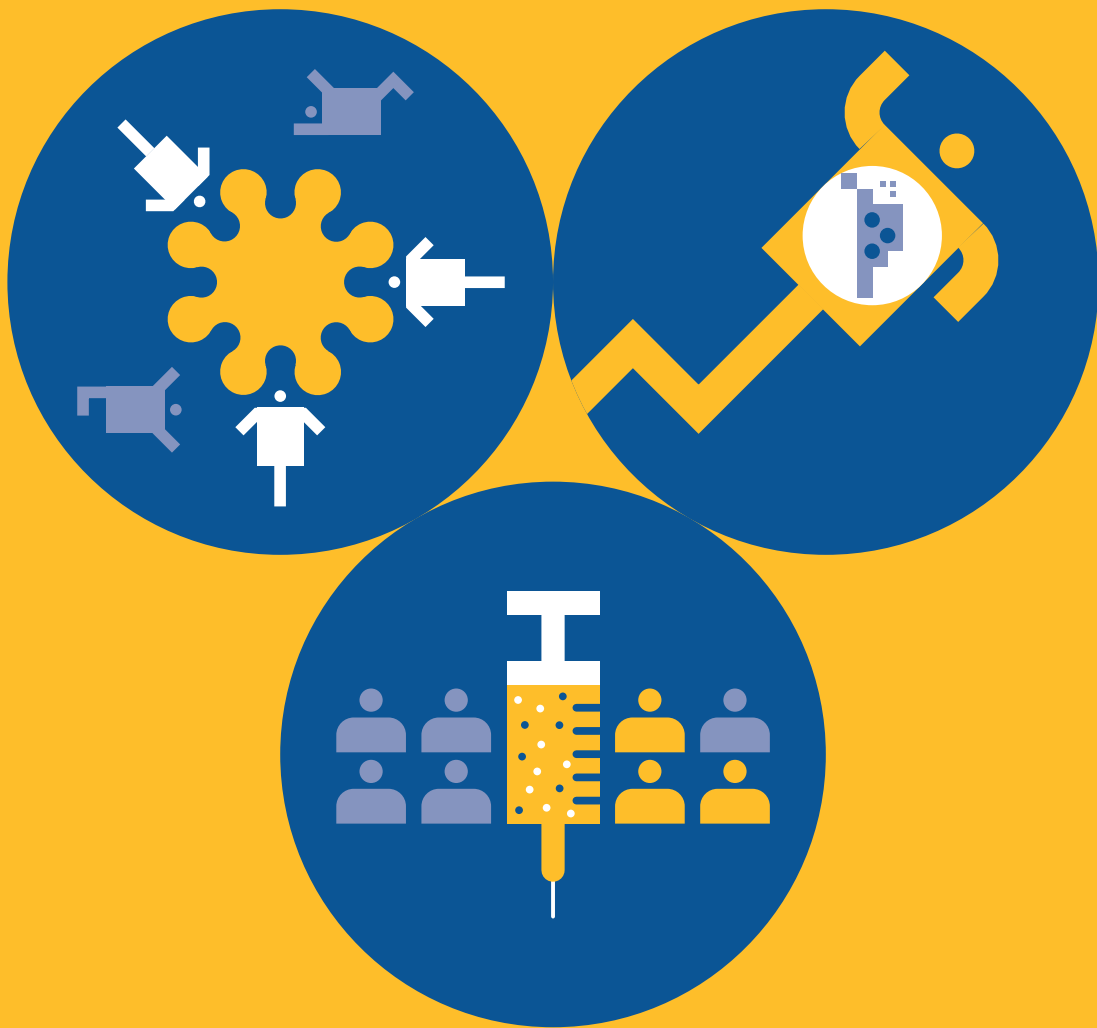


# 2025 Post-COVID Scenarios

## Latin America and the Caribbean



By **Pepe Zhang and Peter Engelke**  
With **Sara Van Velkinburgh**

 **Atlantic Council****ADRIENNE ARSHT  
LATIN AMERICA CENTER**

The Adrienne Arsht Latin America Center broadens understanding of regional transformations through high-impact work that shapes the conversation among policy makers, the business community, and civil society. The Center focuses on Latin America's strategic role in a global context with a priority on pressing political, economic, and social issues that will define the trajectory of the region now and in the years ahead. Select lines of programming include: COVID-19 and post-COVID Latin America; Venezuela's crisis; Mexico-US and global ties; China in Latin America; Colombia's future; a changing Brazil; Central America's trajectory; Caribbean development; commercial-pattern shifts; energy resources; and disinformation. Jason Marczak serves as center director.

