of trust, the Adam Smith Center for Economic Freedom developed the Trust-O-Meter**,** a new analytical tool to measure confidence levels across Latin America. This measurement consolidates the multiple trust-related variables from the study—trust in political parties, institutions, and politicians—to provide a comprehensive overview of the state of trust in the region. The Trust-O-Meter serves not only as a diagnostic instrument, but also as an early warning system, highlighting where the erosion of confidence may threaten democratic resilience and political and social stability.

Organized crime remained Latin America's most significant risk in 2025, eroding state authority and undermining public confidence in democratic institutions. Its expansion and growing influence, coupled with persistently high levels of criminal activity, have deepened citizens' sense of insecurity and raised serious doubts about governments' abilities to address the issue effectively. Experts warn that these conditions could diminish the region's appeal to large-scale investment and threaten the essence of democratic governance.

Key 2025 Risks

- Organized crime
- Criminality
- Low trust in political actors and institutions
- Political polarization
- Unemployment
- Inflation
- U.S.-China tensions

The trend of declining trust in political structures has continued into 2025, with the Trust-O-Meter reaching the level of "Alert"—the highest category of risk (see the Methodological Annex for a complete description of the risk levels and their associated scores). Perhaps the most concerning finding is that no country was exempt from this problem. Even the lowest risk scores fell firmly within the "Warning" category. Combined with perceptions of deepening polarization and weakening judicial independence in several countries, this significant erosion of trust carries profound implications. When citizens lose confidence in political institutions, government legitimacy is seriously undermined, heightening the risks of instability and social unrest.

Economic uncertainty also persisted, with elevated unemployment and inflation fueling experts' concerns about near-term growth prospects. Heightened levels for these risks, which affect broad segments of society, not only generate economic distress, but are also intricately linked to political and social instability. Experts warned that the widespread loss of trust in the ruling class shown in this study could significantly weaken governments' abilities to implement the reforms necessary to stimulate growth and improve economic conditions. Moreover, high levels of unemployment, particularly among youth, and the rising cost of living create fertile ground for organized crime to expand its recruitment. This could further increase crime levels across the region.

On the international stage, the escalating geopolitical rivalry between the United States and China continued to influence trade and investment patterns, forcing countries to navigate a delicate balancing act. Aligning too closely with one side risks economic retaliation from the other. Yet, global realignment also presents opportunity: countries that can provide legal certainty, invest in education and infrastructure, and strengthen public security stand to benefit from the diversification of global supply chains. Environmental risks remain a significant concern in most countries, with illegal mining, air pollution, and water scarcity receiving particular attention.

Despite these challenges, there were several encouraging signs in 2025. On the issue of electoral fairness, experts expressed high levels of confidence in electoral processes in countries that held mid-term congressional or primary national and/or presidential elections—Argentina, Bolivia, Chile, and Ecuador. Paradoxically, while public trust in democracy's capacity to solve everyday problems continued to decline, citizens remained committed to electing their leaders through democratic means. Another encouraging sign was that the risk of political collapse has remained low and even declined across the region. This was primarily driven by positive developments in Bolivia and Ecuador, which began the year among the most at-risk countries in this category.

While slow economic growth remains a short-term challenge, the region's two- to five-year outlook appears increasingly positive. This study noted a sense of optimism in countries that held elections in 2025. The newly elected governments in Bolivia and Ecuador are expected to adopt business-friendly policies to spur economic growth. Experts anticipate a similar outcome in Chile following its presidential elections. In countries going to the ballot box in 2026, Brazilian and Colombian experts have greater uncertainty, driven by domestic polarization, security challenges, and external economic pressures. Peruvian analysts expressed cautious optimism, citing the country's proven ability to weather past turbulence while maintaining economic stability, although some caution that the outlook remains fragile.

NOTABLE TRENDS

Consistently monitoring risk levels across the region over the course of a year has yielded valuable insights into evolving trends. While certain risks experienced notable fluctuations, either rising or declining in intensity, others consistently remained among the top concerns identified by experts, underscoring their persistent nature within the region's risk landscape.

Political Risk

- Trust in politicians, political parties, and institutions remained a significant source of risk across the region. The erosion of public confidence continues to raise concerns about the effectiveness of democratic governance and the state's capacity to respond to core societal challenges. The average annual score measured by the study's Trust-O-Meter was 4.08, firmly in the "Alert" category. Paraguay (4.35), Brazil (4.33), and Bolivia (4.31) registered the highest annual risk level, while Mexico exhibited the sharpest upward trend, increasing from 4.10 in the June study to 4.47 in the November study—the highest risk score recorded in the latter assessment.

- Political polarization persisted as a significant concern throughout the region (3.98), fueling divisive public discourse, hindering consensus-building, and slowing progress on key economic and institutional reforms.

- Mexico's political risk continued to climb, rising from 3.79 in the June study to 4.13 in the November study. Concerns over judicial independence and government overreach pushed Mexico into the "Alert" category, ranking it above all other countries in the study.

- Post-election improvements in Bolivia and Ecuador reduced political risks in these nations. Although risks remain high, the November study scores (3.81 and 3.49) moved both countries from the "Alert" to the "Warning" category, as concerns about their democratic systems decreased. Political collapse was considered the lowest political risk across Latin America.

- Tensions between the executive and legislative branches intensified in Argentina, Brazil, and Colombia, driven by heightened political maneuvering ahead of elections.

Economic Risk

- Persistent unemployment and inflation remained the main economic risks in the region. The study measured both economic distress perception indicators together, revealing a slight risk increase during the year (3.64 to 3.71), solidly in the upper range of the "Warning" level.

- Nationalization of assets remained the lowest economic risk, with an annual average of 2.77—firmly within the "Caution" range. Although nine of the twelve countries concluded the year in that category, the November study showed increased risk levels for Mexico (3.80) and El Salvador (3.70), placing both near the upper limit of the "Warning" range.

- Regarding annual economic risk scores, Argentina (2.74) and Paraguay (2.76) registered the lowest in the region. Although Bolivia recorded the highest level (3.91), it showed a positive trend, as experts expected the new government to implement policies aimed at attracting investment. Mexico (3.61) and Brazil (3.57) followed with the next-highest annual risk levels. Policy uncertainty ahead of the upcoming election year pushed Brazil's risk score higher, while the erosion of the rule of law in Mexico has deepened business leaders' concerns.

- The regional economic growth outlook showed a sustained positive trajectory. Although experts expressed concerns about this year's performance, given the average regional economic risk level of 3.34, they expect steady improvement in the coming years, projecting lower risk levels for next year (3.14), in 2 to 5 years (3.00), and in 5 to 10 years (2.79).

Social Risk

- The regional annual average for the social risk category (3.69) was the highest in all countries, except El Salvador. Ecuador fared the worst with an annual average of 4.08, while El Salvador recorded the lowest score (3.01), indicating a significant decrease in crime.

- Every study in 2025 ranked the rising influence of organized crime as the region's top risk, with an average annual risk score of 4.41. Experts are concerned about its continued geographic expansion, greater influence over governments, and further weakening of anti-crime agencies. Notably, this could pose a direct threat to democratic governance and slow economic growth.

- The rising crime rate was also consistently reported as a major risk across the countries studied. The average annual score of 4.07 clearly places it in the "Alert" category. The notable exception was El Salvador, which had a yearly average risk score of 2.55, trending downward in the latest study to reach a record low of 2.30.

- The risk levels associated with strikes and demonstrations reached an annual average of 3.56, the middle of the "Warning" category. The highest annual scores were recorded in Bolivia (4.36), Panama (4.10), and Chile (4.05). Colombia experienced the sharpest rise in 2025, going from 3.40 in the June study to 3.90 in the November study, fueled by rising political polarization. Meanwhile, El Salvador moved in the opposite direction, dropping to a 2.50 risk level in the year's final assessment—the lowest among all countries.

International Risk

- Although international risks continued to rank as the least concerning across the region, experts expressed growing unease during 2025. The annual risk score (2.96) increased compared to last year's study, approaching the "Warning" level for the first time.

- Concerns about rising U.S.–China tensions and their spillover effects on local economies grew throughout the year, highlighting the risks countries face when trying to manage relations between the two superpowers amid increasing geopolitical rivalry. In Panama, this specific risk reached the highest level in this category (4.91), mainly due to escalating tensions and potential conflict surrounding the Panama Canal. Expert concern was also high in Mexico (4.0), Chile (4.0), and Colombia (3.90).

- Concerns about the negative effects of climate change grew across the region. The highest risk levels were observed in Bolivia (illegal mining and deforestation), El Salvador (water pollution and soil erosion), and Mexico (air quality and water shortages). Brazil, which reported the greatest risk in 2024, showed a decrease. However, experts cautioned that the decline likely reflected a perceived shift in political priorities rather than genuine environmental improvements.

- Experts expressed wide differences in confidence about their countries' attractiveness as investment destinations. Interviewees in the Dominican Republic and Paraguay voiced strong optimism, enthusiastically recommending investment, while Argentine experts regained confidence after a downturn in the June study. In contrast, most experts from El Salvador and Mexico provided bleak assessments. Respondents from Chile, Panama, and Peru expressed watchful optimism, with most encouraging to invest. However, Panama experienced the steepest drop in investor confidence compared to the June study, when it was the most optimistic country. About a third of experts in Colombia and Ecuador recommended investing in the November study. Meanwhile, experts in Brazil, the region's largest economy, remained cautious, with nearly half advising against investing, consistent with the June findings.

2025 LATIN AMERICAN COUNTRY RISK INDEX AND ANALYSIS

Introduction

The *2025 Latin America Country Risk Index and Analysis* aims to offer a comprehensive, data-driven assessment of the main risks shaping the region's political, economic, social, and international landscape across 12 countries: Argentina, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, El Salvador, Mexico, Panama, Paraguay, and Peru. Building on two previous studies conducted in June and November 2025, this study employs a longitudinal analysis to identify emerging trends, fluctuations, and structural continuities that define the region's risk environment.

The main goal of this study is to measure, compare, and interpret the region's changing vulnerabilities using both quantitative indicators and qualitative insights gathered through the Delphi method. By combining expert views from academia, business, civil society, media, and government, the study provides a multi-faceted perspective on how risk perceptions are formed, how they change over time, and how they interact across different sectors and countries.

This study is important for several reasons. First, it highlights the convergence of political, economic, and social dynamics that drive Latin America's ongoing challenges—particularly the declining trust in institutions, the growing political polarization, the high levels of unemployment and inflation, and the spread of organized crime. Second, it places these national trends within larger global shifts, especially the escalating U.S.–China rivalry and its effects on trade, investment, and security. Third, it offers a consistent and comparable measurement framework that enables analysts, policymakers, investors, and scholars to monitor changes in real time and anticipate turning points that could impact the region's political and economic future.

The study enhances regional understanding by combining risk perception and empirical indicators into a unified analytical framework. It goes beyond simple country summaries to show how different types of risk—political, economic, social, and international—interact to create systemic fragility or resilience. For policymakers, it provides a diagnostic tool to identify where reforms are most needed and which countries are likely to maintain stability or face turbulence. For business leaders and investors, it offers practical insights to assess exposure, develop mitigation strategies, and spot opportunities in an increasingly complex regional environment. For academics and journalists, it supplies a longitudinal and comparative dataset that reflects the current state of Latin American governance and society amid uncertainty and change.

REGIONAL TRENDS

By examining multiple Latin American countries, it is possible to identify regional trends based on the findings. In this study, the term "regional" refers only to the 12 countries included in this research: Argentina, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, El Salvador, Mexico, Panama, Paraguay, and Peru.

