

GEOPOLITICAL RISK OBSERVATORY

## Latin America

**An overview**

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## GRO Overview: Latin America

*GRO Overviews are neither extensive analysis nor news updates. Instead, they offer a general perspective over areas and issues, trying to provide a series of factors and variables that organizations should monitor to anticipate risks. For in depth analysis or day to day updates you should contact the observatory at [strategicchange@luiss.it](mailto:strategicchange@luiss.it)*



### Summary

While generally stable, Latin America maintains core internal and external threat that could alter security and stability hindering business operations. The most acute risks in Latin America stem from the erosion of governability, especially the expansion of organized crime and persistently low trust in political institutions, interacting with economic stressors and intensifying political polarization. These domestic vulnerabilities are increasingly “geopoliticized” by global rivalries and supply-chain realignment, raising the probability that localized instability (e.g., port insecurity, corruption scandals, contested reforms) produces outsized international effects. Recent tensions and growing assertiveness of the USA in the area are also impacting regional dynamics.

### Historical and Geopolitical Context

Latin America's modern risk landscape reflects long-running patterns: periodic cycles of reform and backlash, strong presidentialism with recurring executive-legislative conflict, and uneven institutional consolidation that leaves governance vulnerable to corruption and capture. Over the past decade, the region's security challenge has evolved from traditional cartel violence toward more complex “multi-crime” ecosystems that penetrate politics and economic activity, weakening rule enforcement and widening “no-go” spaces that undermine state authority. In Colombia non state actors take also the form of paramilitary forces that challenge the governmental authority.

Humanitarian criticalities are spread across regions with Haiti remaining in critical conditions after having been subject of multiple disruptions both natural and political. International humanitarian attempts have been made to improve the situation; they all seem to have failed. Humanitarian crises

and economic and political instability have also fueled migration towards the USA often prompting Washington to engage with restrictive policies. Any instability in the region could heighten these trends.

In parallel, electoral competition has often amplified polarization and shortened policy horizons, complicating long-term infrastructure, fiscal, and security reforms; this dynamic becomes sharper around election cycles and can create abrupt regulatory shifts and legitimacy crises when trust is already low. While many countries retain formal democratic mechanisms, the core concern is functionality: governments' ability to deliver basic public goods (security, justice, predictability) amid rising criminal violence and public skepticism.

Historically, the area has had a close relationship with the USA that has maintained strong control and influence in the area. Today, this influence is partially contested by China although USA is showing renewed assertiveness. The Trump administration is bringing new assertiveness to the region, as exemplified by the attacks on Venezuela and the capture of President Maduro in January 2026, an event that has marked a full return to the Monroe Doctrine.

### **Global implications**

Latin America can transmit shocks globally through strategic trade arteries, critical minerals, and geopolitical alignment choices under major-power competition. Potential disruptions due to geopolitical competition and effects of climate change (drought) to the Panama Canal could become a global logistics problem. Large exporter of critical materials like Chile are also increasingly exposed to great power competition trying to balance economic development vis a vis growing geopolitical tensions. China has increased its presence in the region through investments prompting American response favoring “friendshoring”.

Great-power rivalry increasingly turns the region into contested ground for investment, technology, infrastructure, and security partnerships, forcing many governments into a difficult balancing act where alignment decisions can trigger economic retaliation or reduced access to markets and financing. Meanwhile, interstate disputes, such as Venezuela-Guyana tensions around Essequibo, create structural, although at time dormant, escalation risk with potential external involvement, especially where energy resources, legal proceedings, and military signaling intersect.

Regional organizations like MERCOSUR promote integration of the Latin American economies. Discussions for an agreement with the European Union have been going on for years and now seem to be reaching their conclusion, although profound disagreements remain in relation to agriculture, something the EU is trying to solve internally. The USA presence and relations with the region are also a factor to be considered, especially as the new administration is choosing more assertive strategies to fight drug cartels and opposing governments. At the same time Venezuela and Cuban governments have searched for increasing support from opposing powers such as Russia and China. Moreover, the area is also subject to Trump's new tariffs with potential disruptions on the region's trade. The arrest of Maduro marks an important event in regional dynamics; on the one hand, it reinforces USA interests in the region and challenges China's and Russia's influence. Moreover, while the consequences of the action are not clear yet, regional disruptions following the event are to be expected, especially if a power transition doesn't happen smoothly in Venezuela. Countries like Cuba, Colombia, and Mexico

have been directly threatened by Trump at different levels in the broader framework of the fight against drug trafficking.

Intra-regional conflicts are also emerging with tariffs being imposed by Mexico on various global partners.

### **Practical implications for businesses and interests**

The principal operating risks for private actors are security costs and continuity risk: organized crime and high criminality can increase insurance, guard force requirements, cargo theft exposure, and staff duty-of-care burdens while also elevating corruption and extortion risks in permitting, procurement, and logistics. Political risk is increasingly expressed through regulatory volatility and institutional fragility, low trust and polarization can weaken governments' capacity to sustain reforms, raising the probability of abrupt policy shifts, enforcement selectivity, or delayed approvals.

Supply-chain and infrastructure risk is no longer peripheral: climate impacts can disrupt hydropower, water availability, and transport corridors, while canal constraints can force expensive routing adjustments and longer lead times that hit inventory strategy and contract performance. For investors, the opportunity set (nearshoring, energy transition minerals, logistics, renewables) is real, but is tightly conditioned on governance quality, local security dynamics, and the ability to manage geopolitical exposure tied to U.S.–China competition

### **What to monitor**

To effectively navigate this complex environment, the following indicators should be continuously monitored for signs of escalation or change:

- Trajectories of organized crime influence (port/transport control, illegal mining expansion, cartel fragmentation, prison governance) and associated homicide/extortion trends.
- Institutional trust and legitimacy indicators, including executive–judicial tensions and signals of institutional co-optation or weakening of checks and balances.
- Election cycles and polarization markers (major reform pushbacks, contested results narratives, sustained protest waves, executive–legislative deadlock).
- U.S. policy posture toward the region (sanctions, tariffs, security cooperation, migration enforcement) and second-order effects on Mexico/Central America/Caribbean corridors.
- Spillover effects of Maduro's arrest in Venezuela and the Region.
- U.S.–China competition spillovers (port/infrastructure deals, technology restrictions, financing shifts, strategic asset scrutiny).
- Panama Canal operating constraints and water-stress signals (transit caps, draft limits, queue times) as leading indicators for global shipping disruption.
- Escalation indicators in Venezuela–Guyana (legal moves around the ICJ process, military deployments, election-related moves in/around Essequibo).

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