 **Atlantic Council****SCOWCROFT CENTER  
FOR STRATEGY AND SECURITY**

The Scowcroft Center for Strategy and Security works to develop sustainable, nonpartisan strategies to address the most important security challenges facing the United States and its allies and partners. The Center honors the legacy of service of General Brent Scowcroft and embodies his ethos of nonpartisan commitment to the cause of security, support for US leadership in cooperation with allies and partners, and dedication to the mentorship of the next generation of leaders.

This report is written and published in accordance with the Atlantic Council Policy on Intellectual Independence. The authors are solely responsible for its analysis and recommendations. The Atlantic Council and its donors do not determine, nor do they necessarily endorse or advocate for, any of this issue brief's conclusions.

Atlantic Council  
1030 15th Street NW, 12th Floor  
Washington, DC 20005

For more information, please visit  
[www.AtlanticCouncil.org](http://www.AtlanticCouncil.org).

Cover and interior art for scenario graphics by Peter Grundy.

**ISBN-978-1-61977-170-3**

April 2021

**LAC 2025**  
**Three Post-COVID**  
**Scenarios**

## **ACKNOWLEDGEMENTS**

Combating the devastating health and socio-economic consequences of COVID-19 requires unprecedented actions and outside-the-box thinking from policy makers, private sector leaders, and relevant stakeholders. In this context, the Atlantic Council is providing timelier-than-ever insights and forward-looking analysis to support a global recovery, leveraging our thought leadership and high-impact partnerships. As part of this broader effort, this scenario-based foresight report aims to help the Latin America and Caribbean (LAC) region navigate the uncertainties, opportunities, and challenges ahead.

This report is a collaborative undertaking with the Inter-American Development Bank (IDB). We would like to thank our colleagues at the IDB for supporting this project and for providing inputs which were developed into the scenarios and served as the basis for this paper. We are especially grateful to Alexandre Rosa, Francesca Castellani, Lourdes Gallardo, and Eugenia Valdez for their valuable insights and guidance throughout the project. We also acknowledge the methodological contributions of NormannPartners.

We thank the many LAC and global stakeholders and experts who dedicated their time to provide thoughtful feedback through private roundtable discussions: Adrián García Aranyos, Otaviano Canuto, James Fitzgerald, Jorge Heine, Margaret Jackson, Greg Lindsay, Angel Melguizo, David Metzner, Emily Munro, Miguel Noyola, Francisco Palmieri, Andrés García Peláez, Vinicius Pinheiro, Jaana Remes, Paul Saffo, and Cynthia Sanborn . A special thanks to Mathew Burrows, María Eugenia Brizuela de Ávila, and Bosco Martí, who conducted in-depth reviews of report drafts.

Finally, we would like to thank Adrienne Arsht Latin America Center Director Jason Marczak for his leadership and guidance, our contributing author Sara Van Velkinburgh for her excellent research and writing support, and our colleague Eva Lardizábal for her research and coordination support.

### **PEPE ZHANG**

Associate Director  
Adrienne Arsht Latin America Center  
Atlantic Council

### **PETER ENGELKE**

Deputy Director and Senior Fellow  
Scowcroft Center for Strategy and Security  
Atlantic Council

# Table of Contents

<b>Executive Summary</b>	<b>2</b>
<b>I. Preface</b>	<b>3</b>
<b>II. Key Uncertainties for a Post-COVID Latin America and the Caribbean</b>	<b>5</b>
<b>III. The Scenarios</b>	<b>11</b>
<b>IV. Beyond The Scenarios</b>	<b>20</b>
<b>V. Appendices</b>	<b>23</b>
<b>VI. About the Authors</b>	<b>28</b>

# Executive Summary

**W**ith vaccine rollouts underway, the world finally has an opportunity to look beyond COVID-19 and to plan meaningfully into the future. Nevertheless, uncertainties abound, and new shocks may continue to arise, potentially bringing about social, economic, health, political and other consequences. As a region, Latin America and the Caribbean (LAC) is vulnerable to these uncertainties and shocks, due to preexisting weaknesses such as underinvestment in public health and healthcare, inequality, high labor informality, low productivity, and weak democratic governance. Indeed, these structural weaknesses made LAC among the worst coronavirus-affected regions in human and socioeconomic terms.