Each country has distinct factors shaping its political, economic, social, and international environment, so expert perceptions of risk are influenced by local experiences. The data collected, however, offers a regional overview of perceived risks, allowing a review of yearly trends in the following areas:

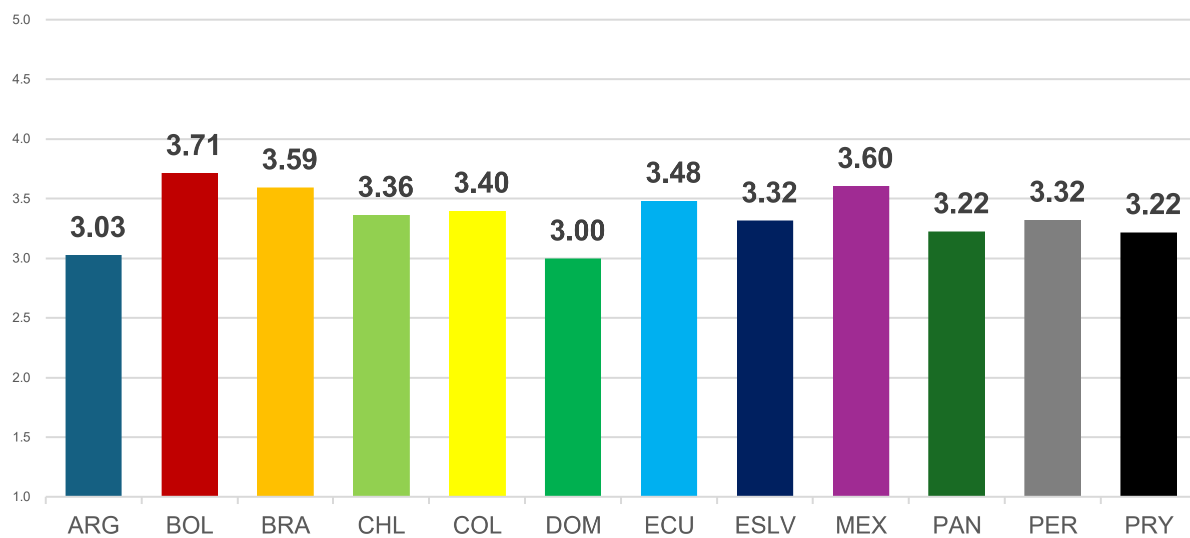
- Country Risk
- Political Risk
- Economic Risk
- Social Risk
- International Risk
- Risk Level per Expert Group
- Investment Recommendation

Country Risk Trends

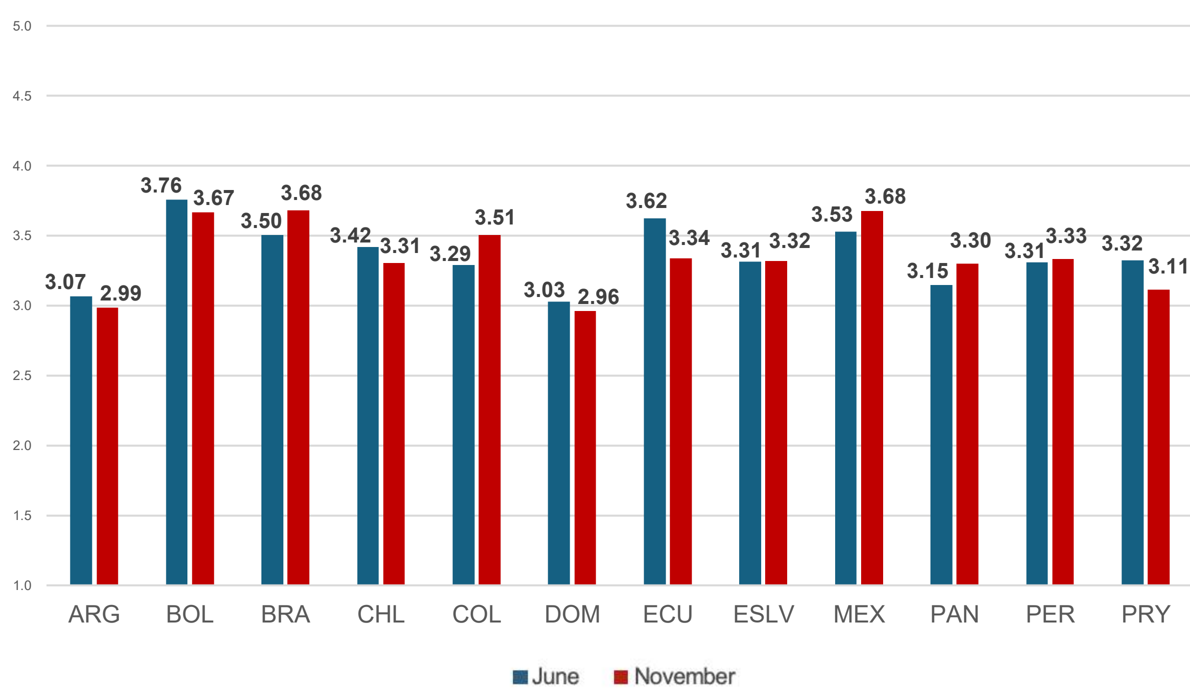
Although individual countries exhibited fluctuations in risk levels over the year, the overall regional average remained steady at 3.35, placing all countries within the "Warning" category. Bolivia showed a slight improvement in the November study following its presidential elections, yet its annual country risk level remained the highest in the region (3.71) due to its elevated baseline and ongoing uncertainties. Mexico had the second-highest annual risk score (3.60) after experiencing a spike during the November study. The Dominican Republic and Argentina consistently maintained the lowest risk levels throughout 2025, recording the lowest annual country risk scores—3.0 and 3.03, respectively.

Ecuador experienced the most significant drop in risk level, falling from 3.62 in the June study to 3.34 in the November study. Colombia saw the sharpest increase in risk level, rising from 3.29 in the June study to 3.51 in the November study. Social and political risk levels were notably higher across the region, while economic risk was below the median overall country risk level. In contrast, significantly lower international risk scores decreased the overall country risk averages.

Graph 1. 2025 Average Country Risk Level



Graph 2. 2025 Country Risk Trends



POLITICAL RISK

Trust-O-Meter Points to Alarming Erosion of Trust and Weakened Institutional Credibility

The Trust-O-Meter results showed that annual average trust risk levels across the region (4.08) reached the "Alert" range—the highest level on the study's political risk scale—underscoring the severity of the problem. When trust declines, as it has across Latin America, the credibility and effectiveness of democratic governance erode. Investors must pay close attention to sharp declines in trust, as they weaken governments' capacities to implement meaningful reforms and sustain long-term policy commitments. Persistent low levels of trust can also fuel social unrest and political volatility, creating unpredictable environments that heighten overall country risk levels.

Low trust in the political class and institutions was reported to be a critical issue across all sectors and countries surveyed. Experts pointed out that politicians and political parties were widely seen as ineffective and disconnected from citizens' needs. As one Brazilian academic noted, "Rather than representing the will of the people who voted for them, politicians frequently vote on or abstain from key decisions to further personal gain."

Interviewees across the region also emphasized that corruption remained a major issue, contributing to the public's declining confidence in the political class. As a Colombian academic noted, "In the end, institutions are made up of the people who run them. If the people are corrupt, then the institution itself will inevitably generate distrust."

Other experts interviewed believe the loss of trust is driven primarily by governments' failures to lead effectively amid mounting social and economic challenges. Reflecting frustration with the lack of tangible results, an Ecuadorian business executive shared, "Business leaders have been asked about the effectiveness of government policies since the 1990s, and the answer has remained simple and predictable: they are not helping businesses grow. I do not know when the day will come when we, as entrepreneurs, stop expecting the state to act efficiently on our behalf."

While corruption and dissatisfaction with results are recurring themes among experts interviewed, the negative perceptions of the political class and institutions run deeper. Data from multiple studies over the last two years consistently indicated a troubling erosion of trust that appears rooted in a structural crisis of representation.

While corruption and dissatisfaction with results are recurring themes among experts interviewed, the negative perceptions of the political class and institutions run deeper. Data from multiple studies over the last two years consistently indicated a troubling erosion of trust that appears rooted in a structural crisis of representation.

Credibility levels varied significantly based on institutional performance. Institutions closely associated with the political class, including legislatures, political parties, and ministries, consistently registered the lowest levels of trust. By contrast, institutions with strong technocratic orientations, such as central banks and electoral authorities, earned the highest levels of trust.

Overall, none of the countries fared well in this area. Experts in Paraguay (4.35), Brazil (4.33), and Bolivia (4.31) reported the highest annual risk scores for trust. Mexico recorded the sharpest increase in risk levels, rising from 4.10 in June to 4.47 in November, the highest reported in the latest study. Experts attributed this erosion of trust to the executive branch's growing overreach, which has increasingly co-opted government institutions and undermined judicial independence. As a Mexican civil society representative noted, "The 'Obradorismo'—referring to the previous and current administrations—has dismantled several autonomous institutions and subordinated others to government ministries, resulting in a loss of autonomy and creating hierarchical submission to the executive branch."

The steep deterioration in public confidence across Latin America highlights the extent to which lack of political trust continues to shape the region's overall risk profile. The deterioration in institutional representation has not yet resulted in a systemic collapse, but it does represent a real risk of delegitimization—one that could fuel social unrest and growing public apathy, leaving space for undemocratic narratives to take hold.

The Growing Impact of Political Polarization

Political polarization is another major risk factor observed across the region. While its specific drivers vary by country, expert interviews revealed several recurring themes: the use of populist rhetoric by prominent leaders, the spread of disinformation, and declining societal tolerance for dissenting opinions. Across the region, experts pointed to political elites fueling polarization to further their agendas. A government official in Argentina summed it up best: “The main factor is the decision by the country’s top political leaders to continue deepening polarization, which creates a confrontational dynamic.”

Many also noted the amplifying effects of news media outlets and social media algorithms, which they perceive as enhancing the spread of polarization. As one Colombian academic observed, “Highly charged political discourse and news media outlets aligned with opposing political identities have helped entrench narratives that have deeply polarized the country. Those who identify with the left now often defend leftist ideas without reflecting on their substance, and the same is true of those on the right, who at times defend their positions without critical thought.”

Together, these forces deepen social divisions and erode the consensus-building mechanisms essential for effective governance. Experts noted that the situation tends to intensify in the lead-up to electoral campaigns, which now often begin informally much earlier than in the past. As a Chilean government official observed, “Once the campaign period begins, polarization worsens, as legislators seeking reelection become more focused on winning than on governing.” Experts in multiple countries echoed similar concerns, warning that polarization hampers policymaking and fuels democratic erosion by further decreasing public trust in political institutions.

Electoral Fairness in Latin America: Assessing 2025 Outcomes and Emerging 2026 Trends

With an active electoral season in 2025 and 2026 containing several key presidential and legislative elections, this study has introduced a new section focused on electoral fairness. With trust in political leaders and institutions at an all-time low, the democratic process itself risks erosion if citizens begin to believe that election results are being manipulated. Moreover, electoral fairness is highly relevant for investors and businesses operating in Latin America, as contested elections and elected leaders with weakened legitimacy can delay policy implementation and undermine the predictability essential for long-term investment planning.

A positive finding was that experts expressed strong confidence in the integrity of electoral processes in the countries that held major national elections—Argentina, Bolivia, Chile, and Ecuador. All countries either improved or maintained high levels of confidence in the fairness of their electoral systems. In the November study, all were placed in the "Caution" category, with an average level of 2.37—a notable improvement from 2.78 in the June study. Bolivia and Ecuador showed the most significant progress, reducing the risks that had placed them in the "Warning" category ahead of the election season, as their political systems ultimately held up well.

Paradoxically, even as public trust in the political class declines and confidence in democracy's ability to solve social and economic issues continues to fall, citizens still choose to elect their leaders through democratic methods. This heightens the importance of elections being perceived as free and fair, as they remain one of the few remaining foundations supporting the political systems of the countries studied.

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These study results aligned with the recent Latinobarómetro polling, which showed that more than half of Latin Americans supported democracy—the highest level of support in the last fourteen years. At the same time, the data reflected that 65% of the region's citizens are dissatisfied with democratic systems, and 53% consider it acceptable for a non-democratic government to take power if it can solve a country's problems.[1] This demonstrates how thin the line is between democratic resilience and democratic decay.

