



International Strategic Analysis
Understanding Tomorrow's World, Today

ISA Region Report

South America

October 2024



International Strategic Analysis
Understanding Tomorrow's World, Today

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Current Events and Recent Changes Overview

South America: Recent Political Events and Changes

Key Political Events and Changes:

- The Venezuelan government continued its crackdown on that country's political opposition, arresting hundreds of opposition leaders and supporters. President Nicolas Maduro has managed to hold on to power, despite widespread evidence that he was soundly defeated in Venezuela's recent presidential election.
- Venezuela's opposition presidential candidate, Edmundo Gonzalez, claimed that he was forced to recognize President Nicolas Maduro's "victory" in his country's recent presidential election. He was coerced while he was in hiding in the Spanish embassy in Caracas, shortly before he fled to Spain.
- Tensions between President Luis Arce and his predecessor, Evo Morales, raised political tensions in Bolivia to dangerous levels.
- Peru's former President Alberto Fujimori died at the age of 86. He ruled Peru from 1990 until 2000, when he was forced to flee the country after a bribery scandal. He lived five years in Japan (his parents' home country) before returning to South America, where he was arrested. He spent much of the next 15 years in and out of prison, but he continued to exert a good deal of influence in Peru.
- A judge in Brazil imposed a ban on the X social media platform in that country .



South America: Recent Economic Events and Changes

Key Economic Events and Changes:

- For the fifth consecutive quarter, the Argentine economy contracted. In the second quarter of 2024, Argentina's economy shrank by 1.7% on a year-on-year basis, a worse result than had been expected. While the agricultural sector recorded very strong growth in the second quarter, the manufacturing, construction and trading sectors all declined markedly.
- Argentine President Javier Milei insisted that he would he would eliminate his country's budget deficit by next year. He warned Argentina's parliament that he would veto any law that threatened this goal as public anger mounted. So far, President Milei's austerity measures have reduced Argentina's budget deficit, but have also led to a sharp economic slowdown in that country.

- Economic growth In Brazil continued to accelerate, rising to 3.3% on a year-on-year basis in the second quarter of this year. Much of this growth was generated by Brazil's main service sectors, while the industrial sector also recorded solid growth. On the other hand, Brazil's agricultural sector contracted in the second quarter of 2024 as the price for many key commodities declined.
- The Peruvian economy staged a recovery in the second quarter of this year, with the economy expanding by 3.6% on a year-on-year basis. This was the fastest rate of economic growth in Peru since late 2022. While exports declined in the second quarter, domestic demand bounced back. Many sectors of Peru's economy have been disrupted by the country's recent political unrest.



South America: Other Recent Events and Changes

Other Key Events and Changes:

- A long-lasting drought led to many rivers in the Amazon Basin falling to record-low levels in recent months.
- Ecuador experienced worsening power shortages as a result of an ongoing drought in that country.
- Venezuela experienced nationwide power outages, adding to the woes facing that country. All 24 states in Venezuela were without power for an extended period of time. Venezuela's power infrastructure has suffered from a lack of investment in recent decades. Venezuelan President Nicolas Maduro, who is facing calls for his resignation, blamed these outages on sabotage by the political opposition.



Regional Political Outlook

South America: Political Orientation Map

Red = Far Left
Orange = Center Left
Gray = Center
Light Blue = Center Right
Dark Blue = Far Right



Political control of South America's leading countries tends to shift in waves. In recent years, the left's domination of the region's governments has been weakened.



Venezuela: Most Recent Elections

Presidential Election – July 2024

Summary of the Last Elections:

There were fears that July 2024's presidential election would lead to an outbreak of severe violence and unrest in Venezuela

- President Nicolas Maduro warned that there would be a "bloodbath" in his country should he lose the election.
- Opinion polls showed that opposition candidate Edmundo Gonzalez would easily win a fair election.

In July 2024's presidential election, President Maduro was declared the winner, despite widespread evidence that opposition candidate Edmundo Gonzalez had won the election by a wide margin.

- The official results claimed that President Maduro had defeated Mr. Gonzales by a margin of 53.7% to 46.3%.
- However, the opposition claimed that Mr. Gonzales won more than 70% of the vote.

Following the announcement of the presidential election results, there were major protests across Venezuela by supporters of the political opposition.

- In response, the government deployed the military and other security forces in a bid to quell these protests.
- Most other Latin American countries were highly critical of these elections.



Argentina: Most Recent Elections

Presidential Election – October and November 2023

Summary of the Last Elections:

2023's presidential election in Argentina resulted in a sea-change in the country's politics.

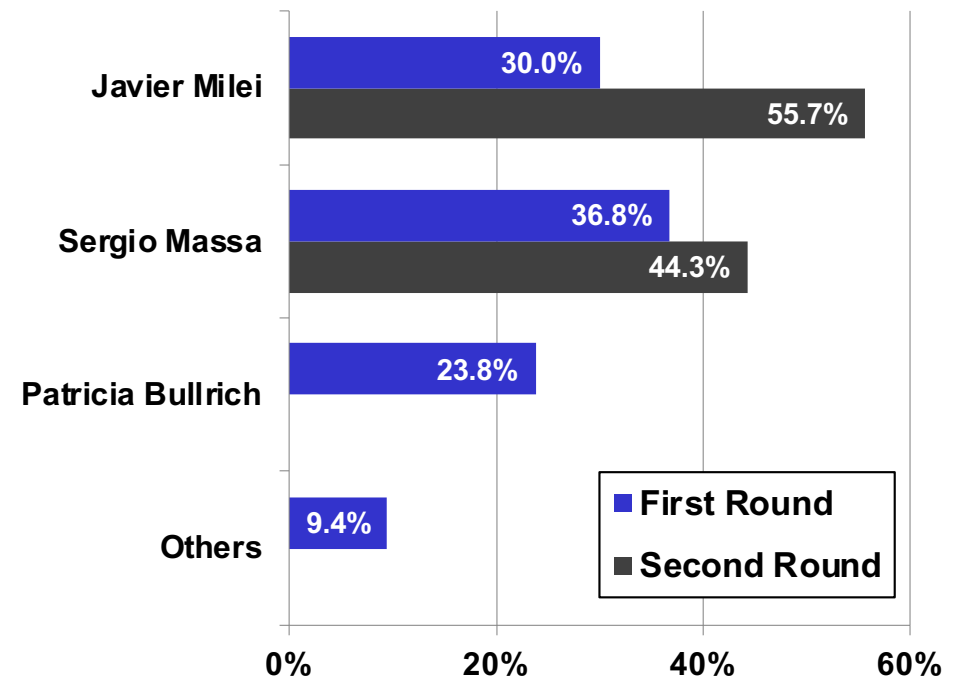
- This was due to the fact that the right-wing libertarian Javier Milei emerged as the winner of this election.
- During the election campaign, Milei vowed to blow up Argentina's central bank, drop the peso in favor of the US dollar and reduce Argentina's economic and political ties with China and Brazil.

2023's presidential election proved to be a hard-fought battle.

- In the first round of voting, Economic Minister Sergio Massa scored a surprise victory when he won nearly 37% of the vote.
- However, most of the supporters of the third-placed finisher, Patricia Bullrich, opted to back Javier Milei in the second round of voting.
- This allowed Milei to defeat Massa by a margin of 55.7% to 44.3% in the second round of voting, a larger margin of victory than had been expected.

Results:

Popular Vote Results



Source: National election authority

Ecuador: Most Recent Elections

Presidential Election – August and October 2023

Summary of the Last Elections:

Amid widespread violence, Ecuador's presidential and parliamentary elections went ahead as scheduled in August 2023.

- The top two finishers in the first round of voting in the country's presidential election were the leftist Luisa Gonzalez (a close ally of former President Rafael Correa) and the prominent businessman Daniel Noboa.

Fernando Villavicencio, a leading candidate in Ecuador's presidential election, was assassinated while he was campaigning in the city of Quito shortly before the first round of voting.

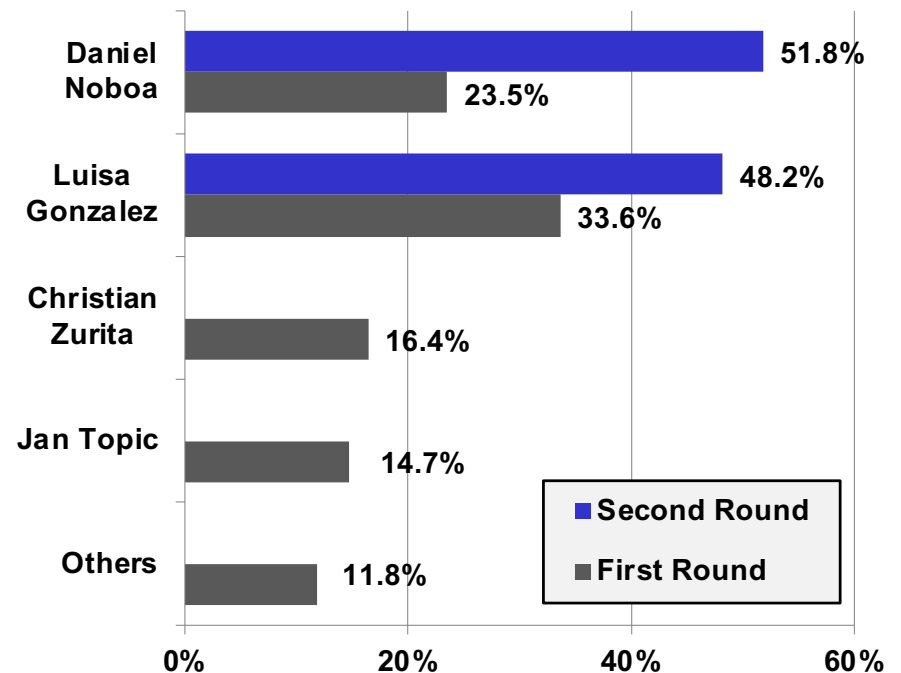
- Mr. Villavicencio was best-known as a journalist and a leading voice against corruption in Ecuador.
- Afterwards, six suspects from Colombia were arrested in connection with his murder.

In the second round of voting in Ecuador's presidential election in October 2023, the 35-year-old businessman Daniel Noboa won a narrow victory.

- The conservative Mr. Noboa won 51.8% of the vote, while his left-wing rival, Luisa Gonzalez, won 48.2% of the vote.

Results:

Percentage of Popular Vote



Source: National election authority

Paraguay: Most Recent Elections

Presidential Elections – April 2023

Summary:

Santiago Pena, the candidate of the long-dominant conservative Colorado Party, won a clear victory in April 2023's presidential election.

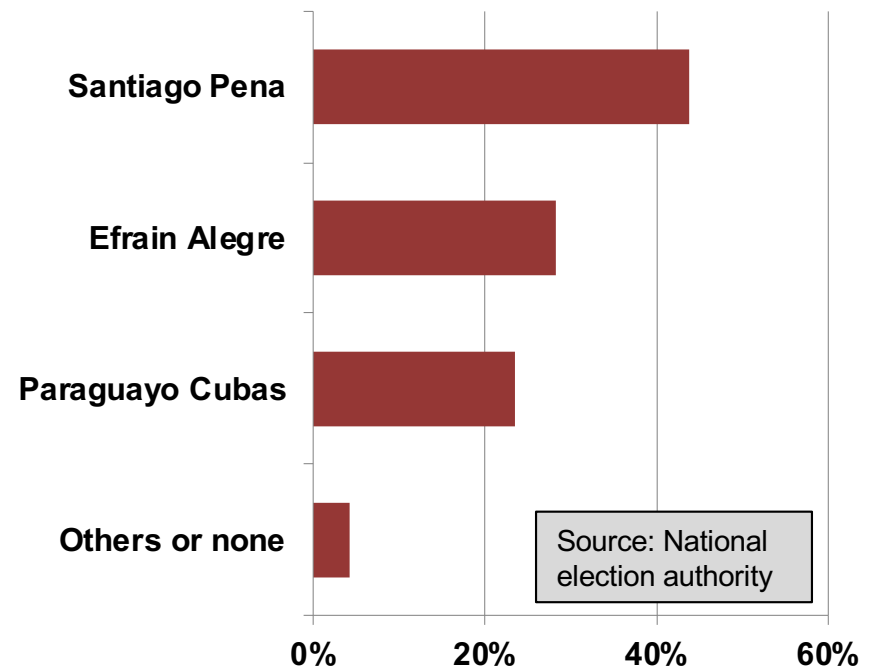
- Mr. Pena won 43.9% of the vote, a better result than had been expected for the candidate of the ruling party.
- This was well ahead of the second-place finisher, Efrain Alegre, who won just 28.3% of the vote.
- Meanwhile, the populist Paraguayo Cubas finished in third place with 23.6% of the vote.

The Colorado Party also scored a series of victories in the parliamentary and regional elections that took place at the same time as the presidential election.

- The Colorado Party won 49 of the 79 seats in the Chamber of Deputies and 23 of the 45 seats in the Senate.