Going forward, the region's leaders must address the risks and opportunities that will shape the post-COVID future. Which key uncertainties will drive the region forward in the coming years, for better or worse? What are the major opportunities and risks facing governments, the private sector, and citizens, and to what extent can they effectively anticipate and navigate them?

This report provides an outside-the-box framework to help unpack these questions and to challenge static assumptions about today's rapidly changing world. Building upon a robust scenario-planning exercise involving eighty-plus experts, the report identifies three main drivers of change—labeled as the dominant configuring factors (DCFs)—that will shape the region's post-COVID-19 future:

- 1. Health Outcomes:** Different epidemiological and vaccine outcomes and their impact on lives and livelihoods, e.g., herd immunity through widespread vaccination versus viral mutations rendering vaccines ineffective; and structural deficits in public health access and administration;
- 2. Societal Agency:** The degree and direction of citizen agency within society; citizens' relationships with the state; citizens' desires and ability to shape consequential changes, e.g., an active and engaging civil society versus a subdued and disinterested one;
- 3. LAC in the Global Landscape:** The impact of global forces, particularly the bilateral US-China relationship, on LAC and its position in the world, e.g., LAC countries feeling "forced" to choose sides between the United States and China versus maintaining relative neutrality and autonomy; or stronger integration with the United States as the Biden administration doubles down on engagement with hemispheric partners.

The evolution and interplay of these three DCFs could play out in many different ways. This report highlights three plausible future scenarios assessing how LAC's post-COVID future could unfold out to 2025. These three alternative scenarios and their underlying analytical process aim to provide readers with useful and contrasting vantage points to reflect on the pathways available to shape the future. The hope is that the scenarios will

inform LAC's policy makers and other relevant stakeholders and help guide their decision-making (see checklist for policymakers in Appendix 2). The three scenarios are:

- 1. Scenario A: COVID's Lasting Toll.** Widespread vaccination eventually ended the pandemic, allowing the region to recover by 2025. However, COVID-19 had taken a considerable toll in terms of public and economic health, with lasting consequences. Democratic governance and government capacity eroded in some parts of the region because of growing violence and crime. Societal activism became increasingly frustrated by governments employing pandemic-justified surveillance and digital technologies, and civil society became discouraged by various less-than-successful mobilizations. Internationally, competitive dynamics drove both the United States and China to actively engage the region through 2025, although most countries remained neutral and refused to publicly side with one country or another.
- 2. Scenario B: Regionalisms on the Rise.** Two types of LAC regionalism emerged. Internationally distracted and domestically focused, China and the United States engaged in a kind of benevolent neglect, in which LAC regionalism—growing collaboration and integration among LAC countries—flourished. At the national level, as central governments struggled with the pandemic response, more agile local authorities had more success in coping with COVID-19 management and recovery. This provided the impetus for another form of regionalism—in a subnational context—characterized by the rise of city/state leadership within the region, and cooperation among these subnational actors across national boundaries. In parallel, innovative solutions and partnerships from/with business leaders and societal representatives—initially born out of necessity due to fiscal frugality—yielded positive results and invited emulation across the region. This led to a more engaged civil society and a private sector that doubled down on "stakeholder capitalism," paving the way for a green recovery, especially in climate-affected areas.
- 3. Scenario C: The Great Divide.** As continuous viral mutations dashed hopes of long-lasting herd immunity, COVID-19 morphed into a rolling pandemic that weighed differently on populations and countries across the region, often causing divergent outcomes. LAC's preexisting multidimensional inequalities—by gender, socioeconomic status, age, geography, race and ethnicity, digital access, and others—were amplified by COVID-19. Access to effective vaccines and treatments (while temporary) became itself a new form of inequality, favoring commercial and political elites and causing further societal polarization. Domestic and regional economic recovery remained elusive and uneven. Internationally, a North-South divide took hold within LAC on the back of varied commercial and political needs: Mexico, Central America, and the Caribbean came to align and integrate more closely with the United States, whereas much of South America developed stronger and complementary ties with China.