The 2026 electoral calendar features presidential elections in Brazil, Colombia, and Peru. Data from the November study indicates that the average electoral fairness risk level in these countries (3.38) was higher than it was for those that held elections in 2025 (2.37). Moreover, each country's individual risk level increased over the year, with Peru (3.63), Brazil (3.40), and Colombia (3.10) all falling into the "Warning" level during the November study.

The flashing "Warning" signals heading into the next election stem from a range of factors. Beyond the political risks previously discussed, each country's specific national circumstances are also shaping experts' perceptions. In Colombia, political violence has disrupted the election process, with one of the presidential candidates killed in an attack. In Brazil, former President Bolsonaro's trial has deepened polarization in an already divided society. The situation in Peru was perceived as the most fragile, with the latest study showing a sharp increase in risk surrounding the elections. This became more evident following the recent removal of President Dina Boluarte in October and the swearing-in of José Jerí, the country's eighth president in less than ten years. Despite this political chaos, Peru has managed to preserve a measure of economic stability, largely thanks to a highly competent central bank and continued investment in key sectors. However, this type of paradox—relative economic strength coexisting with deep political fragility—highlights the precarious balance that defines Peru's democracy. A major slip in the perception of electoral fairness next year could unravel this very fragile situation.

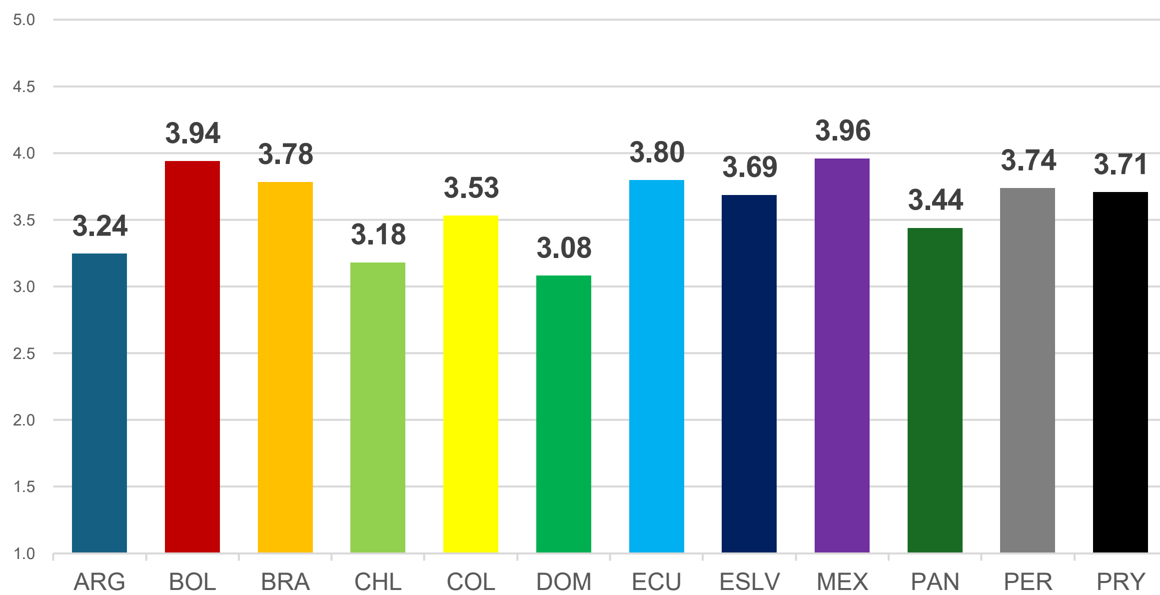
Businesses and investors operating in all three of these countries should closely monitor this issue. This study revealed intensifying political polarization ahead of elections, while trust in democratic institutions continued to erode. In such a sensitive and complex environment, perceptions of electoral fairness could play a decisive role, either helping ease tensions or triggering political turmoil that could lead to broader instability.

Political Risk Country Trends

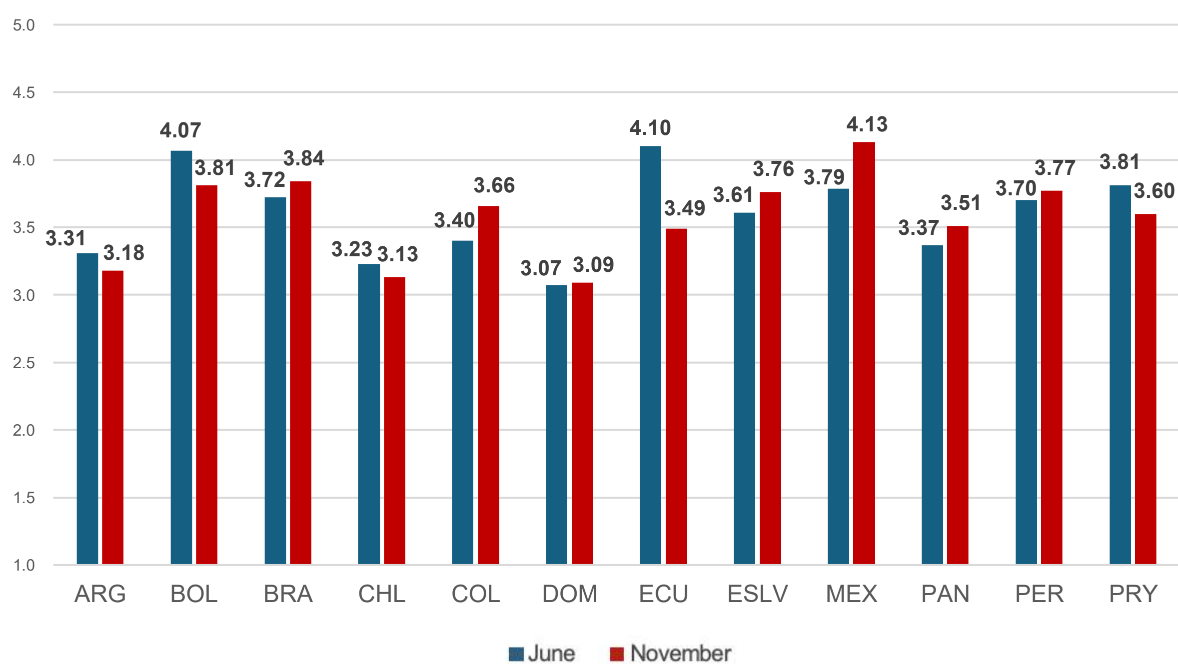
Latin America exhibited significant variations in political risk across countries. Mexico (3.96) and Bolivia (3.94) recorded the highest perceived political risks in 2025. Mexico's risk level experienced an upward trend, reaching the highest political risk among all countries in the November study. In contrast, Bolivia's risk declined, as experts deemed their presidential elections successful and fair, with the results widely accepted. The Dominican Republic and Chile consistently maintained the lowest risk levels throughout 2025, recording the lowest annual political risk scores—3.08 and 3.18, respectively.

Brazil's risk trended negatively, reaching the second-highest score (3.84) in the November study amid the trial of former President Bolsonaro and the increasingly heated rhetoric from potential candidates ahead of next year's presidential election. By contrast, Argentina's political risk in the latest study (3.18) trended slightly positive, as experts were optimistic regarding the legislative elections. Overall, political risks across all countries remained within the "Warning" category, with a regional average of 3.59.

Graph 3. 2025 Average Political Risk Level



Graph 4. 2025 Political Risk Country Trends



ECONOMIC RISK

The Persistence of High Unemployment and Inflation

High unemployment remained one of the most significant risks identified by experts across Latin America. While the specific situation varied by country, the issue continued to represent a major structural challenge for the entire region. Most interviewees emphasized the chronic problem of informal employment, which continues to undermine job quality and social stability. An Argentine journalist identified the issue as a key national concern, adding, “I am very worried about the absence of policies that truly address the pressing problem of the informal economy and unemployment.”

Other interviewees stressed how the prevalence of informal labor deprives workers of fundamental protections, such as social security, healthcare, and access to formal labor rights. That assessment aligns with the recent edition of the Inter-American Development Bank’s Better Jobs Index, which found that nearly 55% of workers in Latin America hold informal jobs without contracts or social security coverage, while 30% do not earn enough to surpass the poverty threshold.[2]

The study’s findings also underscored the fact that the unemployment risk carries far-reaching implications, extending well beyond the economic domain. A pressing concern across Latin America is that the scarcity of job opportunities for young people can serve as a catalyst for rising criminality and social unrest. This is of particular significance because even projections that point to a gradual decline in overall unemployment rates emphasize that youth unemployment has surged to alarming levels, nearly double the rate of adults.[3]

A pressing concern across Latin America is that the scarcity of job opportunities for young people can serve as a catalyst for rising criminality and social unrest.

Experts warned that this often creates a vacuum that organized crime groups exploit by offering illegal income opportunities to the jobless, especially in areas with a weak state presence and limited formal economic options. In such environments, financial desperation can push otherwise law-abiding people toward illicit activities, enabling criminal networks to expand their reach and influence in vulnerable communities. This dynamic contributes to escalating crime rates in regions that already host some of the world’s most violent cities.[4]

Experts are also concerned that elevated levels of unemployment could hinder governments’ capacities to implement critical reforms needed to address the sizable fiscal deficits faced by countries throughout the region. As noted by a business executive in Bolivia, “The fiscal adjustments that need to be made—the reduction of subsidies and the elimination of price controls—will generate unemployment and price increases that could lead to social unrest."

Knowledgeable informants in various countries linked the persistent problem of unemployment to low-quality public education and the lack of a qualified workforce. In Paraguay, although several respondents believe the government is implementing policies favorable to foreign investment, one business executive cautioned, "While foreign investment creates new jobs, it is unlikely to make a significant dent in unemployment. The lack of quality education works against us, especially when jobs demand technical skills." Most experts in El Salvador also shared this concern, believing that the lack of a qualified workforce is a major obstacle to tackling unemployment.

Interviewees identified high inflation as another major concern, with many pointing to potential financial impacts such as higher prices, reduced purchasing power, and a decline in consumer spending. Although Latin America has recently shown a downward trend in overall inflation levels,[5] experts highlighted rising food costs and their possible effects on society as a concern. One Bolivian journalist stated, "Prices of food products have continued to rise, creating real inflation that affects people's daily lives, something the government still refuses to acknowledge."

Even in countries like Argentina, where President Javier Milei was praised by experts for his efforts to revive the economy through strict fiscal discipline and measures to curb inflation, the issue remained a serious concern. Many cautioned that the government's economic adjustments are exacerbating the cost of essential goods. Recent data reinforces these observations, indicating that the consumer price index of food and non-alcoholic beverages increased 35.5% over the previous year, underscoring the growing burden on Argentine households.[6] At the regional level, food inflation is eroding the purchasing power of millions of people,[7] and experts interviewed fear that rather than a temporary rise in prices, this could be a persistent trend that threatens many individuals' economic well-being and deepens inequality.

Most interviewees across the region emphasized that high unemployment and persistent inflation are closely linked economic risks. As a result, this annual study evaluated each risk for each country and analyzed both factors together as economic distress perception indicators. The regional average, when measuring both issues jointly, rose slightly from 3.64 to 3.71 between June and November, placing it firmly within the upper range of the "Warning" category and underscoring the growing seriousness of these challenges. Unemployment risk carried more weight, nearly reaching the "Alert" level with a score of 3.99 in the November study. Although lower than unemployment risk, inflation risk also remained concerning, showing an upward trend, and reaching 3.43 in the November assessment.

Regarding the economic distress indicators, every country fell within the “Warning” category, emphasizing the regional severity. Peru recorded the lowest annual risk levels (3.10), while Bolivia had the highest annual risk (4.38), reflecting the country’s ongoing economic fragility. Examining annual trends, Panama experienced the sharpest increase in risk, rising from 3.43 to 3.97, while Chile showed the steepest risk decline, improving from 3.85 to 3.45.