Presidential Election Results:

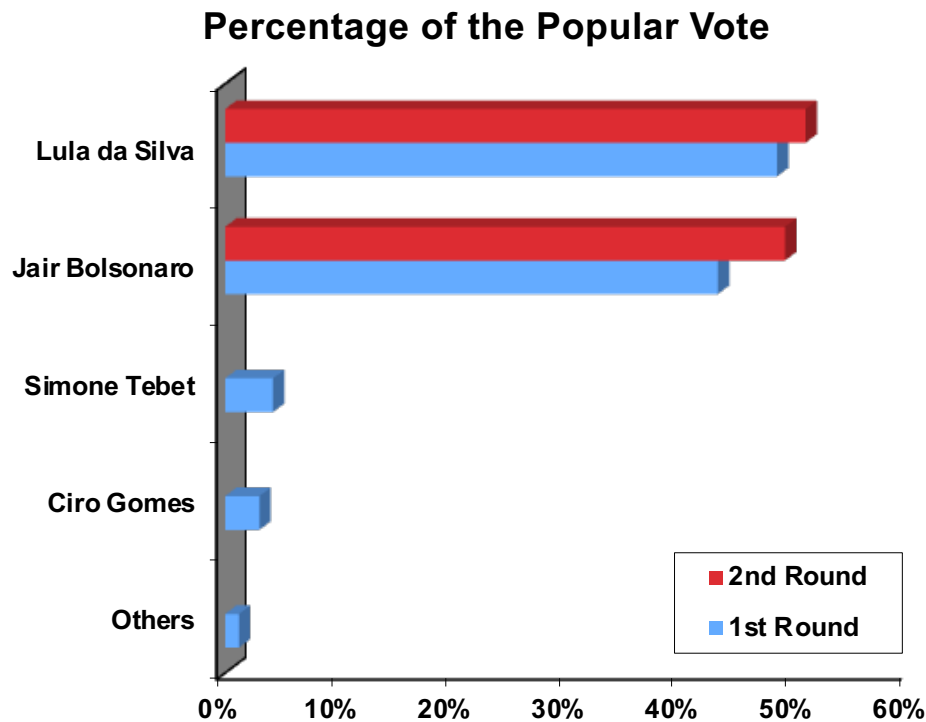
Percentage of the Popular Vote



Brazil: Most Recent Elections

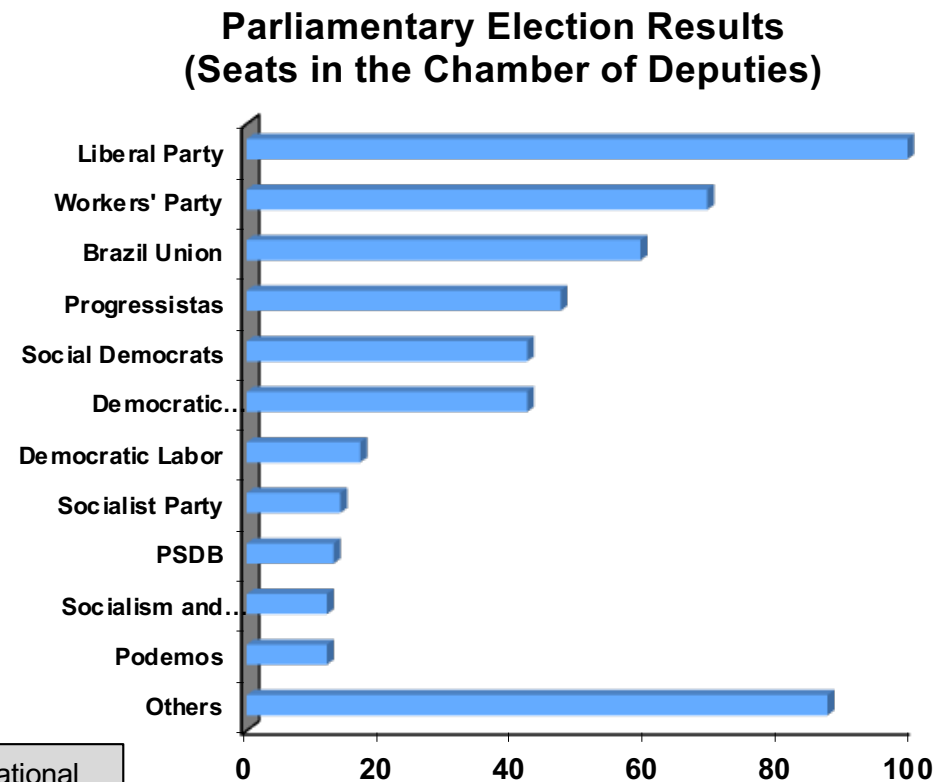
Presidential and Congressional Elections – October 2022

Presidential Election Results:



Source: National
election authority

Parliamentary Election Results:



Former President Luiz Inacio Lula da Silva won a closer-than-expected victory of President Jair Bolsonaro in 2022's presidential election. However, parties leaning to the political right performed well in the parliamentary elections that took place at the same time.

Colombia: Most Recent Elections

Presidential Election – May and June 2022

Summary of the Last Elections:

2022's presidential election was marked by the return of the political left in Colombia amid a series of crises that had hit the country in the years before the election.

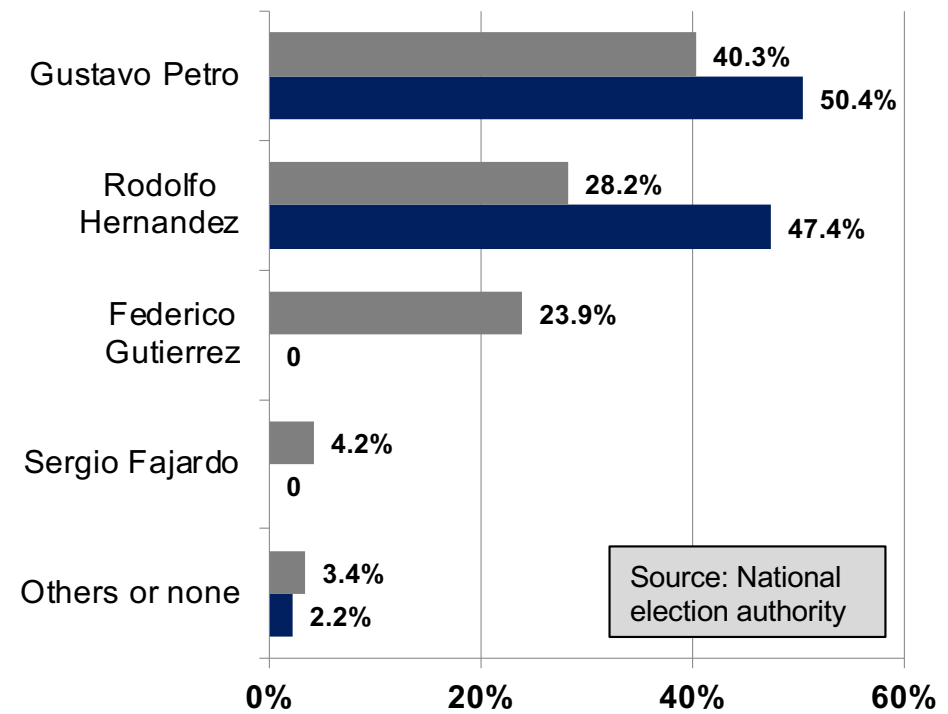
- Colombia had suffered some of the worst impacts of the Covid-19 pandemic.
- This had raised public anger in Colombia and turned much of the country against the political establish, something that allowed anti-establish candidates to dominate 2022's election.

In a close fought election, the former left-wing mayor of Bogota, Gustavo Petro, won the presidency, becoming the first left-wing candidate to win a presidential election in modern-day Colombia.

- Mr. Petro won the first round of voting by a relatively wide margin, even as his share of the vote fell short of what pre-election polls had predicted.
- In the second round of voting, Mr. Petro defeated the conservative populist Rodolfo Hernandez in a tightly-contested race, winning by a margin of 50.4% to 47.4%.

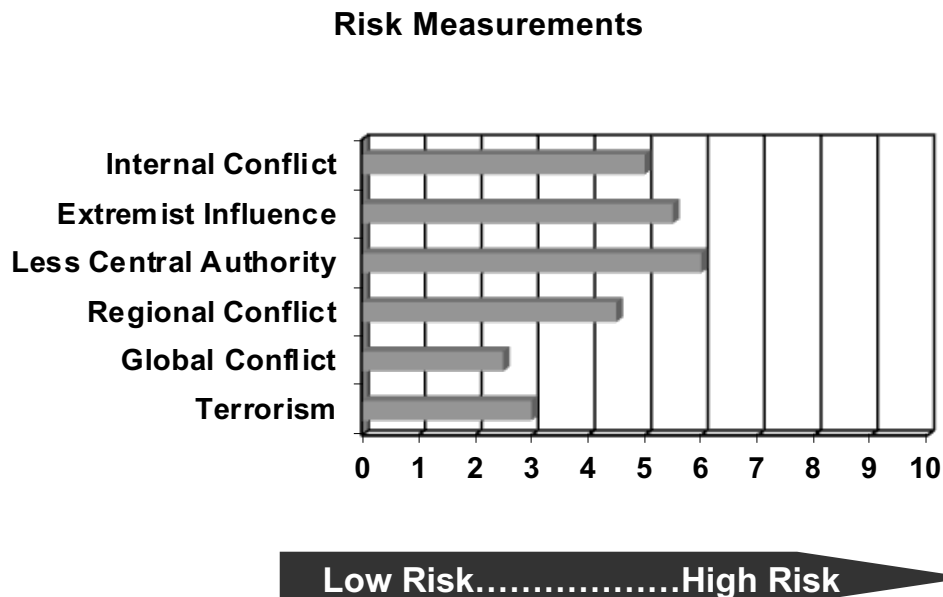
Results:

Percentage of the Popular Vote



South America: Political Risk Outlook

Current Political Risk Ratings:



• ISA Risk Ratings

- 0.0 to 1.9 = Low Risk
- 2.0 to 3.9 = Low to Moderate Risk
- 4.0 to 5.9 = Moderate Risk
- 6.0 to 7.9 = Moderate to High Risk
- 8.0 to 10 = High Risk

Political Risk Outlook:

- Political risk levels across much of South America remain relatively low, but have grown in a number of countries over the past year.
- South America is largely immune from most of the global disputes, thus most of the current political risk comes from internal unrest.
- Northwestern South America has the highest rates of political risk, with Venezuela and Colombia having some of the world's highest political risk levels.

Regional Economic Outlook

South American Economic Overview

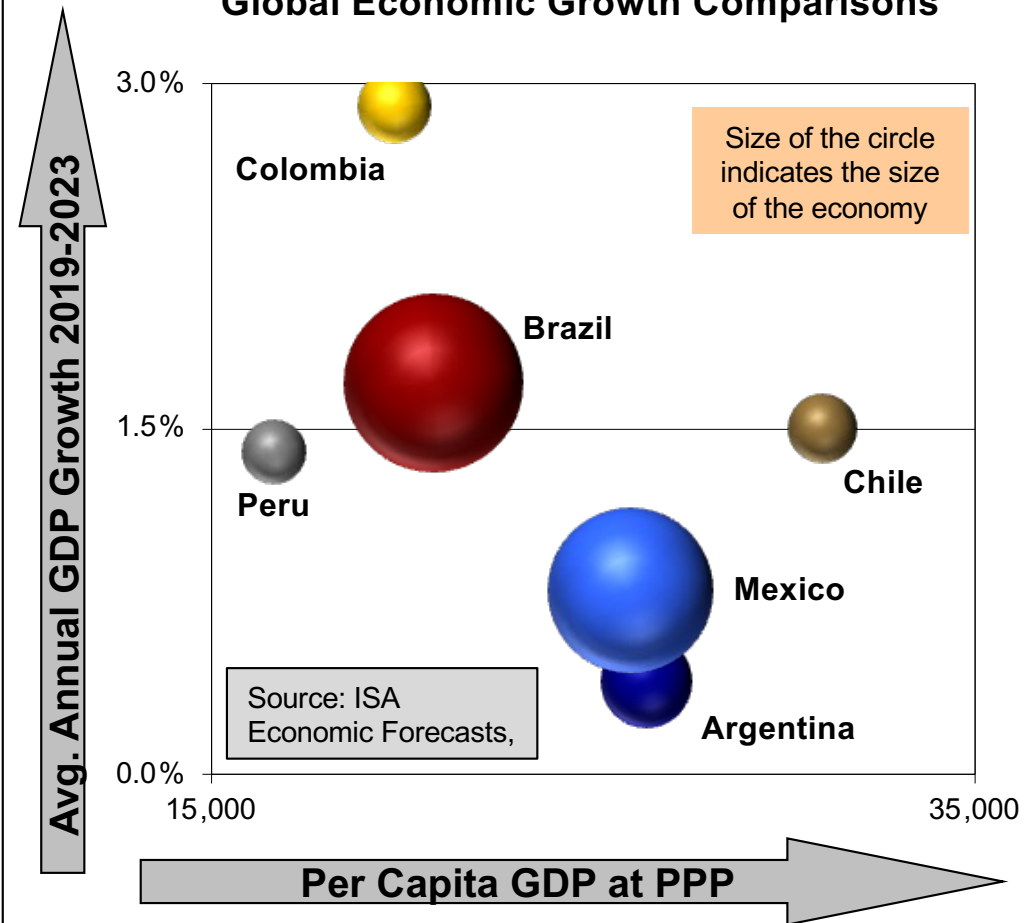
South America's economic performance has been highly uneven in recent years.

- The region's largest economy, Brazil, has seen a number of ups and downs in recent years.
- Hyperinflation has severely damaged the important Argentine and Venezuelan economies.
- Natural resource exporters such as Peru and Chile have outperformed most other countries in the region thanks to soaring export demand in Asia.

Economic diversification and improved export competitiveness are the keys to South America's economic future.

- Brazil's expanding oil and gas industry will help boost growth in the region's largest economy.
- However, the region's manufacturing sector must expand and modernize in order for the region to attain more sustainable long-term growth.