# I. Preface

**A**lthough the world and Latin America and the Caribbean (LAC) remain under the pandemic's grip, some countries should begin to emerge stronger than others during 2021-2022. Amid continued uncertainties ranging from health to the economy, each country's success over the next few years will depend on its ability to anticipate, navigate, respond, and rapidly adapt to a changing context. Government policies, business decisions, and citizen activity all will shape society in the coming years. The region will need sound policy making, private sector dynamism, and citizen engagement to jump-start a more sustainable and inclusive recovery.

Policy makers, the private sector, and other actors face an opportunity to address this crisis from a strategic, long-term perspective. This report is intended to help stakeholders assess several major sources of uncertainty that will shape LAC's post-COVID future through 2025. Given these uncertainties, this report presents some plausible scenarios that might unfold over the next four years, and provides a framework for (re)thinking LAC's future using these scenarios and their underlying drivers of change. The scenarios are neither forecasts nor the "most likely" futures; they are not the "best" or "worst" futures, but alternative, plausible stories of how a future for LAC could unfold.

For most world regions, the central challenge is defined as the swift return to a prepandemic normal or embrace of opportunities in a new normal. For LAC, the former will not be enough. For several significant reasons, the region needs to improve upon the conditions that existed in early 2020. The pandemic not only exposed the region's structural vulnerabilities but became a significant stressor with medium- and long-term impacts. While each country is unique, many overarching challenges are shared across the region.

Before the pandemic began, LAC's overall economic performance was the worst of any world region, measuring a measly 0.1 percent growth in gross domestic product (GDP) during 2019. Between 2013 and 2019, LAC's GDP growth averaged an underwhelming 0.8 percent.<sup>1</sup> Although this poor performance came after a lengthy period of more robust growth, with a rising middle class and the lifting of millions out of poverty, the region never has been able to place itself on equitable economic and social footing and achieve a sustained convergence to more developed countries. The region is the world's most unequal, with a large divide in access to public and private goods, ranging from economic and educational opportunities to healthcare provision and a clean and safe environment. This has been exacerbated by pervasive high levels of labor informality. LAC also has exhibited chronic or structural low private investment (16 percent of GDP) compared with other regions, affecting productivity, innovation, and formal job creation.<sup>2</sup>

To this list of economic challenges must be added political obstacles that threaten the now decades-long evolution toward more robust democratic governance in many countries. While the pandemic led to temporary improvement in popular support for national leaders in parts of the region, as the crisis has progressed citizens have become increasingly dissatisfied with the status quo. The ensuing government and societal responses vary greatly from country to country, with some authorities using the pandemic as an opportunity to expand their power and control. Alarming, COVID-19 has increased political polarization among certain population groups and countries, rather than uniting them under a common cause.<sup>3</sup> This trend compounds an underlying discontent that had found expression in popular protests in 2019.<sup>4</sup>

Added to all these pressures are other preexisting challenges facing LAC, not least of which is the threat of a rapidly changing climate, which motivated 7,000 Honduran migrants to make the perilous journey to the United States after two major hurricanes in 2020. Even absent climate disasters, hundreds of thousands of people migrate each year due to wide economic disparities in the region, creating a substantial drain on the human capital of certain countries and fueling the growth of increasingly sophisticated smuggling networks that themselves present governance challenges to countries along the smuggling pathways. In addition, an unsettled global economic and geopolitical context will have critical repercussions for LAC's development through 2025, especially in the trade and investment arena. In particular, the fraught bilateral relationship between the United States and China—the world's two largest economies and trading nations—will have outsized consequences for the region's economic growth in the years to come.

On the bright side, however, there are some opportunities to reset conditions in the region, several of which represent the flip side of the challenges. For example, although the pandemic created new societal pressures, in some cases it also created space for renewed commitment from civil society and the general public for political and other reforms, notably through online activism. Although digital transformation accelerated during the pandemic, altering entire industries and requiring sometimes wrenching labor-market adjustments, this transformation also represents an opportunity for some firms and workers to build resilience and thrive.<sup>5</sup> Accelerated digitalization, artificial intelligence-enhanced operations, and other technology-driven economic changes already are sources of new industries and employment.