Slow Near-Term Economic Growth

Knowledgeable informants interviewed reflected consistent opinions across Latin America, anticipating a prolonged period of slow economic growth. This aligns with the 2025 Economic Commission for Latin America and the Caribbean study[8], which estimates that the region's real Gross Domestic Product will grow 2.2% on average in 2025 and 2.3% in 2026. KPMG’s growth estimates reaffirm that projection, with more subdued forecasts of 1.9% for both 2025 and 2026.[9]

Conversely, experts expressed cautious optimism regarding medium- and long-term economic prospects. In most countries, they perceived a higher likelihood of growth in the next two-to-five years and five-to-ten years than in the short term. Results from Bolivia, Chile, and Ecuador showed the sharpest decrease in risk levels over the next two to five years, driven by expectations of more business-friendly policies under new political leadership. Meanwhile, Paraguay (2.26), Argentina (2.27), Chile (2.50), and the Dominican Republic (2.66) reported the lowest risk scores for their two-to-five-year economic growth outlooks during the November study, suggesting expectations of a moderate economic rebound in the medium term.

Many respondents reported the belief that economic resurgence hinges on implementing necessary reforms in a polarized political environment, reducing bureaucratic obstacles, and enhancing legal certainty. Experts in the Dominican Republic were particularly optimistic about their economic outlook, citing the political stability following President Luis Abinader’s reelection last year and a favorable investment climate for businesses. Argentine experts also expressed optimism regarding their economic growth, as they anticipate that President Milei will advance economic reforms and stimulate growth.

Most experts in Paraguay, Panama, and Peru maintained a bullish outlook in the mid- and long-term. Colombian experts were more cautious in the short term but expected an improvement after next year’s presidential elections, as they anticipate a victory for a pro-business candidate. Brazilian experts remained concerned regarding economic growth next year and perceived only a slight improvement in the medium and long terms, as they considered elevated political uncertainty, a large fiscal deficit, and a less supportive global environment.

Interviewees in Mexico and El Salvador were the most skeptical about economic recovery in their countries. Not only were they pessimistic about the near term, but both countries reflected high risk levels during the November study for the two-to-five-year outlook (3.70 for Mexico and 3.60 for El Salvador) and their five-to-ten-year outlook (3.70 for El Salvador and 3.50 for Mexico).

In Mexico, interviewees partly attributed their views to economic mismanagement, persistent security challenges, and weak investment promotion policies. In El Salvador, they cited inadequate infrastructure and low workforce education levels as key issues. However, most experts in both countries identified the erosion of judicial independence as the principal deterrent to attracting large-scale investment and stimulating economic growth, given its impact on legal certainty, contract enforcement, and investor protection.

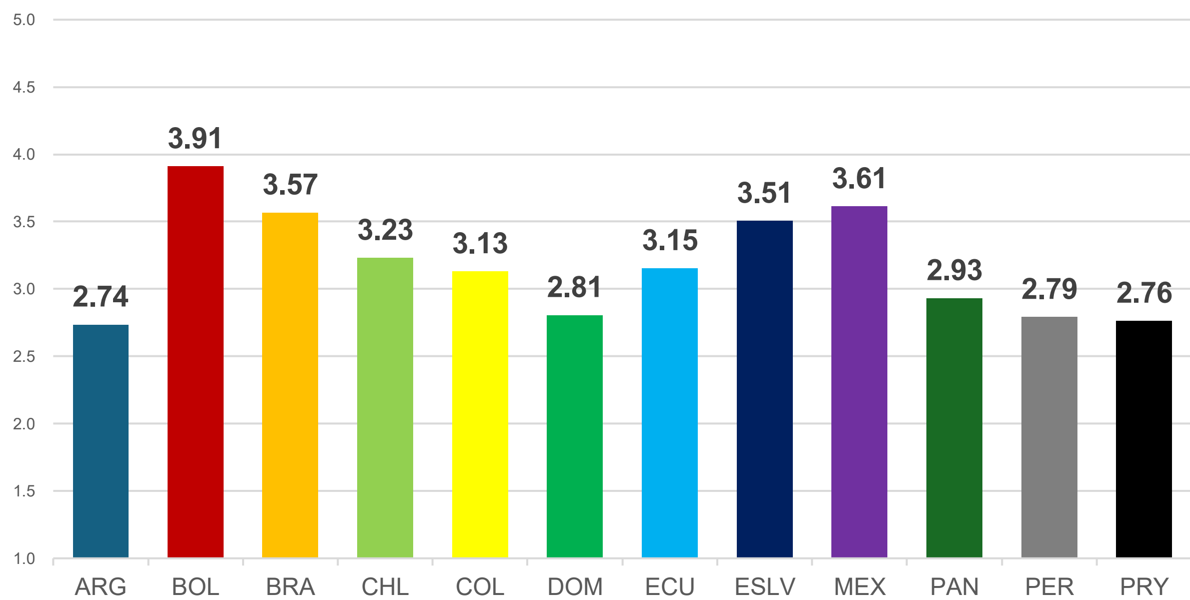
One academic in El Salvador noted, "As the rule of law and public institutions are dismantled, the separation of powers disappears, along with the independence of prosecutors and judges." Experts in Mexico expressed similar concerns, noting that the Sheinbaum administration firmly supports President Lopez Obrador's controversial judicial reform, making Mexico one of the few countries in the world where judges, including Supreme Court justices, are elected by popular vote. A Mexican business executive warned, "The lack of institutional independence erodes the rule of law and discourages investment. Without clear rules and legal guarantees, there is little incentive to invest capital."

Economic Risk Country Trends

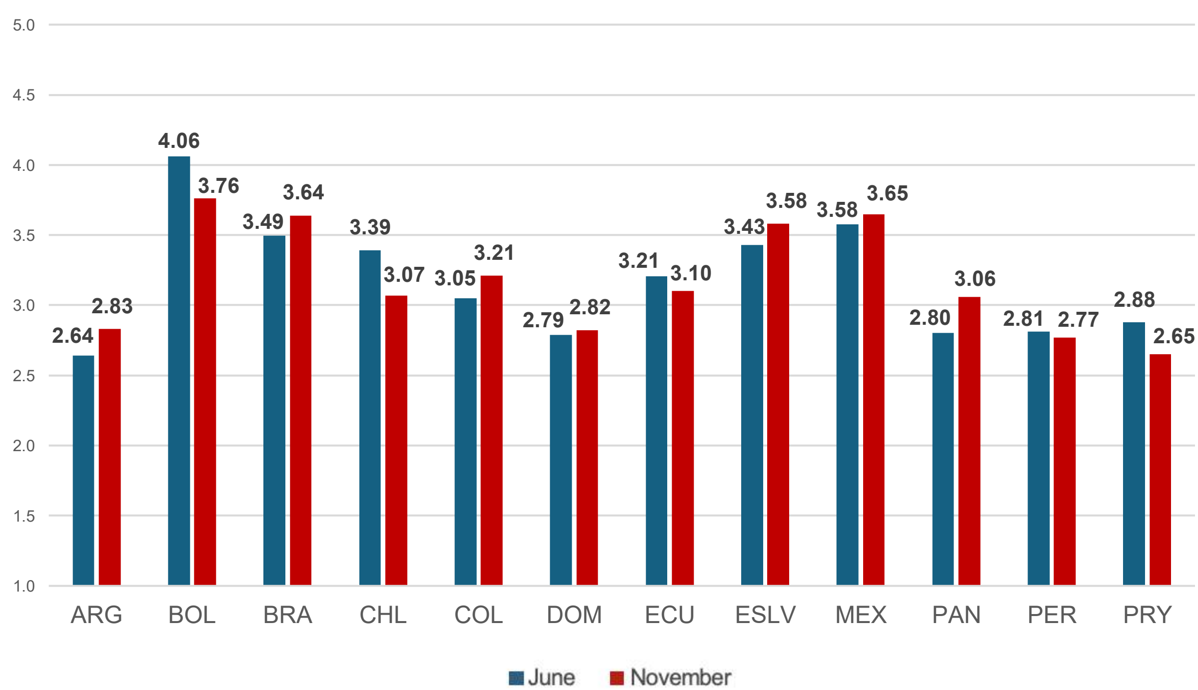
Bolivia had the highest perceived economic risk in 2025 (3.91), followed by Mexico (3.61) and El Salvador (3.51). While the risk trended positively after elections in Bolivia, it remained the highest among all countries in the study. The risk levels in Mexico and El Salvador increased throughout the year. Annual average economic risks for Ecuador (3.15) and Colombia (3.13) remained steady near the regional average, although the latter trended slightly upward and the former downward during the November study. All these countries, however, fell into the "Warning" category.

Argentina (2.74), Paraguay (2.76), Peru (2.79), the Dominican Republic (2.81), and Panama (2.93) had the lowest perceived economic risk levels, maintaining their positions in the "Caution" category in 2025. This economic risk assessment aligns with investment recommendations, highlighting the same five countries as top investment choices. The overall average annual score, when considering responses about economic risks from all experts across all countries, was 3.18.

Graph 5. 2025 Average Economic Risk Level



Graph 6. 2025 Economic Risk Country Trends



SOCIAL RISK

Transnational Organized Crime: The Region's Most Pressing Challenge

The growing influence of transnational organized crime groups continues to be the foremost risk to governance, democratic institutions, and economic growth in Latin America. Ongoing criminal violence, the diversification of illegal markets, and the inability—or, in some cases, the complicity—of government institutions have made organized crime a structural, not just an episodic, part of regional politics. The two 2025 studies revealed that organized crime is no longer limited to drug trafficking. It now includes illegal mining, human trafficking, smuggling, cybercrime, environmental destruction, and financial laundering networks that operate smoothly across borders.

The growing influence of transnational organized crime groups continues to be the foremost risk to governance, democracy, and economic growth in Latin America.

Recent scholarship helps clarify this transformation. Douglas Farah (2024) describes the current period as the Fourth Transnational Criminal Wave—a stage marked by the merging of traditional Latin American cartels with extra-regional actors from China, Russia, Iran, and parts of Europe.[10] These alliances have reshaped the hemisphere's illegal economies by integrating money-laundering networks, port infrastructure, and digital platforms into a global criminal market. This "fourth wave" differs from previous ones because it combines transnational organized crime, political patronage, and hybrid warfare, creating a criminal ecosystem that threatens not only national security, but also international stability. The results from our study support this analysis: experts throughout the region consistently highlighted the infiltration of external actors, the militarization of smuggling routes, and the use of state resources for criminal purposes as new aspects of this threat.

Complementing this regional overview, Eduardo A. Gamarra's 2025 study on Bolivia[11] demonstrates how organized crime has become embedded within state structures, blurring the line between government authority and criminal enterprise. In both cases, the weakness or capture of judicial and security institutions has created narco-sovereignty, allowing criminal networks to operate with political protection and use state resources for illicit gains. Gamarra's analysis shows that these dynamics are not isolated; they echo across the Andes and the Southern Cone, where similar patterns of territorial control, corruption, and institutional decay undermine the rule of law. Expert testimonies from our study corroborated this observation: they consistently referred to "zones of exclusion" where state authority has been effectively ceded to armed groups, particularly in border regions and areas rich in natural resources.

Across Latin America, these developments have created a map of criminal control stretching from the Sinaloa and Jalisco New Generation cartels in Mexico to the Tren de Aragua in the Andes, the Primer Comando da Capital and Comando Vermelho in Brazil, and various regional syndicates across Central America and the Caribbean. Non-regional criminal groups, such as the Italian Ndrangheta and Chinese triads, have also formed operational alliances in logistics, mining, and real estate. This fourth-wave convergence of domestic and foreign criminal actors helps explain why the region's annual risk score for organized crime (4.41) remains firmly within the "Alert" category—and why it stands as the highest risk among all categories in this study.