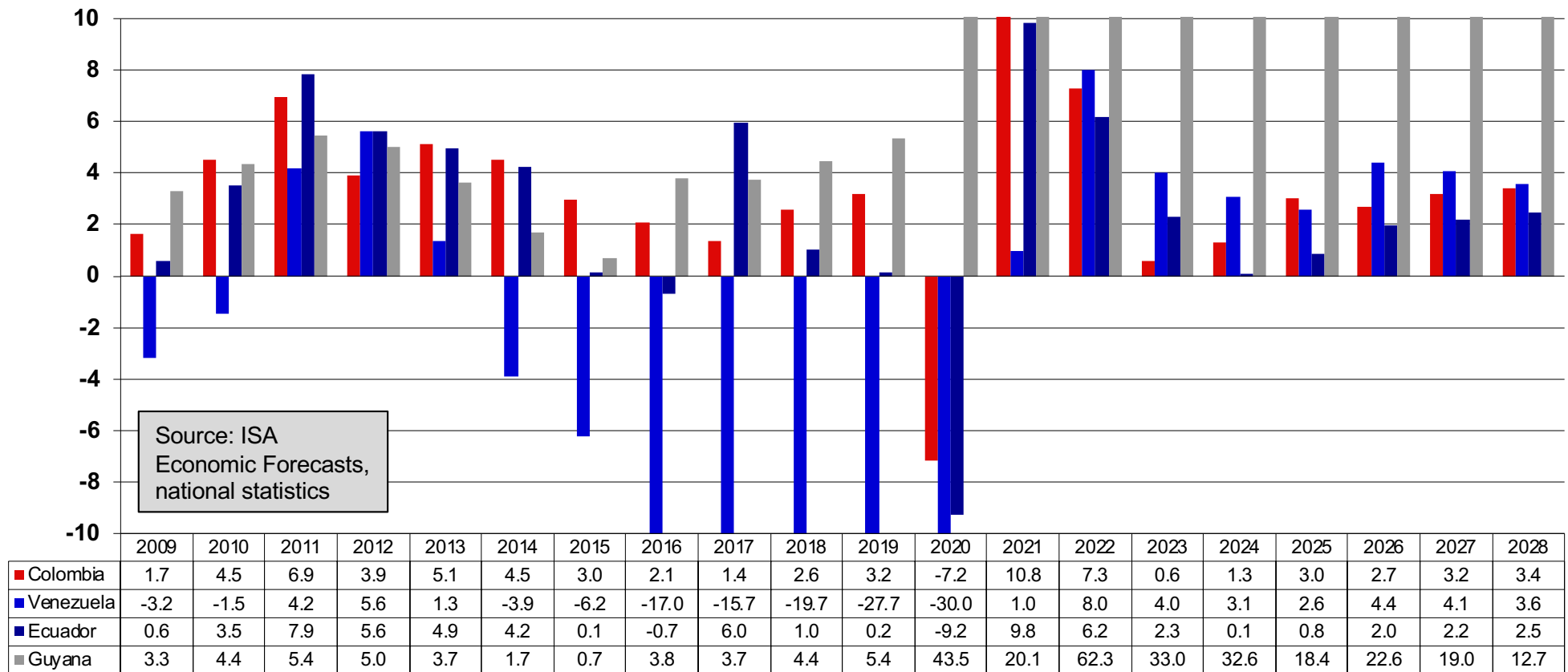
Global Economic Growth Comparisons



South America's economic future is dependent upon the development of new industrial and service sectors and an end to the reliance on raw material exports. Foreign investment will be a key catalyst in this change, but continued regional stability is a must in order for this transformation to succeed.

Northern South American Economic Growth Outlook

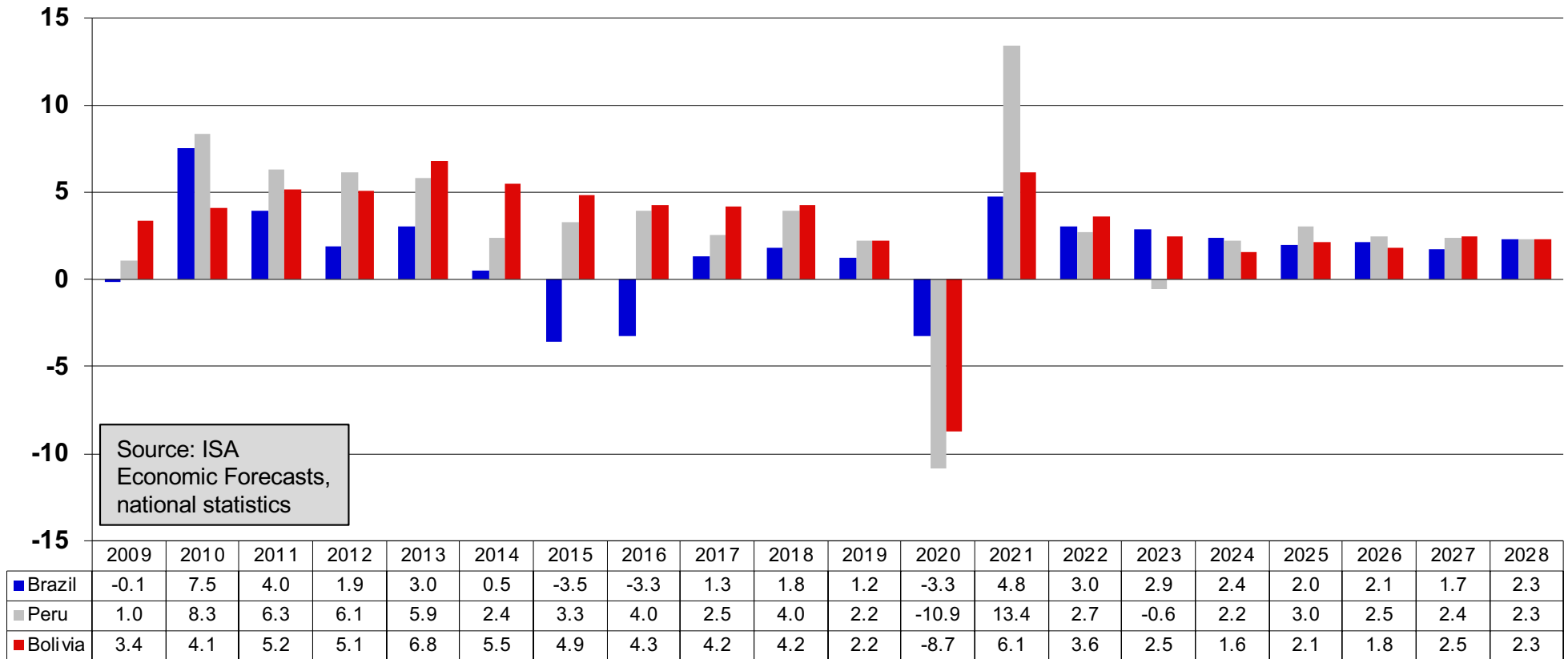
GDP Annual Growth Rates (%)



Economic growth rates in northern South America slowed significantly over the past few years as export demand slackened and natural resource prices fell. While Colombia's economy is expected to continue to rebound from its recent slump in the years ahead, its neighbor, Venezuela, is likely to experience only incremental increases in economic output.

Central South American Economic Growth Outlook

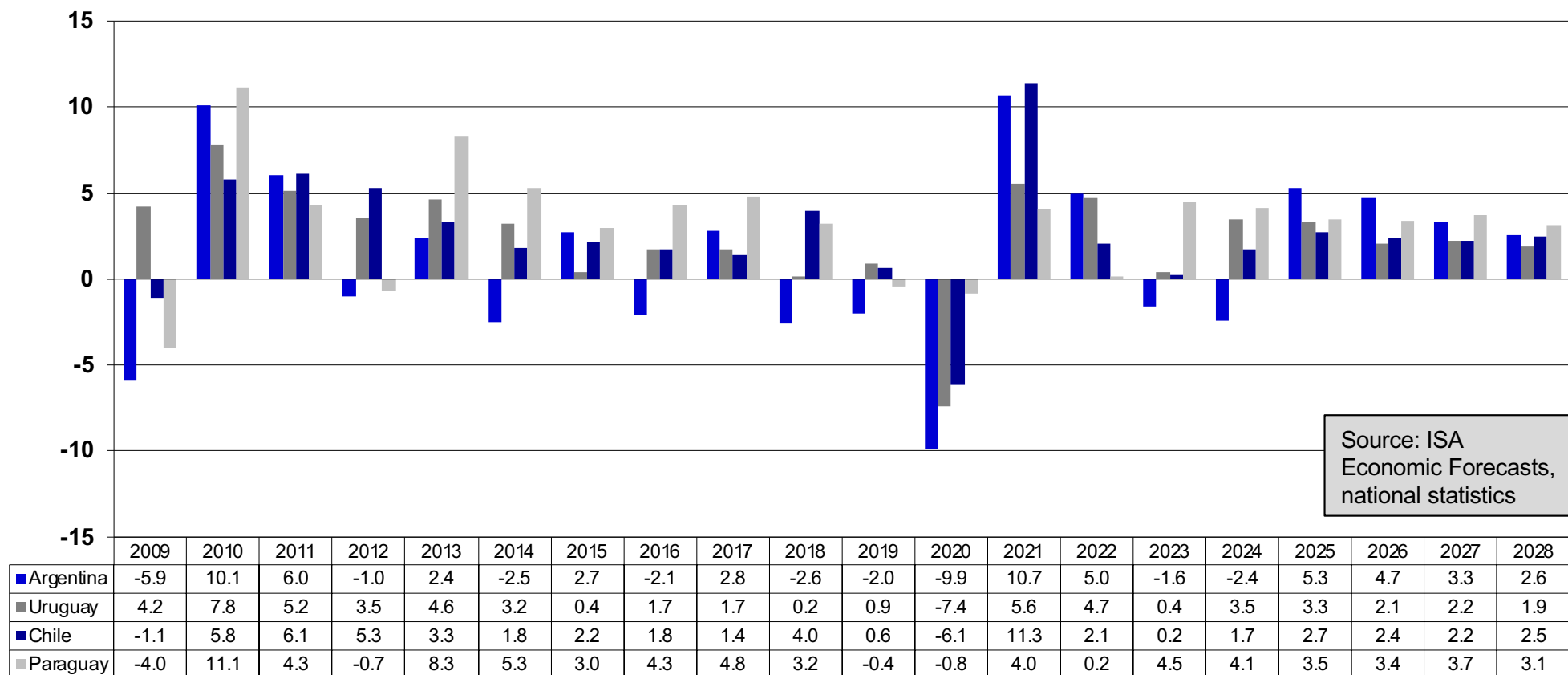
GDP Annual Growth Rates (%)



Brazil accounts for more than half of South America's total economic output. Brazil's economy has improved in recent years following a decade-long period of economic upheaval. Peru's economy has slumped in recent years, as has the economy of Bolivia. Looking ahead, all three countries will record moderate growth in the years ahead.

Southern South American Economic Growth Outlook

GDP Annual Growth Rates (%)



Source: ISA
Economic Forecasts,
national statistics

Economic growth rates fell sharply across southern South America in recent years, culminating in the devastating downturn of 2020. Growth returned in the following years, but this proved to be short-lived.



South American Economic Growth Summary

Key Factors

South America has experienced some of the highest levels of economic volatility in the world.

Brazil accounts for 50% of regional economic output, so its performance impacts the whole region.

The region's three-largest economies have all suffered from a series of crises in recent years.

Too many South American countries remain heavily dependent upon commodity exports to generate growth.

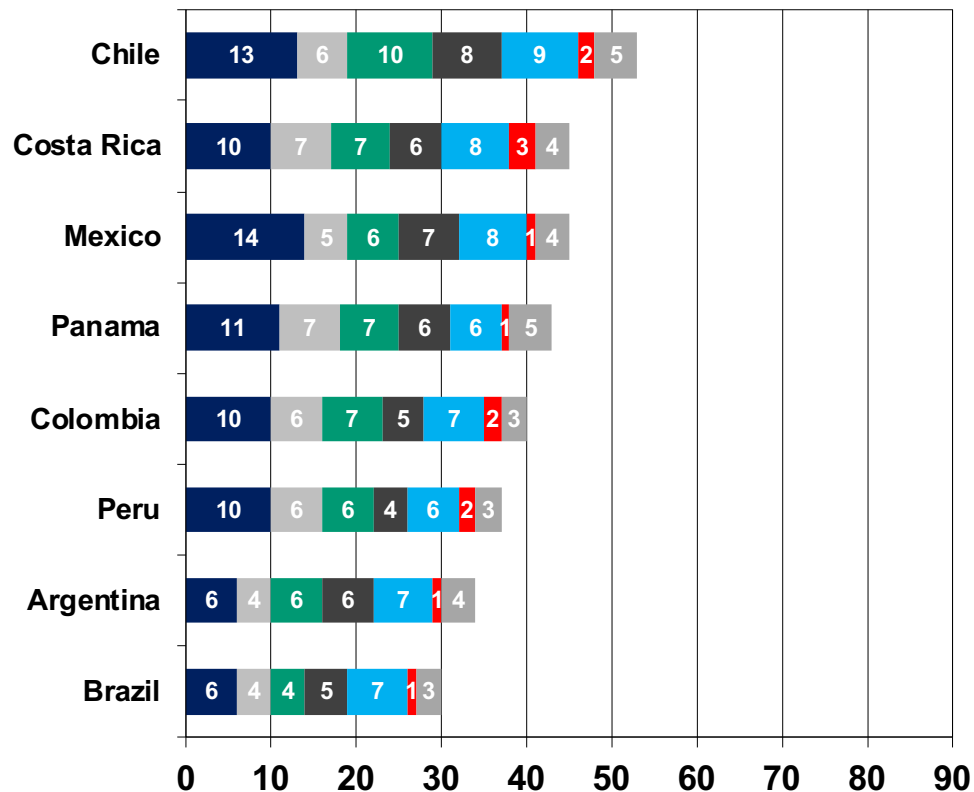
South America continued to lag behind other emerging regions in terms of growth, although some individual countries have performed well.