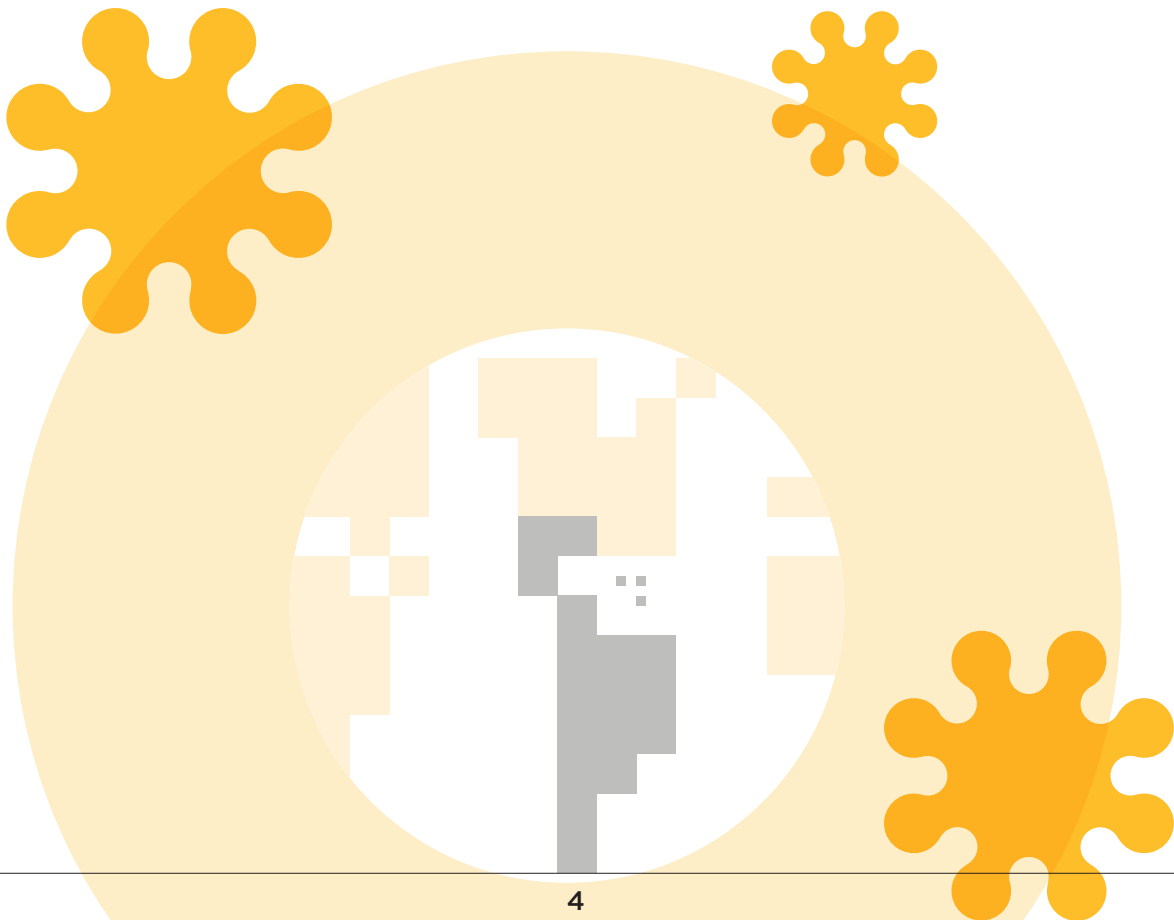
In addition, while the pandemic caused an initial global trade collapse, it also could deepen regional integration and expand reshoring/nearshoring gains as companies bring activities back to or near consumer markets, reinforcing the prepandemic reconfiguration of global value chains.<sup>6</sup> In the case of the Caribbean countries, developing a regional

economy for essential items, such as foodstuffs and medical supplies, could create new economic opportunities and enhance the subregion's economic resilience.<sup>7</sup> Opportunities in these and other areas can provide much-needed momentum to help jump-start a private-sector-led recovery, in the context of strained public finances. Translating the potential dividend of these opportunities into long-lasting economic growth calls for the following: higher levels of investment and innovation; more efficient, effective, and transparent institutions; and policy reforms to foster a thriving environment for private initiatives and quality citizen-centered public service delivery, with a view to help reactivate the productive sector, promote job creation, and mitigate the socioeconomic reversal caused by the crisis.