The root causes of this crisis are clear: limited government presence in peripheral areas, ongoing institutional weakness, corruption, and economic exclusion that leave people vulnerable to recruitment. These conditions have also enabled criminal control over municipal governments, police forces, and customs agencies. As Farah highlights, the outcome is a new "criminal governance system" in which illicit networks perform functions similar to the state—providing jobs, dispute resolution, and even welfare—in areas abandoned by legitimate institutions.

The regional implications are serious. Countries once seen as stable, such as Chile and Ecuador, now face violence challenges just like Brazil, Colombia, Mexico, and Peru. The expansion of cocaine and synthetic drug routes through the Pacific corridor and the Amazon basin has drawn these nations into the center of hemispheric criminal trade. In the November study, experts from Chile and Ecuador reported alarmingly high risk levels (4.80 and 4.77, respectively), comparable to Mexico (4.90), Brazil (4.80), and Colombia (4.80). In each case, risk levels were in the "Alert" category throughout the year. Even El Salvador, often praised for its significant drop in street gang activity, was placed in the "Warning" range (3.50) during the November study due to persistent transnational criminal operations extending beyond domestic gangs. When analyzing annual figures, experts in Brazil (4.80), Chile (4.75), and Mexico (4.75) perceived the highest risk levels, whereas those in El Salvador (3.70) and the Dominican Republic (3.88) reported the lowest.

Organized crime also has severe economic effects. It raises operating costs for businesses, deters foreign investment, and diverts public resources from development to security. Business leaders across the region agreed that insecurity had become one of the main barriers to investment, especially in logistics, agriculture, tourism, and extractive industries. As a Peruvian executive interviewed for this study pointed out, "If clear measures are not implemented to combat organized crime, investments will be scared away, leading to medium- and long-term instability." The connection between criminal economies and legitimate markets shows that solving this issue requires not only policing, but also financial transparency, regional regulatory coordination, and the dismantling of patronage networks that facilitate money laundering and capital flight.

In summary, both this study's empirical findings and recent scholarly literature agree on a stark conclusion: Latin America is facing a new transnational criminal order that operates both within and outside of the state. Overcoming it will require coordinated strategies that combine security reform, economic inclusion, judicial independence, and international cooperation. The Fourth Transnational Criminal Wave, identified by Farah, and the criminality embedded in the state, analyzed by Gamarra, define the scope of this challenge—one that will influence the future of democracy, security, and economic growth in the region for years to come.

Persistent Elevated Levels of Crime

Persistent high levels of violent street crimes, including homicides, assaults, and robberies, further amplify the threat posed by criminal networks to human security, economic activity, and the foundations of democratic governance. Identified in the study as the second-highest social risk, the findings align with World Bank data indicating that Latin America continues to have high homicide rates.[12]

Persistent high levels of violent street crimes also stood out as a significant social risk identified by experts across Latin America.

Experts in Ecuador perceived a worrying annual level of risk related to crime (4.80), the highest among the studied countries. Brazil (4.70), Chile (4.65), and Mexico (4.50) also showed high annual risk levels in this category. The region performed poorly overall, registering a combined annual risk level of 4.07, placing it in the "Alert" category. While more than half of the countries experienced a slight decrease in risk levels in the November study, seven of the twelve countries studied had annual risk levels that clearly fell into the "Alert" category, the highest level. Four other countries ended the year in the upper range of the "Warning" category, highlighting the severity of the issue. These findings are consistent with recent Latinobarómetro data showing increased regional concern about personal safety in public spaces.[13]

El Salvador was the only exception, with respondents not viewing general crime as a major issue. The country stands out as a clear outlier because of its sharp decrease in crime rates. Its average annual country risk score was 2.55, the only one in the "Caution" range. It also continued to decline throughout the year, reaching its lowest risk level (2.30) during the November study. The country's reduction in crime—achieved through its controversial "State of Exception," which grants security forces expanded powers—illustrates both the necessity of effective security measures and the risks posed by enforcement tactics that undermine democratic norms. While violence has declined, experts caution that the prolonged suspension of civil liberties could normalize extrajudicial practices across the region.

Lack of Solutions Undermines Trust in State Authorities

Equally concerning is how the lack of effective government response to organized and widespread criminal activity can undermine trust in state institutions. Expert interviews across the region revealed growing public frustration in the absence of solutions. According to a journalist in Ecuador, "The figures are crystal clear and reflect reality: there have never been as many deaths, kidnappings, and robberies as this year. The authorities lack the necessary experience to combat criminal activity." Experts in other countries, including a Chilean journalist interviewed for this study, perceive the risk "not merely as a criminal issue, but as an imminent threat to the democratic order."

> **"The figures are crystal clear and reflect reality: there have never been as many deaths, kidnappings, and robberies as this year. The authorities lack the necessary experience to combat criminal activity".**
>
> *—An Ecuadoran journalist*

As citizens demand answers, the seriousness of the issue has moved it to the top of the political agenda across the region. From Ecuador to Bolivia and Chile, the influence of organized crime groups and the remarkably high levels of crime were at the forefront during the presidential elections held in 2025. It is also a major concern for voters in the upcoming 2026 elections in Brazil, Colombia, and Peru.

> **The performance of newly elected governments—many of which came to power promising to fight criminal organizations and reduce violence—will serve as a key indicator of how democracy's future in Latin America will unfold.**

Many in the region see partial appeasement or negotiations with criminal organizations, like those in Mexico and Colombia, as failed strategies. Meanwhile, although criticized for restricting civil liberties, the Salvadoran government's anti-crime measures have garnered public approval—both domestically and across Latin America—contrasting sharply with the declining public confidence in security policies elsewhere in the region.

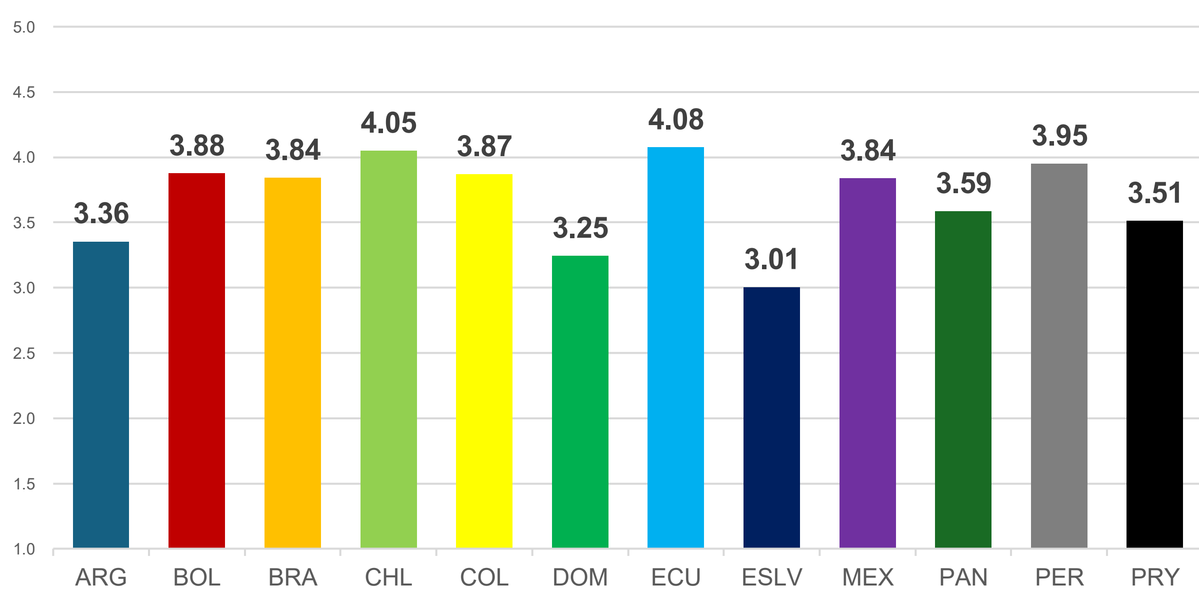
The upcoming elections in several of the region's countries with the highest risk levels in this category, along with the performance of newly elected governments—many of which came to power promising to fight criminal organizations and reduce violence—will serve as key indicators of how democracy's future in Latin America will unfold.

Social Risk Country Trends

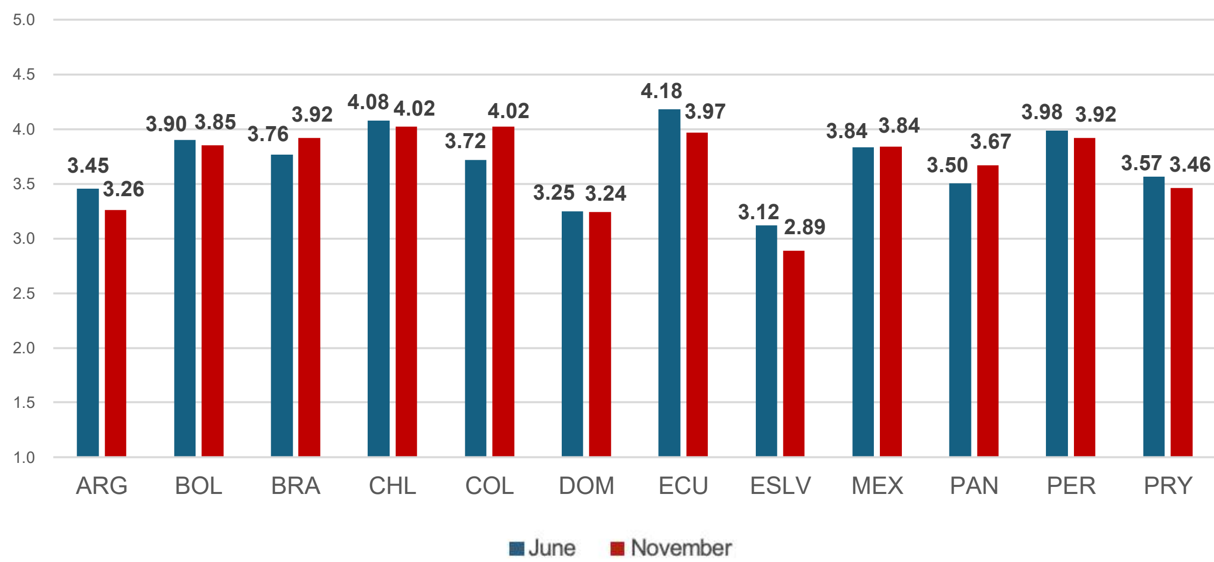
Research findings show that social risks were the highest among all categories, with an annual regional average of 3.69. The high scores in Ecuador (4.08), Chile (4.05), and Peru (3.95) indicated concerning levels of worry among experts, as these values are at or near the most severe "Alert" category. Additionally, Colombia, Panama, and Brazil experienced notable increases in their social risk levels. Colombia's annual average (3.87) was significantly impacted by a rise to the "Alert" category (4.02) in the November study. Brazil likewise demonstrated a concerning upward trend, with its most recent score in November (3.92) nearing the "Alert" threshold. Bolivia's social risk remained consistently high throughout 2025, averaging 3.88 for the year.

El Salvador recorded the lowest annual social risk score of 3.01. The Dominican Republic (3.25) and Argentina (3.36) had the next lowest scores. All three countries showed decreasing risk levels in this category throughout 2025, although only El Salvador managed to drop to the "Caution" category by the end of the year with a score of 2.89 in the November study.

Graph 7. 2025 Average Social Risk Level



Graph 8. 2025 Social Risk Country Trends



INTERNATIONAL RISK

The Delicate Balancing Act: Navigating the U.S.–China Geopolitical Rivalry

Latin America's international risk environment is increasingly influenced by the growing geopolitical competition between the United States and China. Experts across the region consider this geopolitical rivalry as the most significant international risk facing their nations. With both global countries vying for influence in trade, investment, technology, intelligence, and diplomacy, Latin America has become a key arena in the shifting competition among major powers. Governments in the region must carefully balance these interests, which offer both economic opportunities and potential vulnerabilities.