No region has generated lower rates of economic growth than South America in recent years. Without an improvement in the region's competitiveness and the development of a larger domestic market, South America's economy will remain exposed to the impact of external shocks.



ISA Economic Competitiveness Rankings: Latin America

ISA Economic Competitiveness Scores
Latin America



- | | |
|-----------------------------|---------------------------|
| ■ Business Environment | ■ Growth Prospects |
| ■ Government Influence | ■ Economic Infrastructure |
| ■ Investment Attractiveness | ■ Economic Performance |
| ■ Wealth Levels | |

Summary

Latin America suffers from relatively low levels of economic competitiveness and the region's relative level of competitiveness has fallen in comparison with most other regions in recent decades. This is due to the poor economic performance of Latin America's largest economies and its relatively poor infrastructure and governance.

Chile is Latin America's most competitive economy by a wide margin, thanks to its diverse economy and relatively high wealth levels. Southern Central American countries also have higher levels of economic competitiveness, as does Mexico, despite its recent poor economic performance.

Brazil has some of the lowest levels of economic competitiveness in Latin America, despite its vast scale and its ability to attract foreign investment. Argentina also suffers from low level of competitiveness which is in part the result of the country's high degree of economic instability.

Takeaways

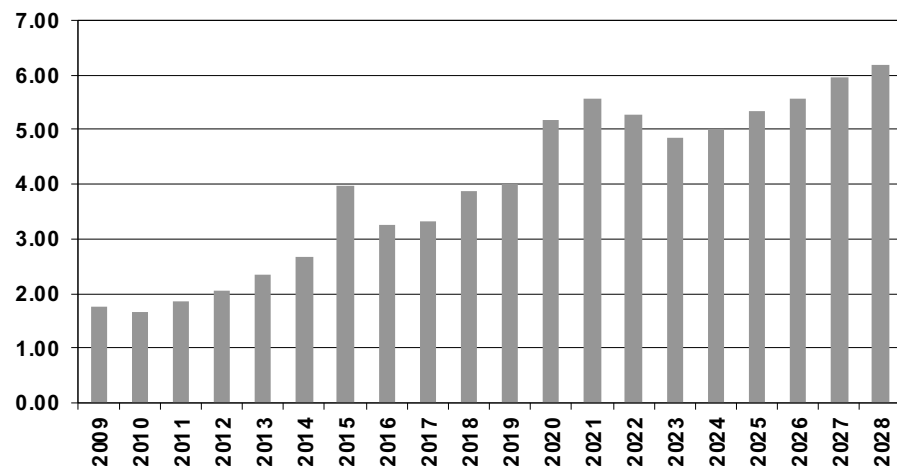
- Latin America's poor economic performance is due in large part to the region's lack of competitiveness.
- Economic diversification and better governance are needed to boost the region's competitiveness.

South America Key Exchange Rates Against the US Dollar

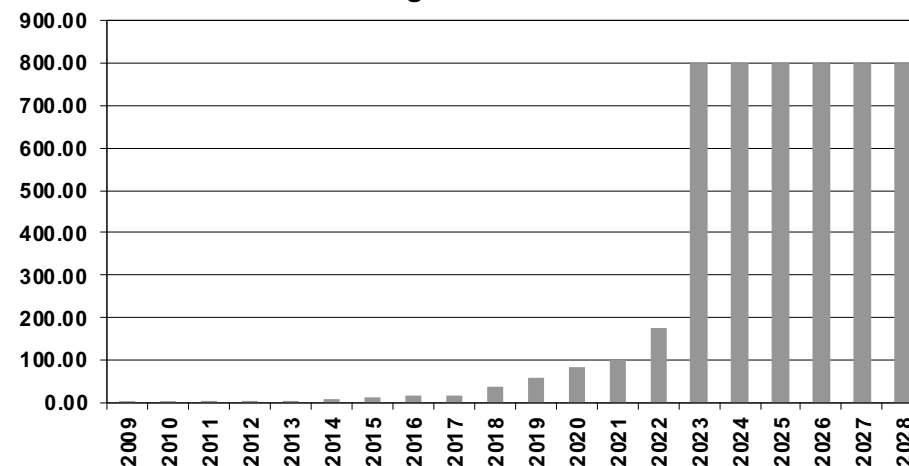
(1 US\$ = Local Currency)

Source: ISA
Economic Forecasts,
XE Exchange Rates

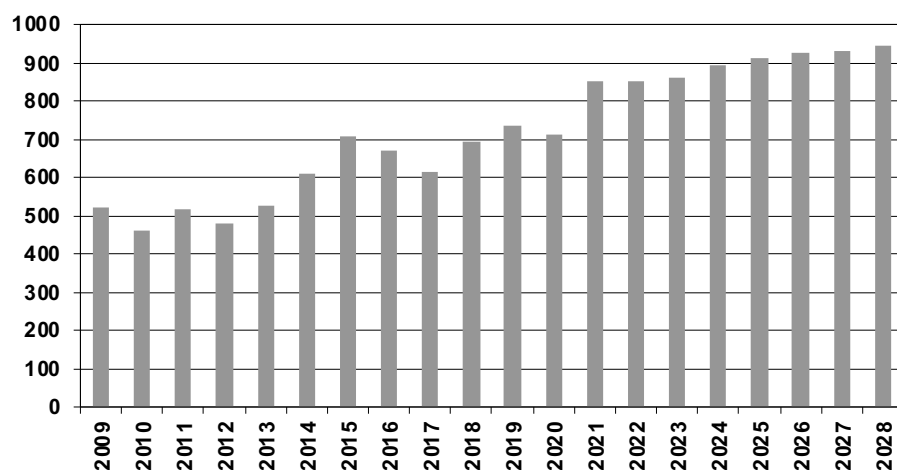
Brazilian Real



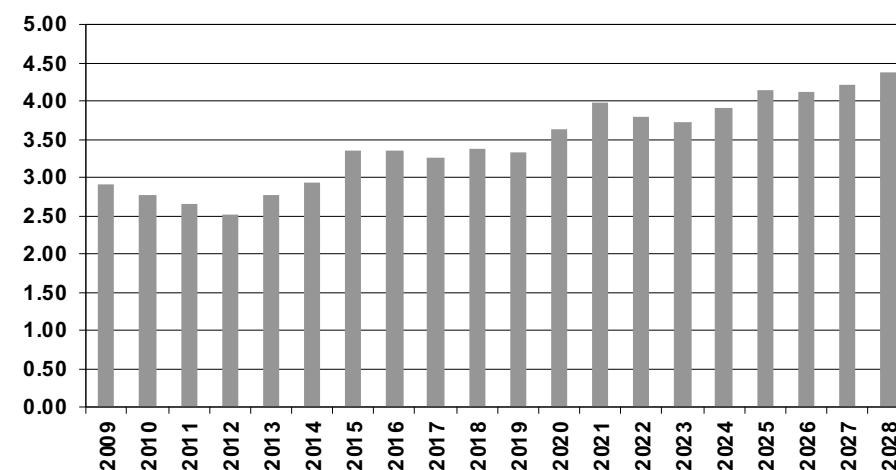
Argentine Peso



Chilean Peso

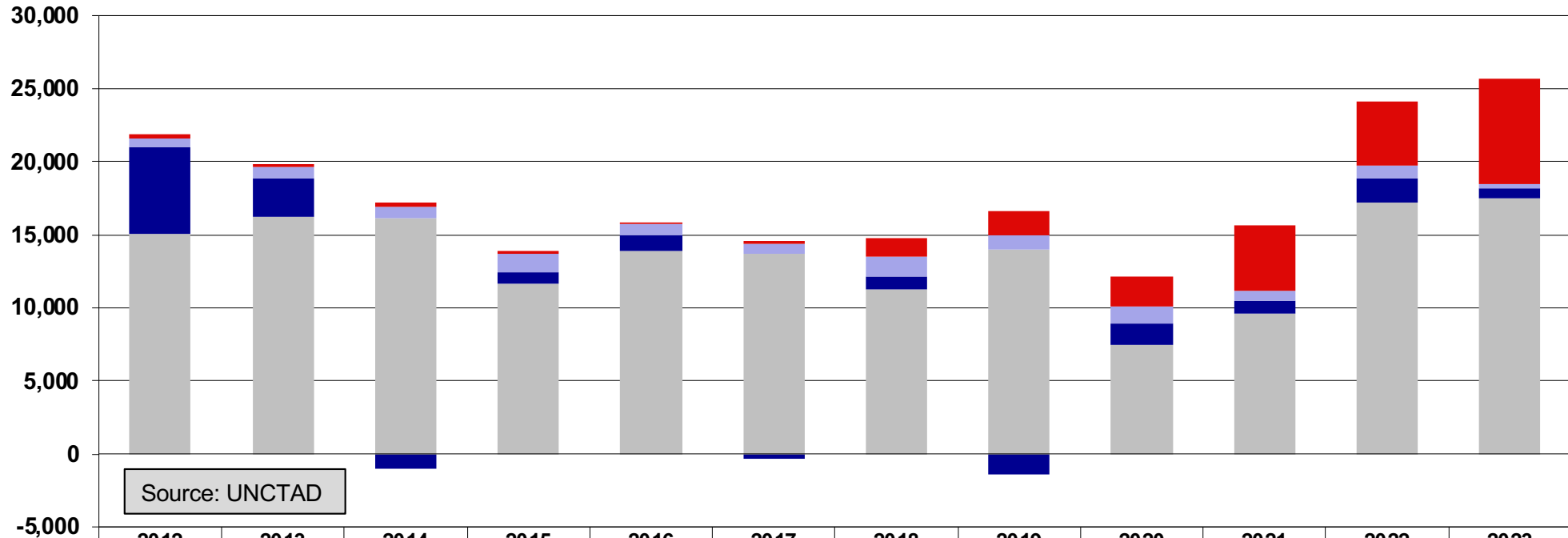


Peruvian Sol



Foreign Investment in Northern South America

FDI Inflows (US\$ mil.)

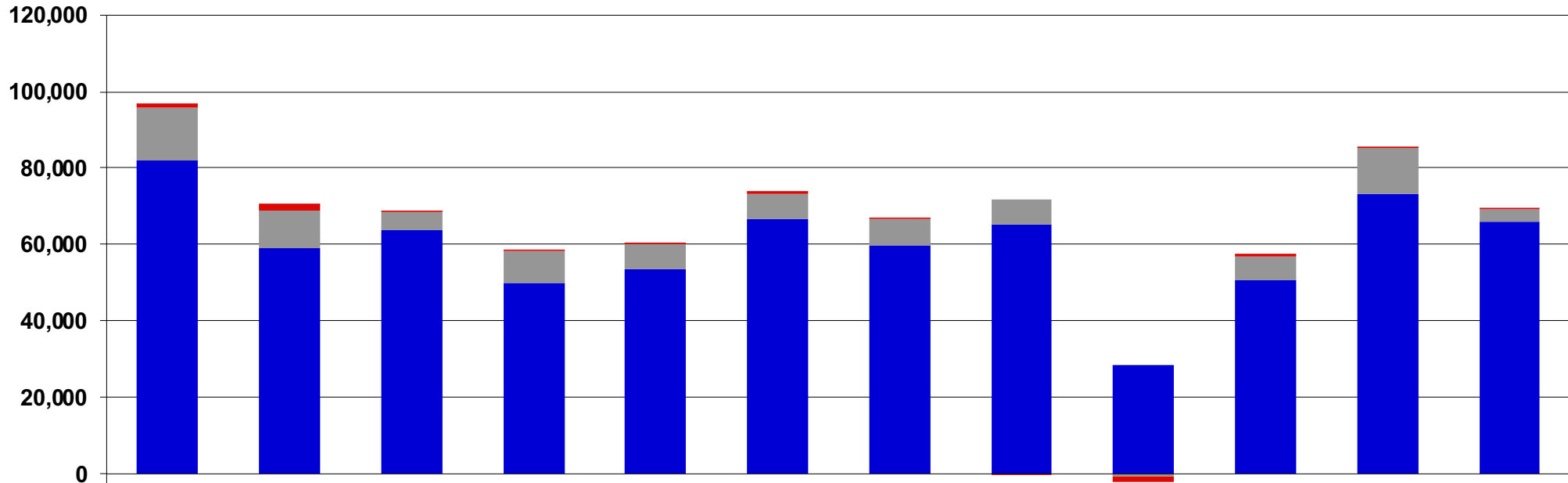


| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|--------|--------|
| ■ Guyana | 294 | 214 | 255 | 122 | 58 | 212 | 1,231 | 1,695 | 2,086 | 4,468 | 4,393 | 7,198 |
| ■ Ecuador | 567 | 727 | 777 | 1,331 | 764 | 630 | 1,389 | 979 | 1,095 | 648 | 879 | 372 |
| ■ Venezuela | 5,973 | 2,680 | -1,028 | 769 | 1,068 | -317 | 844 | -1,367 | 1,504 | 964 | 1,651 | 688 |
| ■ Colombia | 15,040 | 16,210 | 16,169 | 11,621 | 13,858 | 13,701 | 11,299 | 13,989 | 7,459 | 9,561 | 17,183 | 17,446 |

Colombia has seen a surge in foreign investment in recent years, most of which has been directed at the country's growing mining industry. Meanwhile, foreign investment in Venezuela remains well below its potential thanks to the growing political mismanagement of that country's economy.

Foreign Investment in Central South America

FDI Inflows (US\$ mil.)