The following pages aim to provide a contextual framework for unpacking these issues. Section II presents an analysis of three fundamental drivers of change for the LAC region: public health outcomes, societal agency, and global forces (with the US-China bilateral relationship at its center). Section III offers three fictional yet plausible stories (scenarios) for the LAC region through 2025. Section IV suggests ways in which the reader can use the report as a tool for post-COVID thinking and planning.

This strategic foresight exercise is designed to explore, through the creation of alternative scenarios, ways in which key factors and uncertainties might evolve, interact, and shape LAC's post-COVID future. It provides food for thought for relevant stakeholders, particularly policy makers, to help enhance forward-thinking and proactive planning. While the report focuses mainly on broad regional issues, it recognizes the importance of distinct subregional and national dynamics. A country-specific deep dive is needed to fully explore the specificities in each case.

This report is based upon a research process initiated at the Inter-American Development Bank (IDB) and then joined by the Atlantic Council. The IDB conducted an extensive internal exercise that (a) identified core drivers of change that might significantly affect the region's trajectory during and after the pandemic and (b) enabled the development of three initial draft scenarios for the region out to 2025. The Atlantic Council and the IDB together subsequently delved deeper into the drivers and detailed the scenarios that are offered in Sections II and III of this paper. NormannPartners provided support throughout the whole process. A fuller description of this process is contained in Appendix 1.





## II. Key Uncertainties for a Post-COVID Latin America and the Caribbean

### SETTING THE STAGE

Since early 2020, COVID-19 has taken a colossal human and socioeconomic toll around the world. As of March 25, 2021, the pandemic has caused 125 million infections and 2.7 million fatalities.<sup>8</sup> The International Monetary Fund's (IMF) most recent analysis estimates that COVID-19 caused a 3.5 percent global economic contraction during 2020 and forced ninety million people into extreme poverty (defined by the IMF as incomes less than \$1.90 per day).<sup>9</sup> Even as economies begin to return to normal, the lingering effects of the virus and lockdowns may discourage economic activities that require in-person proximity. This could have a 10 percent impact on output, creating at least temporarily a “90 percent economy” wherein certain categories of employment remain severely diminished or even eliminated after the end of the pandemic.<sup>10</sup> For the global economy as a whole, the IMF forecasts a “long, uneven, and uncertain [postpandemic] ascent” by the end of 2025 and a cumulative \$28 trillion loss in global output compared to the prepandemic trajectory.<sup>11</sup>

Against this global backdrop, the LAC region stands out as among the hardest hit in terms of both COVID-19 cases and economic impact. Although the region represents just 8 percent of the global population, LAC consistently represents nearly 20 percent of the world's COVID-19 cases and one-third of fatalities.<sup>12</sup> Additionally, the region has repeatedly recorded some of the worst COVID-19 mortality figures, whether measured in absolute terms, observed case-mortality ratio, or deaths per 100,000 persons.<sup>13</sup> In economic terms, the region is expected to have suffered an economic contraction of 7 percent, the deepest contraction experienced among emerging markets (for comparison, sub-Saharan Africa's economy is expected to have suffered an economic contraction of 7 percent, the deepest contraction in 2020 experienced among emerging markets (for comparison, sub-Saharan Africa's economy is estimated to have contracted 1.9 percent while the Middle East/Central Asia's economy contracted 2.9 percent).<sup>14</sup>

LAC's labor markets also have suffered considerably due to the pandemic, especially in comparison to other areas of the world. The International Labour Organization (ILO) estimated a loss of thirty-five million jobs or a 16.2 percent year-to-year loss in total-working hours, nearly double the global average of 8.8 percent.<sup>15</sup> This is attributable in part to the fact that many LAC countries, despite great heterogeneity, derive much employment in the informal economy and sectors that are not geared to working from home, which are among the worst-hit by the coronavirus.