Tensions between the two global powers over their influence in Latin America have steadily increased in recent years. While Latin America was often a relatively low priority in U.S. foreign policy over the past two decades, a more assertive China made significant economic, security, and diplomatic advances, directly challenging U.S. interests in what Washington considers its sphere of influence. China has become the main trading partner for many Latin American countries—including Argentina, Brazil, Chile, and Peru—while also undertaking strategic infrastructure projects and providing substantial loans across the region.

Since returning to the White House, President Donald Trump has indicated a renewed focus on Latin America. Guided by the "America First" doctrine, his administration aims to use U.S. influence to strengthen its regional presence. Recent visits by Secretary of State Marco Rubio highlighted Latin America's strategic importance and the need for cooperation on security, counter-narcotics, immigration, and economic development. However, while priorities differ from country to country, the administration's main regional goal seems to be reducing China's expanding influence in Latin America.

Experts warned that their countries risk being caught in the crossfire, forcing decisions that could trigger backlash from one side or the other. Despite previous discussions of decoupling from China, many Latin American countries continue to engage with both superpowers to boost economic growth. That approach will be tested, as Washington has indicated it will reward governments that align with its priorities and warned those that deviate from U.S. interests, signaling possible consequences.

The announcement of global tariffs increased uncertainty in already-strained Latin American economies. Some Mexican, Brazilian, and Colombian experts expect declines in exports of key sectors such as automotive, steel, and agribusiness. Other interviewees offered a different perspective on tariffs, noting that as the United States intensifies pressure on Asian countries and continues efforts to reduce its economic reliance on China, Latin American nations could become alternative suppliers for critical raw materials and other goods. Respondents saw a broader opportunity for Latin American countries to benefit from shifts in global supply chains. One Dominican business leader said, "If the United States imposes tariffs on direct competitors, it could create investment opportunities in our country."

Geographic proximity, lower transportation costs, competitive production, and improved logistics might not be enough. Strong cooperation with the current U.S. administration could be the key factor, making this shift less about "nearshoring" and more about "friendshoring." Equally important, several domestic issues will be essential for attracting U.S. investments and securing supply chains, including legal certainty for businesses, a skilled workforce, sufficient infrastructure, and improved security measures to reduce the influence of organized crime in ports and logistics hubs across Latin America.

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Often overlooked in the debate over the new U.S.–Latin America policy is China's own response and the pressure it exerts on its Latin American trade partners. Recently, Beijing warned Mexico of economic consequences after the Sheinbaum government announced a plan to increase tariffs on imports of key goods from countries without free trade agreements, including China.[14] Beijing also took action to block the sale of several seaports, including two on the Panama Canal, from Hong Kong-based CK Hutchison to Western investors led by BlackRock, unless China's state-owned shipping firm Cosco was granted an equal stake.[15]

Experts in Panama are acutely aware of the importance of carefully navigating ongoing geopolitical tensions. A Panamanian journalist interviewed for this project mentioned, "The rivalry between China and the United States needs to be carefully managed as it will likely influence Panama's economic growth. Due to our geographic location, the country will always be in the view of global powers." Local experts assigned this issue the highest risk score among all countries (4.91), placing it at the very top of the "Alert" category.

Mexico and Chile, both maintaining strong ties with both powers, scored similarly high (4.0), just within the "Alert" category. Paraguay, on the other hand, had the lowest score (3.28), reflecting its pro-U.S. stance. The country has also distanced itself from China by maintaining full diplomatic relations with Taiwan, making it one of the few nations in the world to do so. This diplomatic stance has led to increased pressure from Beijing on its government to reconsider its position.

While the rivalry between the United States and China clearly highlights the two most important international players for countries in the region, some experts have identified third countries influencing their domestic issues. For example, most respondents in the Dominican Republic indicated that the ongoing crisis in Haiti has directly impacted their security, economy, and local services. Argentine analysts emphasized the importance of stability in Brazil, noting that shifts in the economic conditions of their largest trading partner could have significant repercussions for their country's economy. Colombian experts, meanwhile, warned about the risks posed by Venezuela's political and social instability. These findings highlight the complex interactions among the region's countries, a factor that cannot be overlooked when assessing this risk category.

Worsening Environmental Risk

With water scarcity, air pollution, illegal mining, deforestation, and biodiversity loss being widespread challenges throughout Latin America, experts across the region have expressed growing concern about environmental risks. Bolivia recorded the highest annual risk score (4.57), placing it firmly in the "Alert" category. According to experts, this issue has roots in the country's long-standing extractive-oriented model. As a government representative stated, "Environmental risk has existed since colonial times, with mining causing significant degradation. It remains one of the greatest threats facing our country, yet it is still not a priority on the political agenda."

El Salvador had the second-highest annual score (4.50), highlighting the seriousness of its environmental issues. International evidence supports this view: the International Organization for Migration 2024 report identified the country's environmental degradation as a major cause of internal displacement and increasing food insecurity[16]. In contrast, Argentina scored the lowest annual risk level (2.30), making it the only country in the "Caution" category. All other countries were in the "Warning" range, with the regional average (3.56) well within this category.

As climate change accelerates, these environmental pressures are expected to grow, putting more strain on infrastructure and increasing threats to economic stability. If left unaddressed, these issues could undermine long-term development across Latin America, making environmental resilience a key factor for the region's future stability and growth.

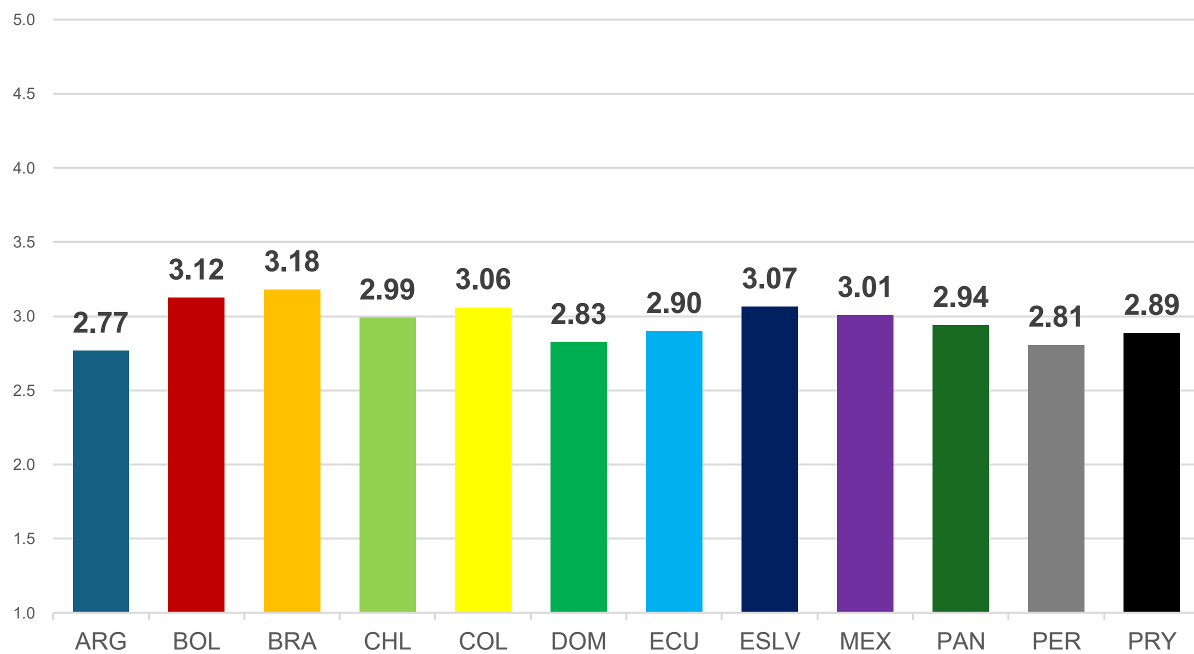
International Risk Country Trends

International risk recorded the lowest score among all categories in 2025, with an overall regional average of 2.96. It was the only category to remain within the "Caution" level. However, the 2025 score was higher than the previous year, edging closer to the "Warning" category for the first time, driven by five countries whose annual scores fell within that range.

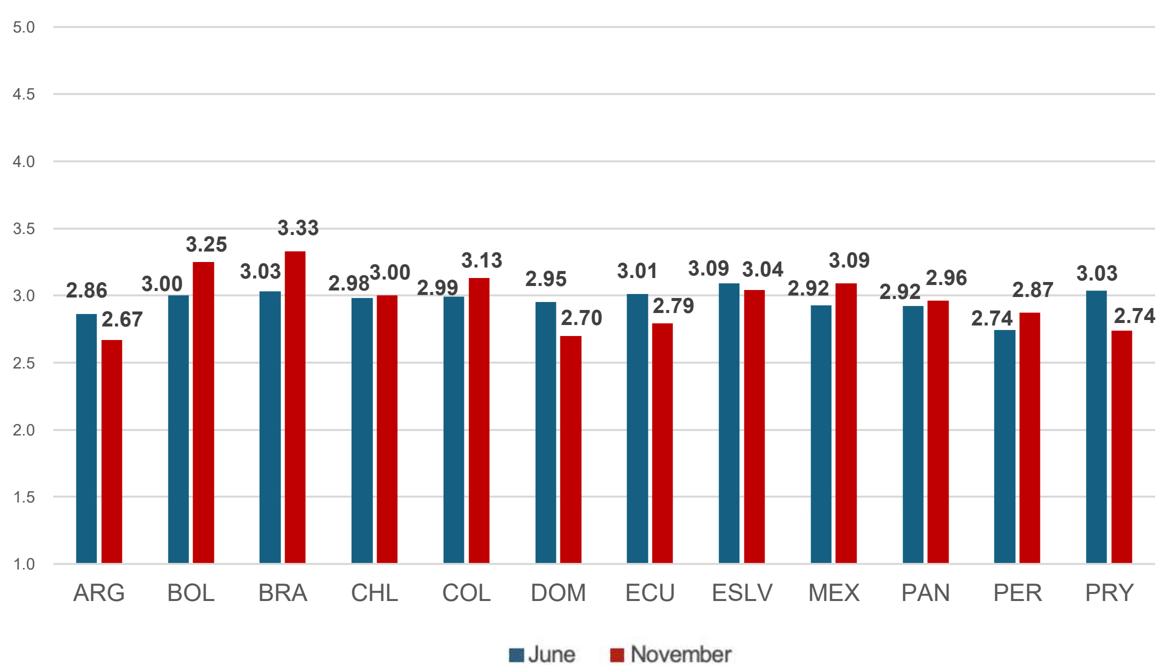
Experts identified the highest annual international risks in Brazil (3.18) and Bolivia (3.12). Both countries worsened in the November study, with scores rising to 3.33 and 3.25, respectively. Colombia and Mexico also experienced a spike in international risks, reaching 3.13 and 3.09, respectively, in the last study. According to experts, the perceived spike was partly linked to potential challenges arising from the geopolitical tensions between the United States and China.

Argentina (2.77), Peru (2.81), and the Dominican Republic (2.83) had the lowest annual risk scores in this category. Peru's risk levels slightly increased from the June to the November study, but Argentina and the Dominican Republic experienced positive trends this year, with significant decreases in their risk levels. Interviewees pointed to their close relations with Washington, with the United States committing funds to back Argentina's local currency and the U.S. Secretary of State publicly touting close cooperation during his visit to the Dominican Republic.