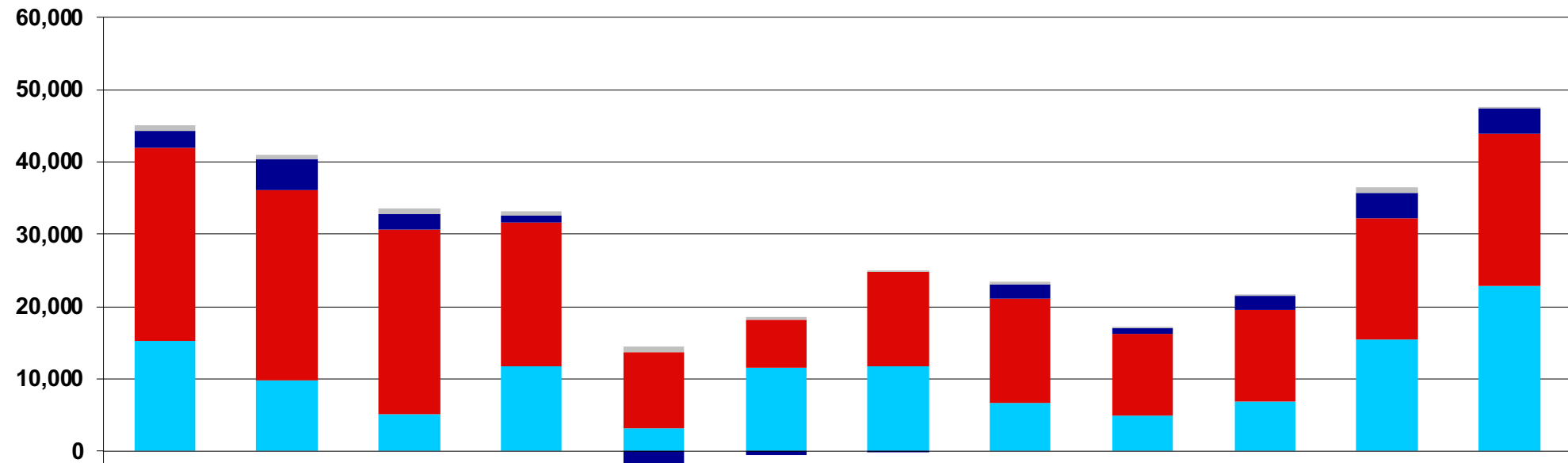
Source: UNCTAD

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| ■ Bolivia | 1,060 | 1,750 | 657 | 555 | 335 | 712 | 302 | -217 | -1,129 | 584 | 6 | 294 |
| ■ Peru | 13,622 | 9,826 | 4,537 | 8,206 | 6,459 | 6,530 | 6,761 | 6,362 | -825 | 6,272 | 12,026 | 3,331 |
| ■ Brazil | 82,060 | 59,089 | 63,846 | 49,961 | 53,700 | 66,585 | 59,824 | 65,386 | 28,322 | 50,651 | 73,352 | 65,897 |

Brazil is easily the largest recipient of foreign investment in South America. This trend will continue as Brazil's economy continues to diversify. Peru has the potential for increased foreign investment thanks to a growing domestic market and continued demand for its natural resources.

Foreign Investment in Southern South America

FDI Inflows (US\$ mil.)



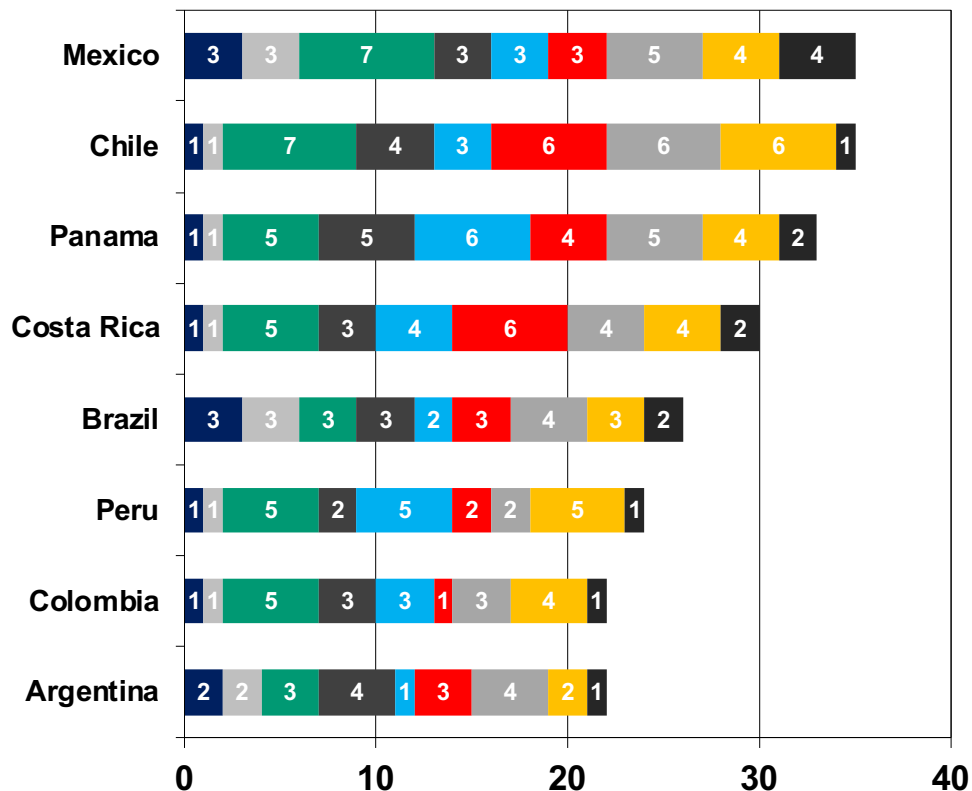
Source: UNCTAD

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| ■ Paraguay | 775 | 510 | 675 | 498 | 637 | 413 | 175 | 334 | 149 | 185 | 725 | 241 |
| ■ Uruguay | 2,216 | 4,251 | 2,236 | 1,085 | -1,821 | -590 | -11 | 2,018 | 756 | 1,937 | 3,456 | 3,429 |
| ■ Chile | 26,708 | 26,303 | 25,566 | 19,764 | 10,523 | 6,695 | 13,031 | 14,403 | 11,292 | 12,627 | 16,882 | 21,027 |
| ■ Argentina | 15,324 | 9,822 | 5,065 | 11,759 | 3,260 | 11,517 | 11,717 | 6,649 | 4,884 | 6,903 | 15,408 | 22,911 |

Foreign investment levels in southern South America rebounded of late, due in large part to a surge in investments in the region's primary sectors. As long as commodity prices remain higher than in previous years, the surge in foreign investment should continue.

ISA Foreign Investment Attractiveness Rankings: Latin America

**ISA FDI Attractiveness Scores
Latin America**



Summary

Until recent years, Latin America had struggled to attract the same level of foreign investment as other emerging regions such as East Asia or Central Europe. This had much to do with the lack of export competitiveness of most Latin American countries, as well as the relative lack of growth of the region's domestic market in recent years.

Mexico remains a leading recipient of foreign investment thanks to its location and its unique access to the US and Canadian markets. Chile also compares favorably to other Latin American markets thanks to its stability and wealth.

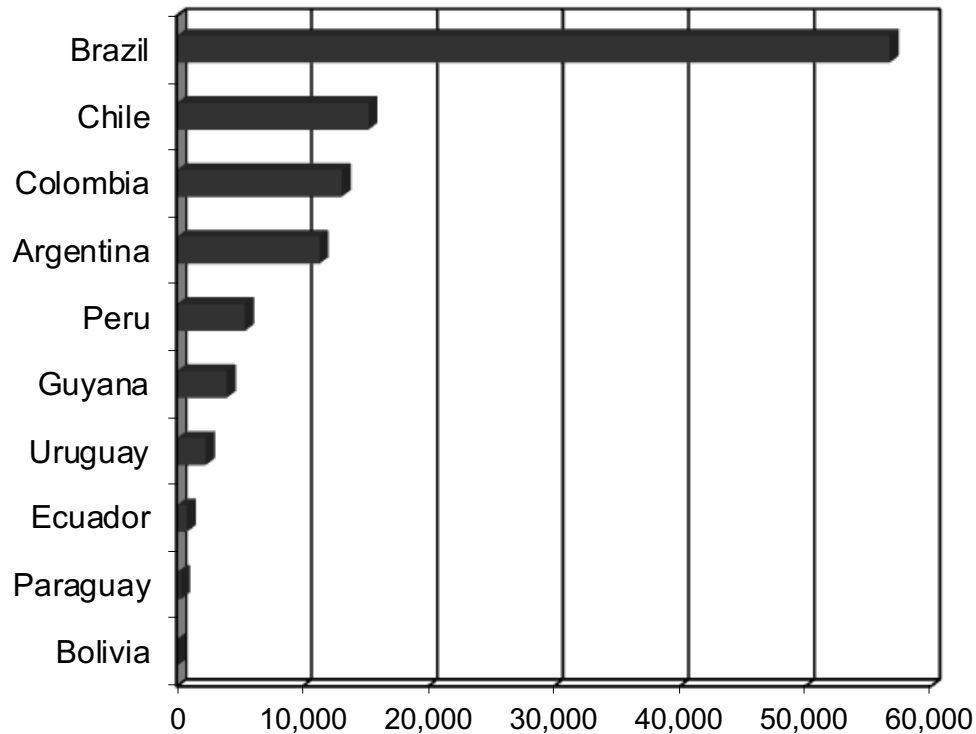
The region's largest economy, Brazil, has seen an increase in foreign investment in recent years, much of which has been targeted at Brazil's commodity sectors. Other large economies such as Argentina and Venezuela have some of the lowest foreign investment attractiveness scores in the region.

Takeaways

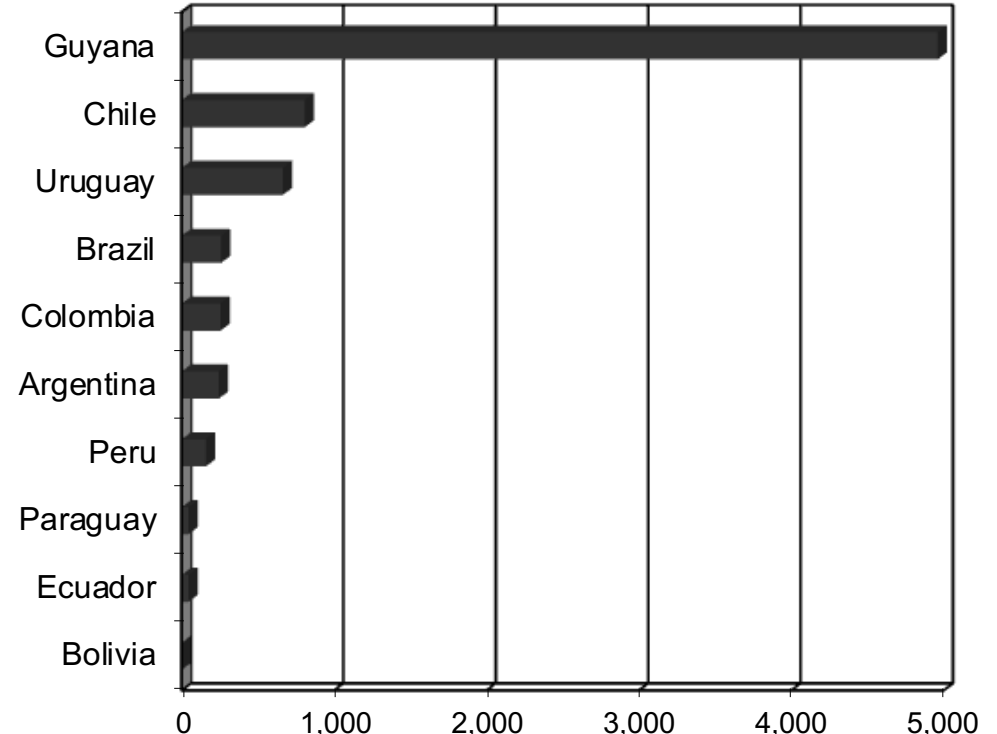
- Many Latin American will continue to struggle to attract the foreign investment needed to boost economic growth.
- The growth of the region's domestic market is the key to long-term foreign investment growth in Latin America.

Regional Foreign Investment

**Average Annual FDI Inflows (mil. US\$)
2019-2023**



**Average Annual Per Capita FDI Inflows
(US\$) 2019-2023**



Source: UNCTAD

Brazil is easily the largest recipient of foreign investment in South America, although its per capita FDI inflows are far below those of most other major emerging markets. Chile and Colombia also have received relatively high levels of foreign investment in recent years. Meanwhile, Guyana's fledgling oil and gas industry has received much foreign investment in recent years.

The Oil and Gas Industry in South America

The oil and gas industry will continue to be one of the leading recipients of foreign investment in South America.

- As global demand continues to grow, further exploration and exploitation in South America will take place.

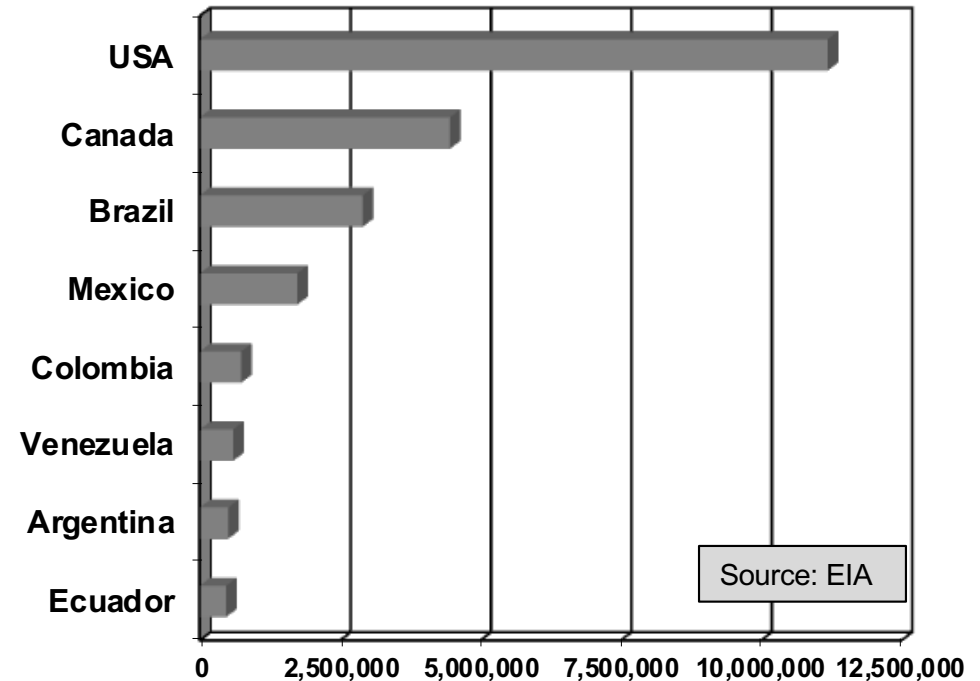
For the past few decades, Venezuela was the dominant oil and gas producer in South America.