Graph 9. 2025 Average International Risk Level



Graph 10. 2025 International Risk Country Trends

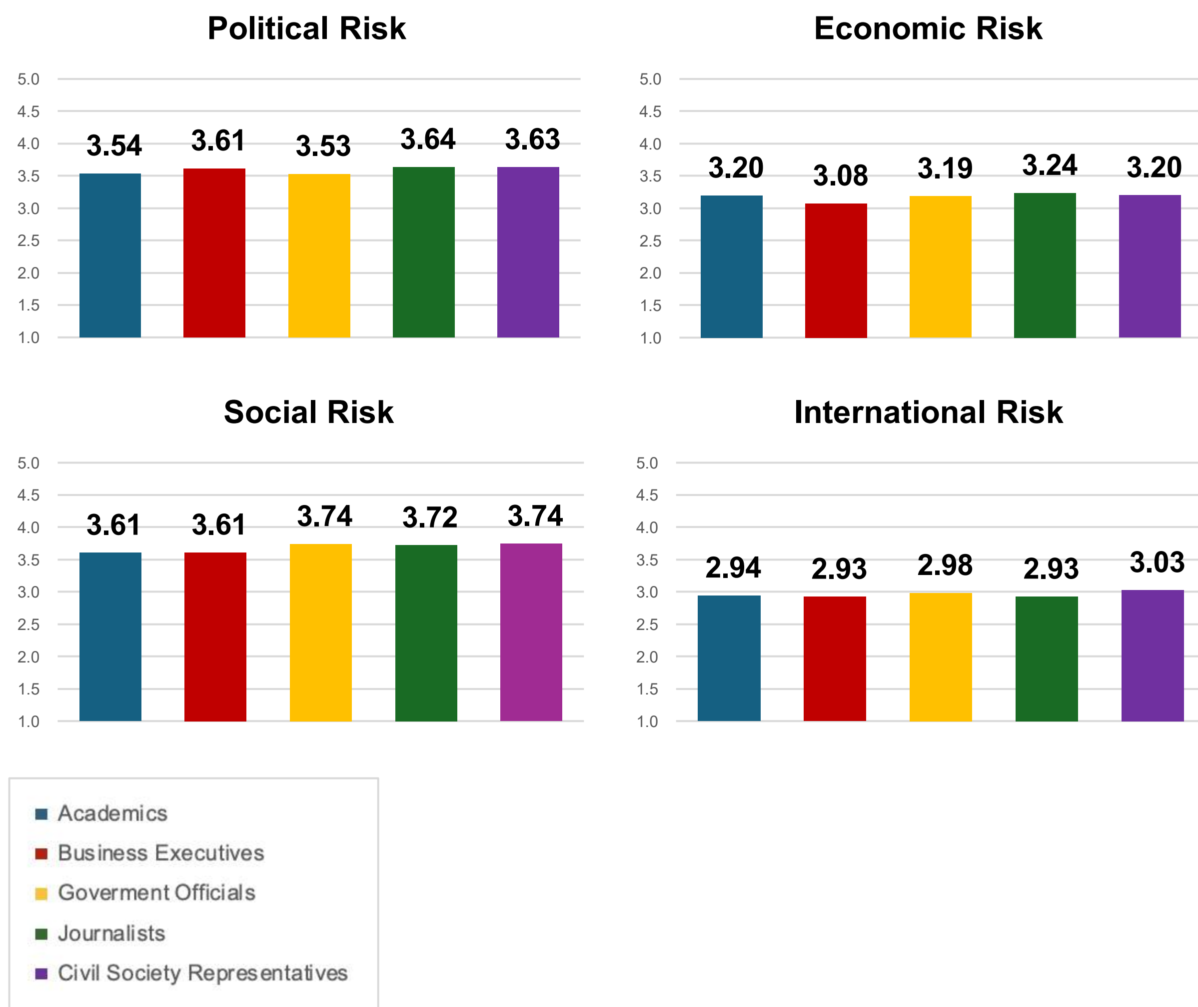


RISK LEVELS PER RISK PER EXPERT GROUP

Different expert groups reported widely varying perceptions across the risk categories. Journalists perceived the highest political risks (3.64), while government officials reported the lowest levels (3.53). Regarding economic risks, journalists reported the highest perceived levels (3.24), while business executives (3.08) perceived the lowest.

All expert groups expressed strong concern about social risks, which registered a collective annual average of 3.68, the highest of any risk category. Representatives from civil society organizations (3.74) and government officials (3.74) reported the highest levels. Both academics and business executives reported the lowest risk levels at 3.61. In contrast, perceptions of international risks were comparatively moderate, with most groups placing them in the more optimistic "Caution" range. Only civil society representatives (3.03) rated international risks within the "Warning" level, while journalists and business executives reported the lowest average (2.93).

Graph 11. Risk Levels by Expert Group



INVESTMENT RECOMMENDATION

Respondents were asked to assess investment risk in their respective countries based on key risk factors and to indicate whether they would recommend investing. Their responses showed notable differences across the region.

During the November study, the most favorable investment recommendations came from experts in the Dominican Republic (76%) and Paraguay (66%). This aligned with their optimism in the June study, when these two countries recorded the second and third-highest approval levels. Experts in Argentina also showed strong confidence, with 63% recommending investment in the November study, a notable increase from the June study. Key factors in these cases include the perception that these nations stand to benefit from global geopolitical shifts, particularly through closer ties with the United States, and the expectation that government policies will continue fostering a favorable investment environment.

In Panama, most experts (56%) continued to recommend investing in the November study. However, the country recorded the steepest decline in investor confidence compared to the June study, when it received the most bullish outlook. Concerns that Panama may struggle to navigate the U.S.–China geopolitical rivalry have dampened investor sentiment, though overall confidence remains optimistic.

Conversely, Chile exhibited a strong improvement: nearly half of Chilean experts (47%) advised investing in the November study, the same share that recommended against it in the June study. The main factor behind this shift appears to be rising expectations that the next administration will adopt a pro-market and business-friendly approach. Peru showed a slight uptick compared to its already bullish outlook in the first study, with more than half of experts (56%) recommending investment by the end of the year. Notably, the country's overall risk assessment (3.32) was almost a full point higher than its investment risk score (2.35). Some experts attributed this confidence to Peru's ability in recent years to maintain economic stability despite ongoing political uncertainty. However, they cautioned that such a scenario could be difficult to sustain over the long term. Only a small number of respondents advised against investing in any of the six countries mentioned.

Colombia also showed a marked gap between its overall country risk (3.40) and its investment risk score (2.65). However, only 39% of Colombian experts recommended investing in the November study, a notable decrease from the June assessment. Rising uncertainty, political violence, and worsening relations with the United States have all weighed on investor sentiment. Still, only about 25% of respondents reported negative recommendations. The remaining 36% remained neutral, holding out hope for a more business-friendly government following next year's elections.

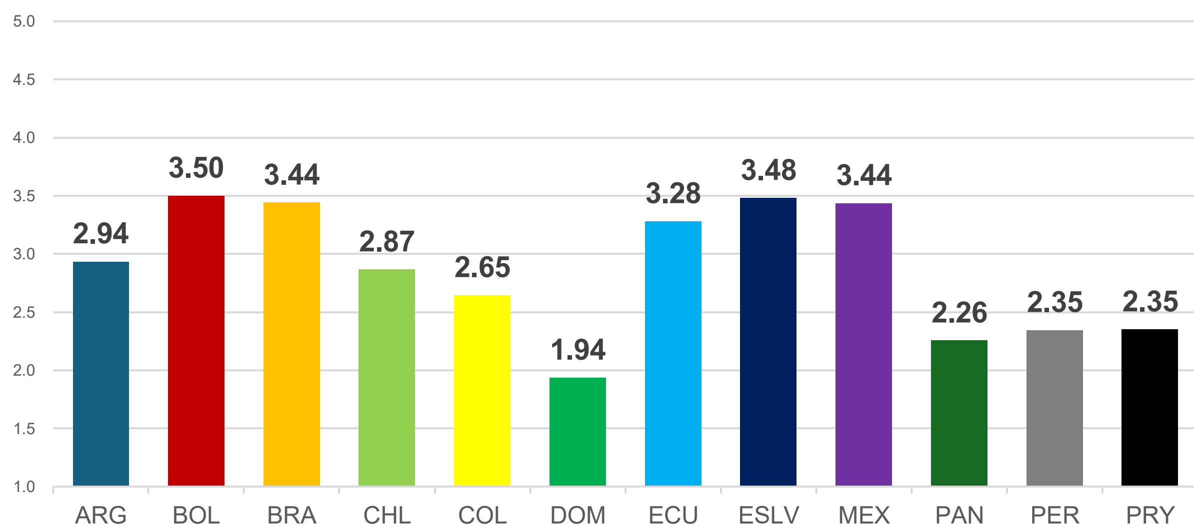
The investment outlook was considerably more pessimistic in Mexico and El Salvador, where more than half of experts (53%) advised against investing in the November study. A lack of legal certainty was a concern in both countries. Mexican experts also cited economic mismanagement and executive overreach as major deterrents, while their counterparts in El Salvador highlighted inadequate infrastructure and a shortage of qualified labor. Experts in Brazil (49%), Bolivia (49%), and Ecuador (47%) also expressed strong reservations, discouraging investment in the November study. In Brazil, respondents cited economic stagnation and uncertainty surrounding next year's presidential election as key concerns. Ecuadorian experts emphasized the need for labor reforms and stronger efforts to curb escalating violence to attract foreign investors. Bolivia showed a modest improvement in the November study following its recent presidential elections, reflecting cautious optimism that the next administration may pursue more investor-friendly policies. In the June study, Bolivia had recorded the highest share of experts advising against investment (66%), compared to less than half in the November assessment.

While each country faces specific challenges influencing experts' investment assessments, several recurring themes emerged across the region. In countries with national elections in 2025, expectations of more pro-business governments tended to drive optimism. While experts expressed concern about the spillover effects of geopolitical tensions—particularly their impact on tariffs and exports—domestic factors such as limited judicial independence, the pervasive influence of organized crime, excessive bureaucracy, inadequate infrastructure, and weak policy incentives remained the most decisive elements shaping perceptions of investment prospects.

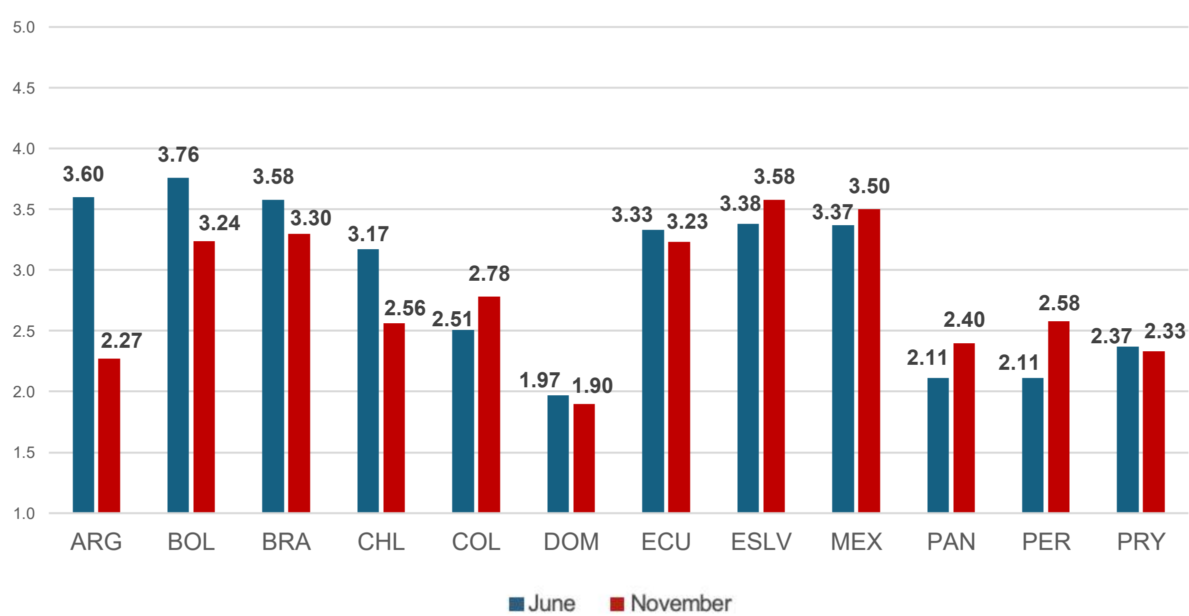
Table 1. 2025 Investment Recommendation

	RISK		INVEST			DO NOT INVEST		
Country	Investment Risk	Country Risk	June	Nov	Trend	June	Nov	Trend
Argentina	2.94	3.03	43%	63%	↑	14%	10%	↓
Bolivia	3.50	3.71	12%	26%	↑	66%	49%	↓
Brazil	3.44	3.59	21%	27%	↑	56%	49%	↓
Chile	2.90	3.36	30%	47%	↑	47%	13%	↓
Colombia	2.65	3.40	54%	39%	↓	23%	25%	↑
Dominican Republic	1.94	3.0	67%	76%	↑	3%	5%	↑
Ecuador	3.28	3.48	20%	33%	↑	47%	47%	—
El Salvador	3.48	3.31	19%	16%	↓	44%	53%	↑
Mexico	3.44	3.60	17%	20%	↑	53%	53%	—
Panama	2.26	3.22	76%	56%	↓	5%	9%	↑
Paraguay	2.35	3.22	60%	66%	↑	13%	13%	—
Peru	2.35	3.32	52%	56%	↑	15%	8%	↓

Graph 12. 2025 Annual Investment Risk Level



Graph 13. 2025 Investment Risk Country Trends



CONCLUSION

The findings of the *2025 Latin America Country Risk Index and Analysis* reveal a region at a critical crossroads, where domestic challenges and emerging global realignments converge to shape a new and uncertain risk landscape. The study emphasizes that Latin America's main challenges—organized crime, loss of trust in the political class, institutional weakness, polarization, and economic fragility—are interconnected phenomena that threaten the region's democratic and economic future. These conclusions summarize these insights and discuss their broader implications.