- However, that country's economic collapse has resulted in a lack of investment in the oil and gas industry, resulting in much lower levels of oil output in Venezuela in recent years.

In contrast, the oil and gas industry in countries such as Brazil and Argentina has received large amounts of investment in recent years.

- Both countries have accelerated the development of their oil and gas industries, fearful that global demand will fall over the longer-term.

Oil Production in the Americas (bbl/day)



Venezuela's continuing political instability will threaten further disruptions in South America's oil and gas output. Furthermore, the oil and gas explorations in other countries are all subject to political risk as well, as many potential fields are found in politically unstable regions.

The Coffee Industry in South America

South America is the world's leading coffee-growing region.

- Brazil and Colombia are the world's two leading producers of coffee.

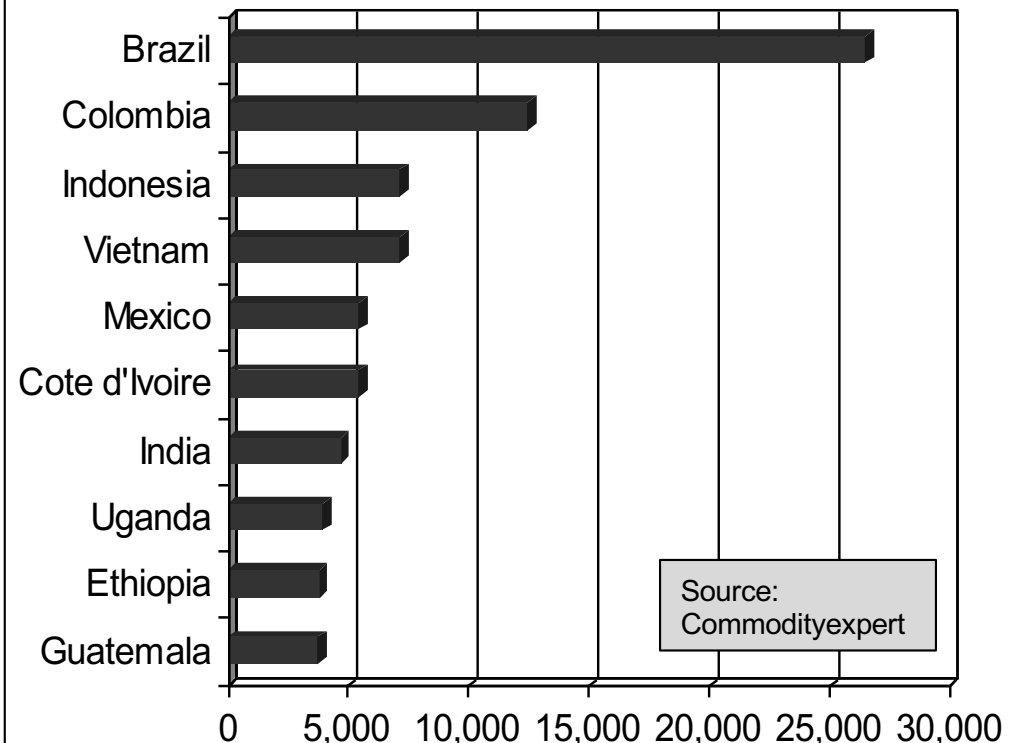
The decline in world coffee prices in recent years has had a major impact upon the industry in South America.

- In Colombia, many coffee growers have turned to drug production as coffee revenues have declined.

South America faces increasing competition from Asia.

- Countries such as Indonesia, Vietnam and India all are increasing their output.

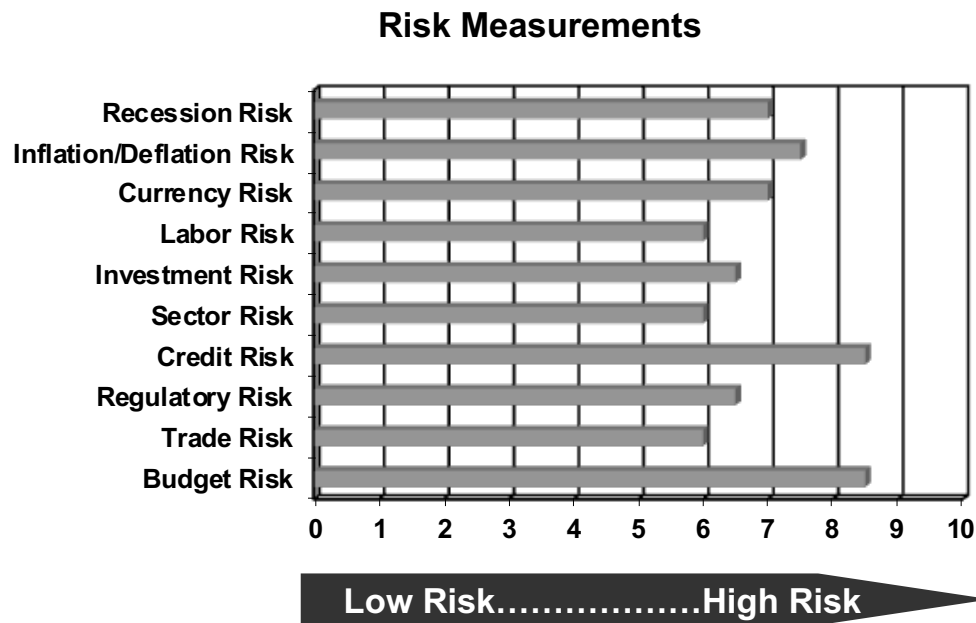
Coffee Production by Country (bags)



South America will remain the world's leading coffee producing region for some time, though Asia will continue to close the gap. The biggest risk is that increased global production will continue to drive coffee prices downwards, a trend that seems likely given the expansion of coffee growing in other regions.

South America: Economic Risk Outlook

Current Economic Risk Ratings:



ISA Risk Ratings

- 0.0 to 1.9 = Low Risk
- 2.0 to 3.9 = Low to Moderate Risk
- 4.0 to 5.9 = Moderate Risk
- 6.0 to 7.9 = Moderate to High Risk
- 8.0 to 10 = High Risk

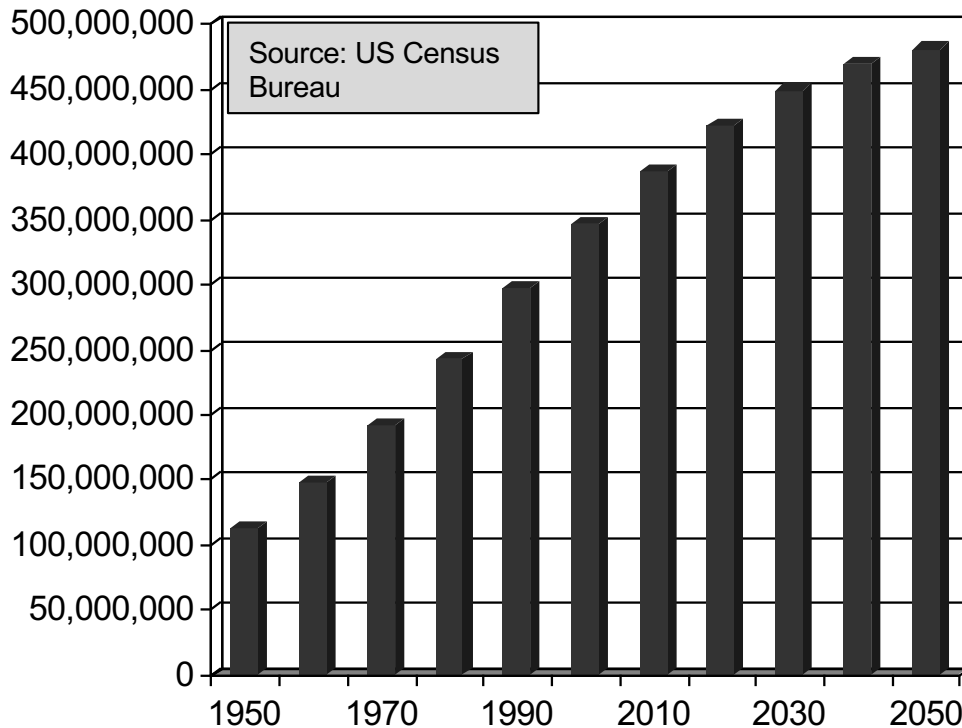
Economic Risk Outlook:

- Economic risk levels in South America have risen again in recent years and are once again among the highest levels of economic risk in the world.
- Political unrest and opposition to economic reform is threatening to maintain these high risk levels across the region, as this would discourage much-needed foreign investment.

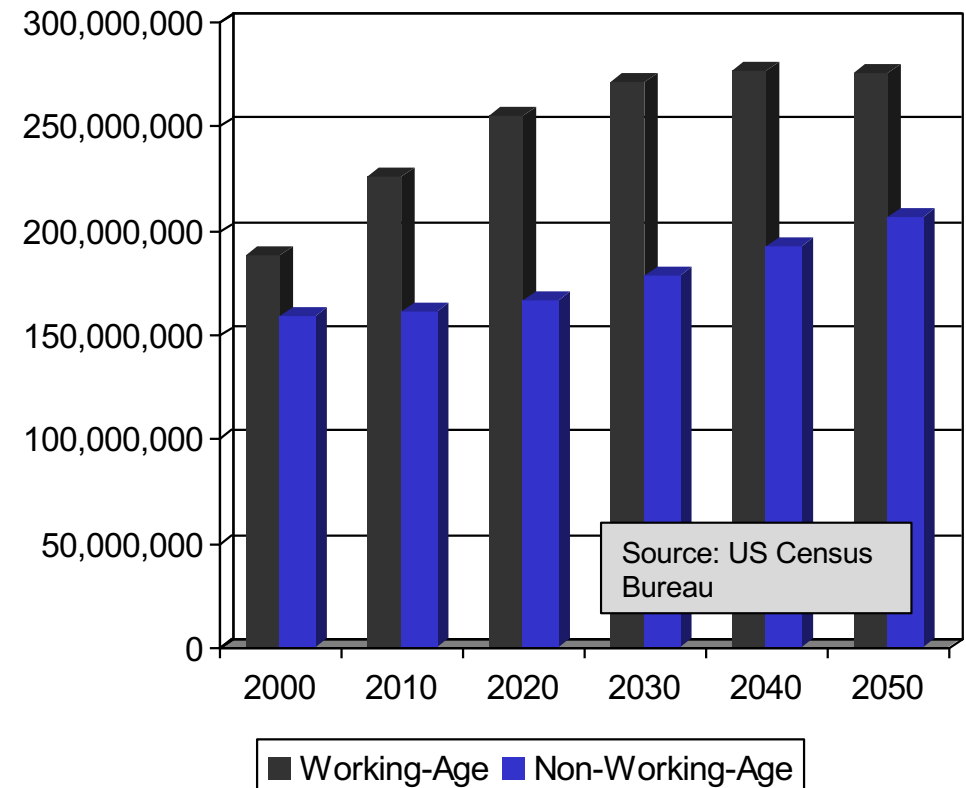
Demographic and Environmental Outlook

South America Population Trends

Total Population



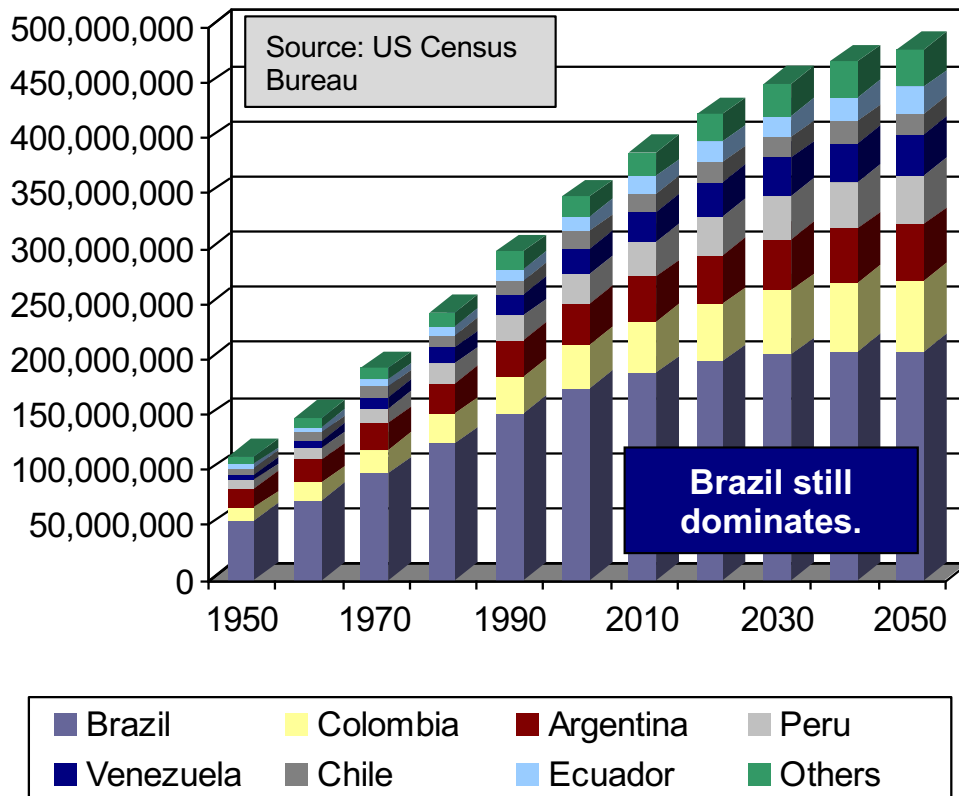
Working-Age Population



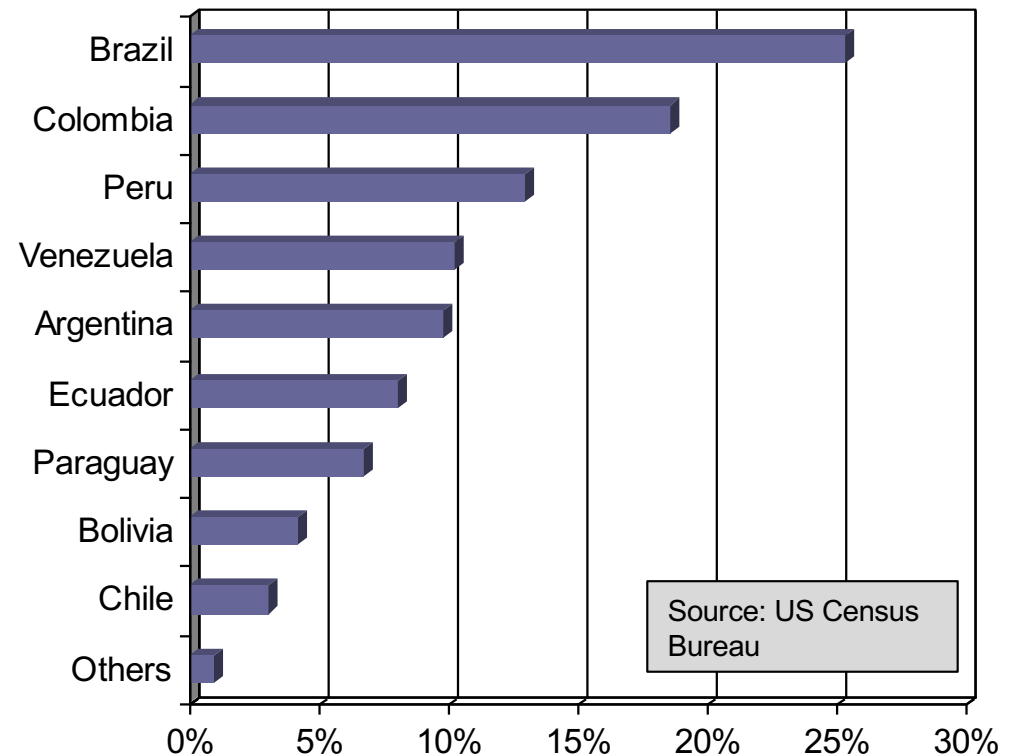
Unlike more developed regions of the world, South America's working-age population will continue to grow as a percentage of total population until the 2020s. However, population growth is slowing across most of the region and this will prove to be a drag on growth in the coming decades.

South America Population Trends by Country

Total Population



Contribution to Regional Population Growth (2000-2050)



Brazil will continue to dominate South America in terms of population, accounting for nearly half of the continent's people. However, it will be the countries of north-western South America that provide half of the continent's population growth by the middle of this century.

South America Ethnic Composition

The countries of southern South America have a predominantly white population.

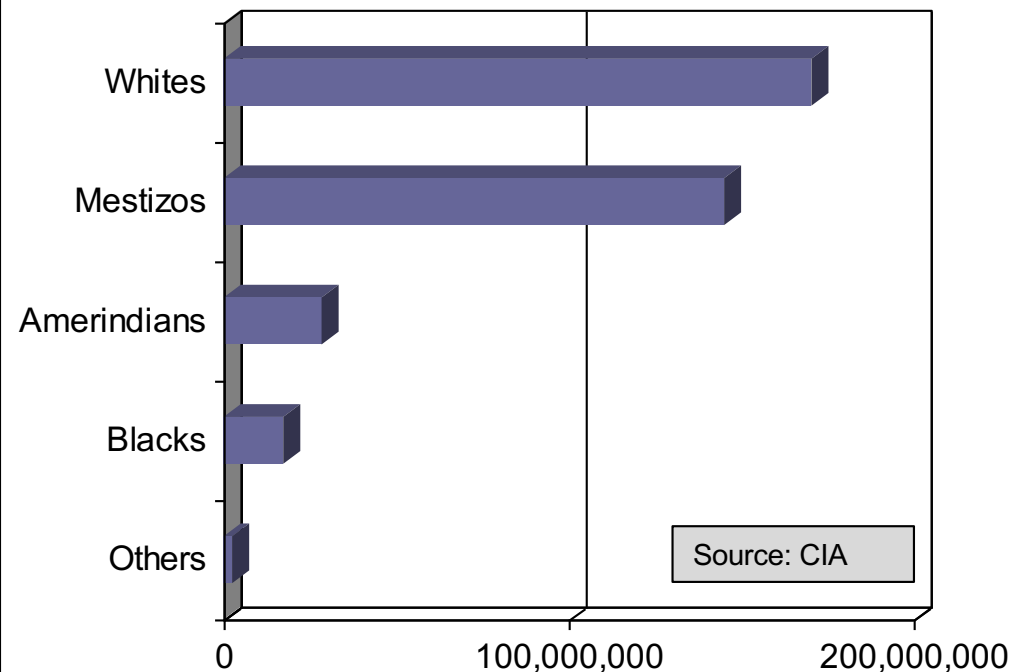
Amerindians make up a sizeable portion of the population in the Andes Mountains regions.

Mestizos have mixed White and Amerindian ancestries and are the largest group in seven countries.

60% of the Black population in South America lives in Brazil with large amounts also in the north.

The Asian community in Brazil and the Indian population in Guyana and Suriname are also large.

Largest Ethnic Groups in South America



The European-descended population has controlled the political and economic systems in most South American countries, despite having a majority of the population in only four countries (Argentina, Uruguay, Chile and Brazil).

South America Religious Composition

86 percent of South America's population is Roman Catholic.

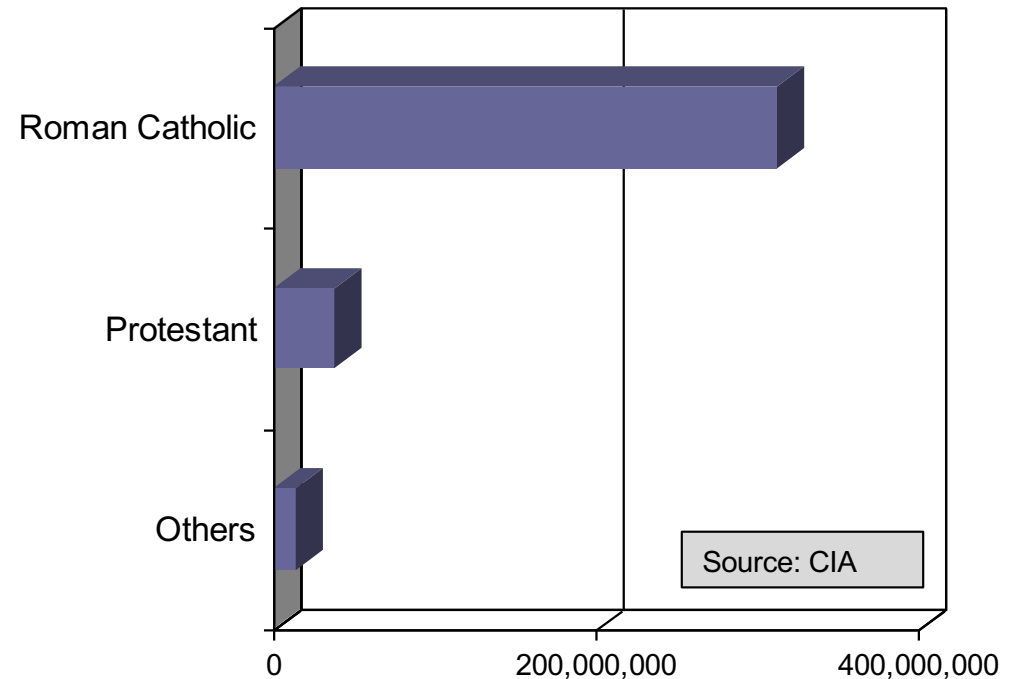
South America is home to the world's largest Roman Catholic population.

Many Protestant churches have made significant inroads in a number of countries in the region.

Nearly 75% of South America's Protestant population lives in Brazil.

Other religious minorities in South America include Muslims, Jews and Hindus.

Largest Religious Groups in South America



No continent is dominated by a single religion as the Roman Catholic Church dominates South America. Nevertheless, Protestant churches will continue to grow throughout the region.

South America Language Composition

Due to its dominant role in Brazil, Portuguese is the leading language in South America.

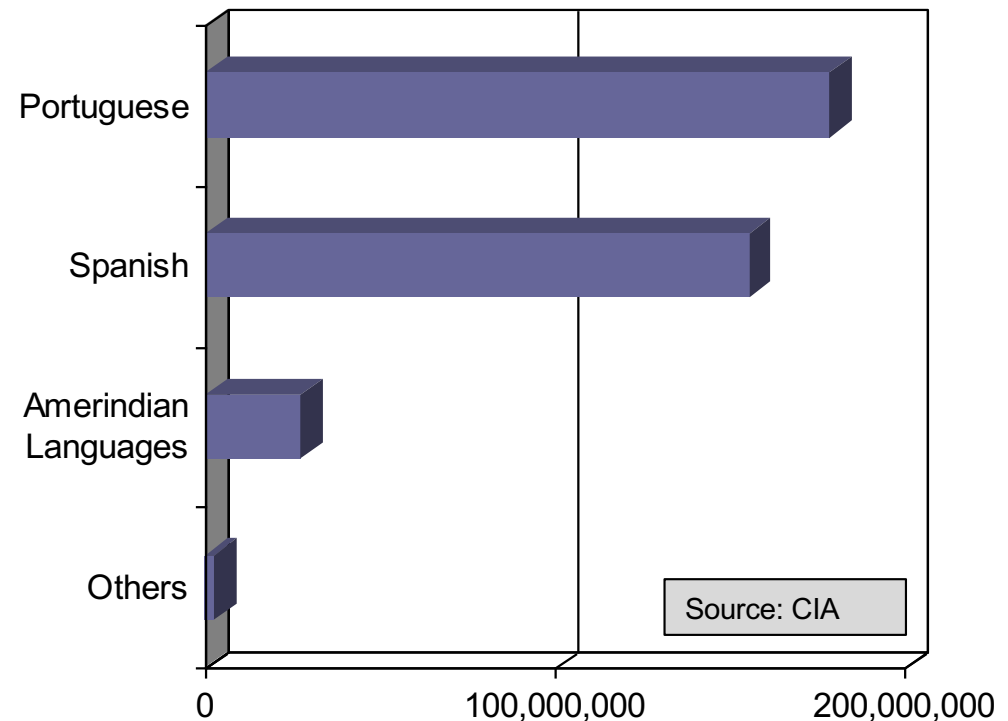
Nearly 80% of the world's Portuguese-speakers live in Brazil.

Outside of Brazil, Spanish is the leading language in most other South America countries.

Amerindian languages such as Guarani, Aymara and Quechua are spoken in the interior of the region.