1. Organized Crime as a Structural and Transnational Risk

Organized crime has evolved beyond its traditional role in drug trafficking to become a complex, transnational issue that profoundly affects the economic, political, and social structures of Latin America. The average risk score of 4.41, the highest among all categories, shows that this threat is now systemic. Criminal groups have successfully expanded into illegal mining, human trafficking, cybercrime, extortion, and environmental offenses, and they have infiltrated the formal economy through money laundering and corruption schemes.

Countries once thought peaceful, like Chile and Ecuador, now experience levels of violence that were previously only seen in other parts of the region. The spread of the Tren de Aragua, Sinaloa Cartel, Jalisco New Generation Cartel, and other cross-border groups illustrate how criminal economies flourish in areas with weak government control. This persistent risk underscores the fact that Latin America's security challenge extends beyond law enforcement—it is mainly about the state's legitimacy and its capacity to provide solutions to societal problems.

For policymakers, this means that fighting organized crime requires a whole-of-society approach: rule-of-law reforms, intelligence sharing, regional cooperation, and strengthening local governance in areas where the state has lost territorial control. For businesses and investors, this risk calls for increased focus on due diligence, compliance, and supply chain integrity, especially in sectors like logistics, construction, and natural resources. For scholars and journalists, it underscores the need to view organized crime not as a criminal pathology but as a political economy of power, one that increasingly shapes the boundaries of governance in Latin America.

2. The Erosion of Trust and the Crisis of Democratic Legitimacy

The Trust-O-Meter's regional average of 4.08—firmly in the "Alert" category—indicates a severe crisis of confidence in political systems. Trust in political parties, legislatures, and executives has dropped to historic lows in nearly every country, reflecting not just temporary disillusionment but a fundamental decline in a sense of representation. The issue is worsened by corruption, judicial co-optation, and patronage networks that erase the line between public office and private gain.

However, the study also reveals a paradox: while citizens increasingly distrust politicians and institutions, they still strongly support the democratic process. High confidence in electoral fairness in Bolivia, Chile, and Ecuador, even amid dissatisfaction, indicates that democracy maintains symbolic legitimacy even as its actual performance declines. This duality highlights a fragile balance—citizens accept democracy as a procedure but question it as a system of results.

For policymakers, this signals an urgent need to rebuild institutional credibility through visible governance outcomes, not just institutional rhetoric. Anti-corruption campaigns, digital transparency initiatives, and public service reforms that meaningfully improve daily life can help close the legitimacy gap. For the private sector, decreasing trust increases reputational and regulatory risks, especially in situations where business elites are linked to political privilege. Academics and journalists can help by monitoring trust metrics over time, aiding in the early detection of democratic decline and institutional capture.

3. Economic Fragility and the Rising Social Pressure Cooker

Economic fragility continues to be a widespread concern in the region, with experts identifying unemployment, informality, and inflation as significant risks. Dependence on commodities, lack of diversification, and fiscal rigidities have limited growth, while social inequality remains among the highest globally. Ongoing inflation in food and essential goods has worsened inequality, reducing purchasing power and increasing discontent even in countries with improving macroeconomic conditions.

A key insight of the study is the interdependence between economic risk and social instability. Unemployment, especially among youth, creates fertile ground for recruitment by criminal organizations, while austerity measures aimed at restoring fiscal balance often lead to social unrest. The high correlation between economic and organized crime risk scores across multiple countries shows a reinforcing cycle: economic exclusion promotes insecurity, and insecurity, in turn, discourages investment and job creation.

Policymakers must balance macroeconomic stability with inclusive growth. Fiscal discipline is necessary, but it is not enough without targeted investments in education, infrastructure, and security. For investors, Latin America presents a paradox: the medium-term outlook seems optimistic in countries like Argentina, Chile, the Dominican Republic, Panama, Paraguay, and Peru, but short-term volatility remains a concern. Understanding this context, short-term turbulence and long-term potential will be key to managing exposure. For academics and international organizations, the findings reinforce the importance of studying the political economy of inequality as a central driver of regional risk.

4. Polarization and the Governance Deficit

Political polarization, measured consistently across countries as a risk in the "Warning" category, has become the defining feature of Latin American politics. What started as ideological competition has transformed into an identity-based split, often fueled by social media disinformation and populist rhetoric. The result is the fragmentation of political discourse and governance paralysis. Legislative-executive conflicts, seen in Argentina, Brazil, and Colombia, demonstrate how polarization hinders policy continuity, discourages compromise, and further erodes trust.

The danger is that polarization, when left unchecked, produces a self-reinforcing spiral: it weakens institutions, encourages executive overreach, and radicalizes opposition movements. Over time, this erodes the policy stability essential for investment and reform. For governments, the challenge is to design institutional mechanisms—national dialogues, electoral reforms, cross-party committees—that can rebuild consensus around fundamental policy priorities. For businesses, polarization increases regulatory unpredictability and complicates long-term planning, as policies swing sharply between administrations. For scholars and the media, the imperative is to analyze polarization as both a symptom and a driver of democratic erosion, as well as to promote deliberative spaces that resist binary discourse.

5. Geopolitical Realignment and Strategic Opportunity

The study shows that international risk remains the lowest category (2.96), but it is gradually rising, signaling the region's increasing exposure to great-power competition. The growing U.S.–China rivalry has turned Latin America into a contested geopolitical corridor. For some, this represents a danger, and for others, an opportunity. Countries with policies that create a favorable investment climate, such as Argentina, Chile, the Dominican Republic, and Paraguay, are well-positioned to benefit from "friendshoring" and supply chain diversification. On the other hand, countries with a weak rule of law or high levels of insecurity risk being cut off from new investment flows.

At the same time, the study highlights the region's environmental and climate vulnerabilities, such as illegal mining, deforestation, and water scarcity. These intersect with both social and international risks, not only threatening ecosystems, but also exacerbating migration, conflict, and public health crises. Policymakers should thus view climate governance as part of a national security strategy. For investors, climate risk and geopolitical alignment must now be treated as core parameters of country risk analysis, not peripheral concerns. Academics and journalists can contribute by mapping how external rivalries and environmental pressures converge to reshape Latin America's geopolitical position in the global order.

6. Strategic Implications for Stakeholders

Taken together, the findings of the *2025 Latin America Country Risk Index and Analysis* indicate that the region is at a crossroads between reform and regression. For governments, the key lesson is that state legitimacy will rely less on electoral wins and more on the ability to provide public goods—such as security, jobs, and justice. For business leaders, resilience will depend on implementing a comprehensive risk management strategy that includes political analysis, economic assessment, and community engagement. For international partners and development agencies, the data offers a clear path for prioritizing technical assistance where it can create the most structural impact, strengthening the rule of law, supporting anti-corruption reforms, and promoting institutional integrity.

For academics and journalists, the Index represents a baseline for longitudinal research on governance trends, allowing for the systematic observation of how trust, legitimacy, and risk evolve over time. It encourages interdisciplinary dialogue, bridging political science, economics, and security studies to help foster an understanding of risk as a multidimensional construct shaping Latin America's democratic future.

Ultimately, the 2025 study delivers a clear message: Latin America's future depends on its ability to rebuild institutional trust, limit the influence of organized crime, and seize emerging geopolitical opportunities without compromising democratic values. The balance of trust, security, and economic health will decide whether the region enters a new cycle of stability and growth or falls further into fragmentation and uncertainty. For policymakers, investors, and analysts alike, this study is more than just a diagnostic tool; it is a strategic guide that helps anticipate risks, spot opportunities, and craft forward-looking strategies based on evidence rather than optimism.

METHODOLOGICAL ANNEX

This study used the Delphi method to gather insights and opinions from a panel of experts across various sectors, including academia, business, civil society, government, and journalism. It adopted a mixed methods approach, combining both quantitative and qualitative techniques to evaluate each country's political, economic, and social risks. Participants were intentionally chosen for their extensive knowledge of these topics.

The survey questionnaire consisted of 33 standardized questions, categorized as follows: 10 on political risk, 10 on economic risk, seven on social risk, five on international risk, and one asking for an investment recommendation. These questions were consistently administered across all 12 countries to support comparative analysis. Respondents used a five-point Likert scale, with lower numbers indicating lower perceived risk levels and higher numbers indicating higher perceived risk. These responses allowed the research team to determine whether answers varied among subgroups within the same country and between subgroups or groups from different countries.

Responses were analyzed to determine the average risk level by category and type of actor. These average scores were then used to develop a Perceived Risk Scale, which displays the perceived risk levels in Table A1. The higher the number, the greater the risk.

Table A1. Risk Levels

RISK LEVELS[17]		
Sustainable	**1.0-1.99**	
Caution	**2.0-2.99**	
Warning	**3.0-3.99**	
Alert	**4.0-5.0**	

Alongside the survey, the research team conducted semi-structured interviews with experts from each sector to gather qualitative data related to the research topics. During this phase, country-specific questions not included in the standardized survey were added. The interviews provided respondents with the opportunity to offer more nuanced insights, contributing to a deeper understanding of each country’s unique political, economic, and social issues.

Semi-structured, qualitative interviews with experts provided detailed data on the issues studied. This approach yields comprehensive findings by encouraging informal discussions with participants. The diversity of experts offered a wide range of perspectives, allowing the research team to compare different responses to the same questions and identify points of consensus or disagreement on specific topics related to risks in their respective countries. It also facilitated cross-country comparisons to highlight regional trends.

The study surveyed 765 respondents from diverse sectors across Latin America in 2025. Among the participants, 165 were business executives, 152 were academics, 150 were representatives from civil society organizations, 149 were government officials, and 149 were journalists. In addition, the study conducted 360 in-depth interviews with experts—72 from each of the five groups—to provide qualitative insights and complement the quantitative findings.

Participants were informed that all responses would be kept confidential and that their contributions should reflect their personal opinions rather than those of their affiliated organizations during the study. The survey questionnaire was only administered after obtaining the respondents' consent. All data collected, whether through surveys or interviews, was handled with strict anonymity and confidentiality.

Interviews were documented through detailed note-taking, and when permitted, they were also recorded and transcribed. All identities and responses were anonymized to protect respondent privacy and ensure data integrity. This method enabled key informants, many of whom held or still hold influential positions in their fields, to share their insights about the research topics openly.

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[17] This study defines the risk levels as follows: Sustainable—does not present a current problem; Caution—issues with the potential to escalate; Warning—likely chance of imminent consequences; and Alert—critical situation with potential for adverse events.