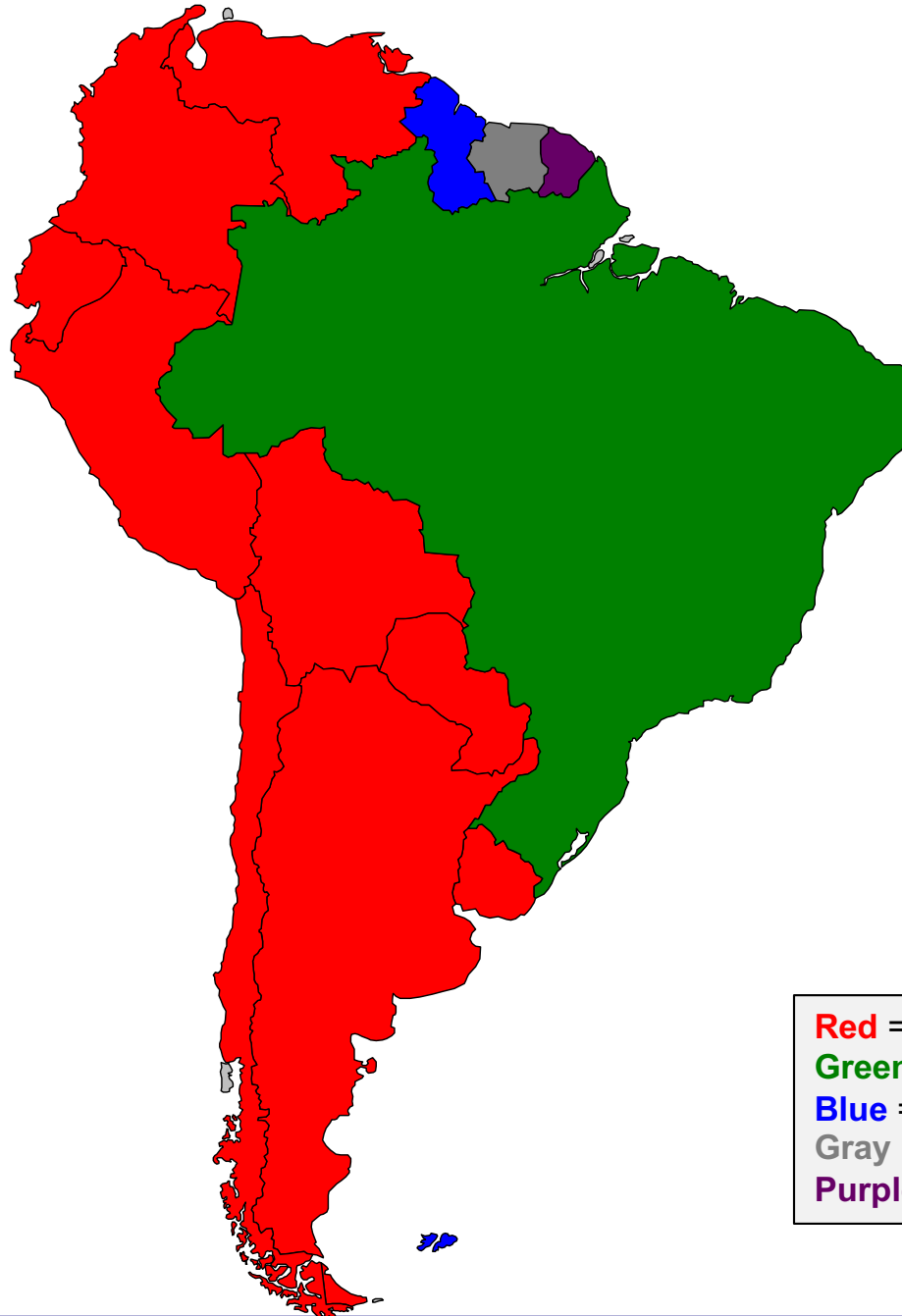
English is the primary second language learned by most South Americans.

Largest First Languages in South America



Despite having more Portuguese-speakers in the region, it is Spanish that dominates the continent as it is the leading language of all countries in the region outside of Brazil, Guyana and Suriname. It is this dominance that has made Spanish the world's number three language in terms of global importance, after English and Chinese.

South America: Main Languages

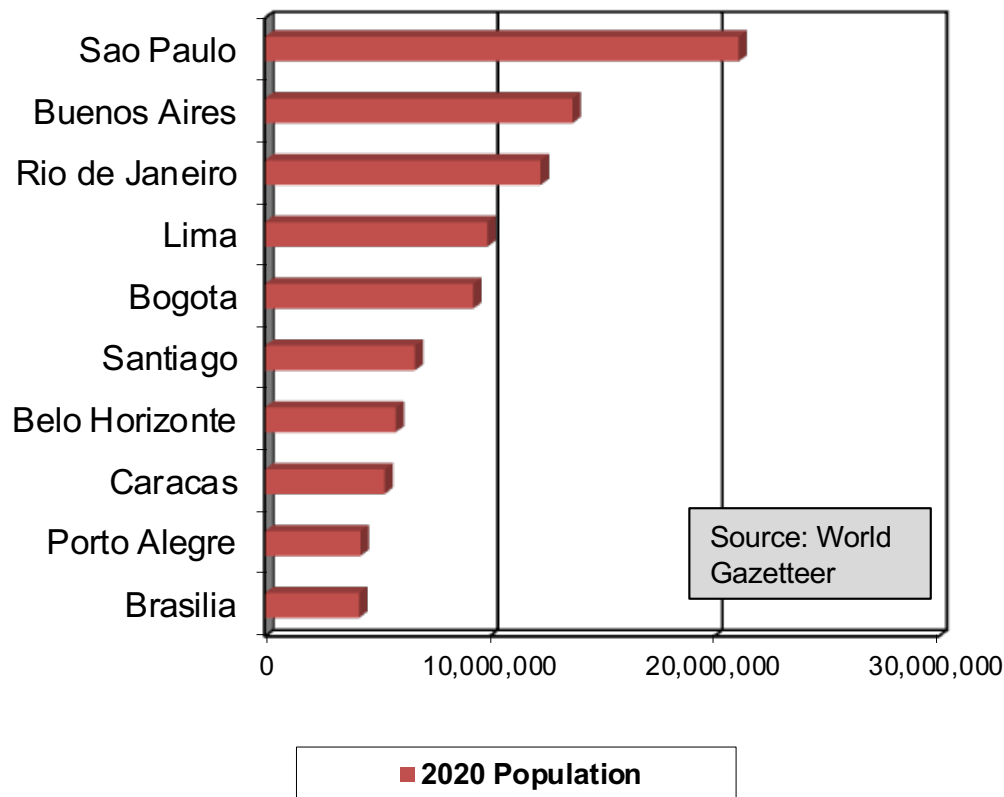


Red = Spanish
Green = Portuguese
Blue = English
Gray = Dutch
Purple = French



Largest Cities in South America

Metropolitan Area Population



South America's largest cities continue to grow as more people move from rural areas in search of jobs.

- Sao Paulo, Rio de Janeiro and Buenos Aires are already among the world's largest cities.
- Meanwhile, cities such as Lima, Bogotá and Santiago continue to grow rapidly.
- Brazil is currently home to five of South America's ten largest cities.

Most large South American cities suffer from overcrowding and air pollution.

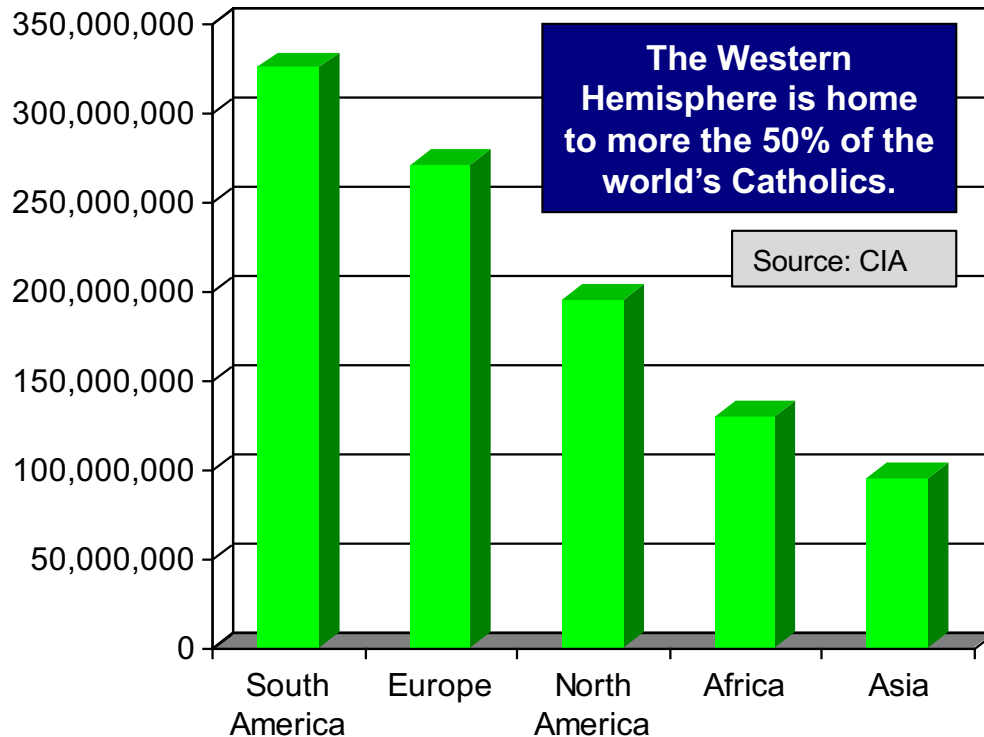
- Most of these cities have huge slums with populations numbering in the millions.
- Infrastructure improvement is desperately needed in most cities in the region.

The slowdown in the overall population growth rates in most South American countries will ease the expansion of most South American cities, but not before additional strains are placed on their fragile infrastructures and damaged environments.

Key Demographic Issue in South America

South America's Roman Catholic Church

Roman Catholic Population by Continent



South America is home to more Roman Catholics than any other continent.

- Moreover, the number of Roman Catholics in South America will reach 400 million later this century.

The Roman Catholic Church has had much influence on the region's history.

- Moreover, it retains more influence in South America than in many other arts of the world.
- South American Catholics attend mass at a higher rate than their North American or European counterparts.
- Attempts to create anti-church sentiments has failed in the countries where it was attempted.

The South American Roman Catholic Church is growing in importance and is beginning to utilize its size and strength. No longer do Roman Catholics in Brazil or elsewhere look solely to Rome for guidance. Moreover, South American church leaders are increasingly calling for the next pope to be from South America.

Top Environmental Issues in South America

Growing Exploitation of the Amazon Basin

The countries of the Amazon Basin are all increasing their economic activities in the region's rainforests.

- Agriculture, logging and mining are the main activities and agriculture in particular requires the clearing of much land.
- This has led to an increase in the rate of deforestation in recent years.

Pollution in the Major Urban Areas

South America's largest cities continue to grow at a rapid pace.

- This has led to a major increase in vehicle traffic as well as the spread of shantytowns on the outskirts of the cities.
- As a result, air pollution in many major cities has reached high levels.

The Impact of El Niño

El Niño has had a major impact upon fishing and agriculture in South America.

- The fishing industries of the South American West Coast have suffered severe losses in El Niño years.
- Agriculture too, has experienced major losses in these years.

The Amazon Basin is the home to the greatest threat to South America's environment (and the rest of the world's). One positive sign for the continent's environment is the decline in population growth, which might stem some of the pressure.



Key Geographic Issue in South America

Protecting the Amazon Basin

The Amazon Basin is home to the world's largest rainforest.

- Moreover, the Amazon Basin has the world's richest diversity of flora and fauna.

Deforestation has already claimed 15% of the region's rainforests.

- Recent surveys have shown that the rate of deforestation is once again accelerating.
- Logging operations are poorly controlled by the governments of the region.
- Agricultural land is in increasing demand.
- Oil and other mineral exploration activities are growing in the western Amazon Basin.



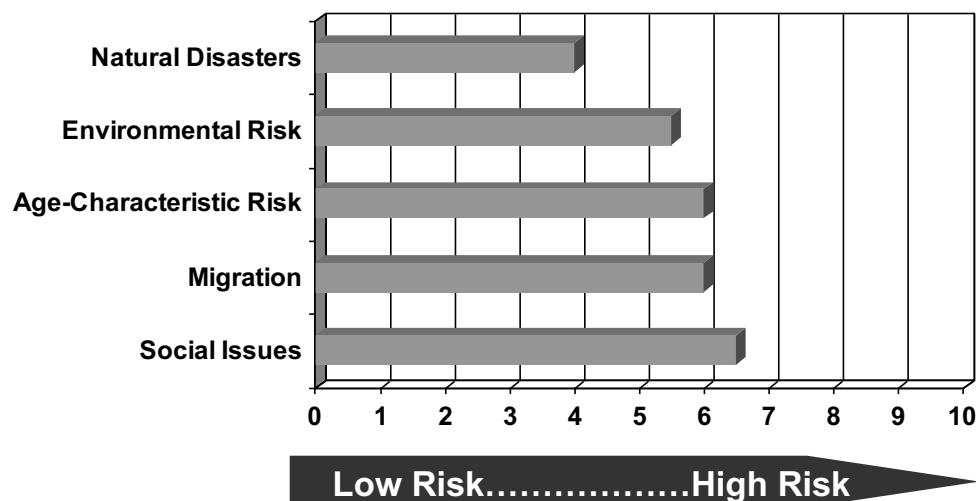
During the 1990s, much of the world was convinced that the deforestation of the Amazon Basin was being brought under control. Unfortunately, we have learned that this was not the case, and in fact, the situation had grown much worse. Without more government intervention, it may yet become even worse.



South America: Demographic and Environmental Risk Outlook

Current Risk Ratings:

Risk Measurements



• ISA Risk Ratings

- 0.0 to 1.9 = Low Risk
- 2.0 to 3.9 = Low to Moderate Risk
- 4.0 to 5.9 = Moderate Risk
- 6.0 to 7.9 = Moderate to High Risk
- 8.0 to 10 = High Risk

Demographic Risk Outlook:

- Rampant population growth has eased in much of the region, easing demographic risk levels.
- The notable exceptions are found in north-western South America, where demographic risk levels remain high due to large-scale population growth.

Environmental Risk Outlook:

- Environmental risk levels remain among the lowest in the world, but could rise if pollution and deforestation are not contained.

Summary

Future Outlook Summary

Political Outlook

- Left-leaning political leaders and parties will dominate the political scene across South America in the coming years.
- Political polarization will remain firmly in place across much of South America, leading to rising political tensions within many countries.
- South America's global political influence will remain quite minimal, due largely to the region's geographic position and its relative lack of military power.

Economic Outlook

- South America has been the slowest growing region in the world over the past decade, and the outlook for the region's economy does not call for much higher rates of growth in the years ahead.
- The manufacturing sector in many countries will continue to be hampered by the region's general low level of export competitiveness.
- Regional integration will remain sporadic, though the long-term benefits of closer regional cooperation will increasingly be realized by a skeptical public.

Demographic and Environmental Outlook

- To the benefit of the entire region, the population growth in South America is slowing down, though a few countries such as Colombia and Peru will continue to see high rates of growth into the middle of this century.
- South America's influence within the Roman Catholic Church will continue to grow, as evidenced by the first pope to come out of this region.
- Urban centers will continue to expand, creating further damage to the environment.
- The exploitation of the Amazon Basin will expand as mining and agricultural activities grow in this region.



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