Tightening labor conditions likely will weigh on regional

growth in coming years. Even before the pandemic, employment expansion—which accounted for roughly 80 percent of LAC's growth between 2000 and 2015—was already expected to diminish, potentially making LAC's GDP growth 40 percent weaker between 2015 and 2030.<sup>16</sup> With COVID-19 dampening job creation, other growth drivers such as productivity gains must rise to the challenge and fill in the gap. Improving educational outcomes, investing in infrastructure and research and development (R&D), strengthening institutions, competition policies, and the business climate will be key to fostering productivity growth.

Moreover, effective mobilization of private-sector investment could lead to additional productivity improvements. On average, total investment as a percentage of GDP continues to remain lower in LAC countries than the global average (16 percent compared to 26 percent) and much less than their Asian peers.<sup>17</sup> LAC also has fallen behind other regions in investing in robust innovation ecosystems that are fundamental for value-added transformation.<sup>18</sup> In sum, the region's current economic structure has left it highly vulnerable to shocks, including those stemming from the COVID-19 crisis. These challenges are further compounded by the region's high vulnerability to climate change; the region is the second most disaster-prone region in the world.<sup>19</sup>

As is true nearly everywhere, the pandemic has increased debt levels significantly within the region, albeit with widely varying levels and types of indebtedness. As of January 2021, 63 percent of the IMF's COVID-19 response lending was allocated to LAC countries.<sup>20</sup> The IMF projected that the average debt-to-GDP ratio within the region would rise from 70 percent in 2019 to 78.7 percent in 2020 and only decrease slightly to 75.4 by 2021.<sup>21</sup> Private-sector debt has increased, potentially amplifying financial risks associated with insolvency, rollovers, and currency mismatch.<sup>22</sup> As balance sheets deteriorate globally and in Latin America, the corporate and banking sectors could face another stress test with a lurking credit crunch, which also disproportionately and regressively affects household and small-firm borrowers.<sup>23</sup> The bulk of the region's debt accumulation is through private markets rather than public-sector creditors such as international development banks and sovereign governments. As a result, debt restructuring might be complex.<sup>24</sup>

Economic and health concerns fuel into and are compounded by other sources of prepandemic societal discontent, such as human insecurity and crime, corruption, multidimensional socioeconomic inequality, insufficient provision of public goods and services, and environmental degradation. Even before the pandemic struck, heightened sociopolitical

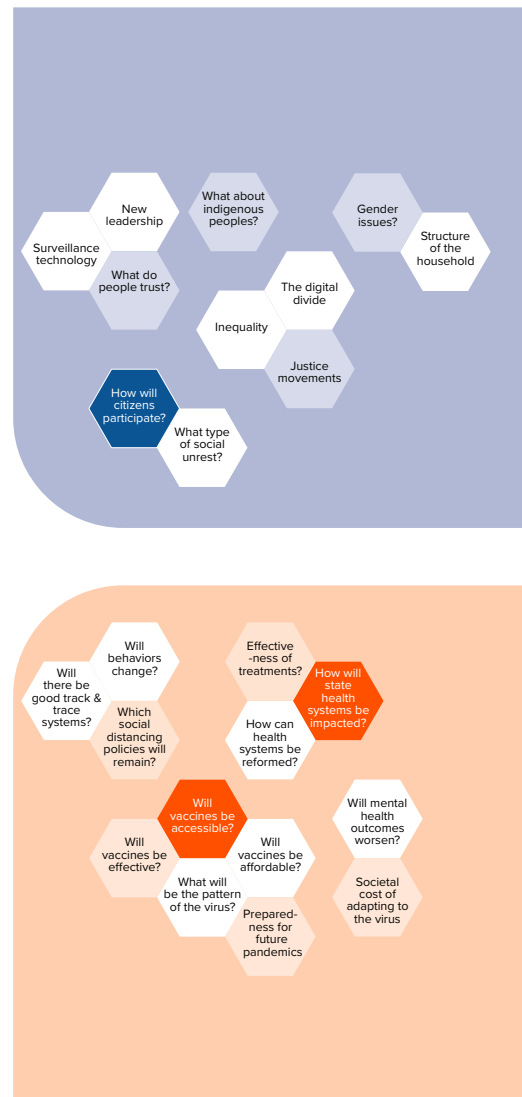
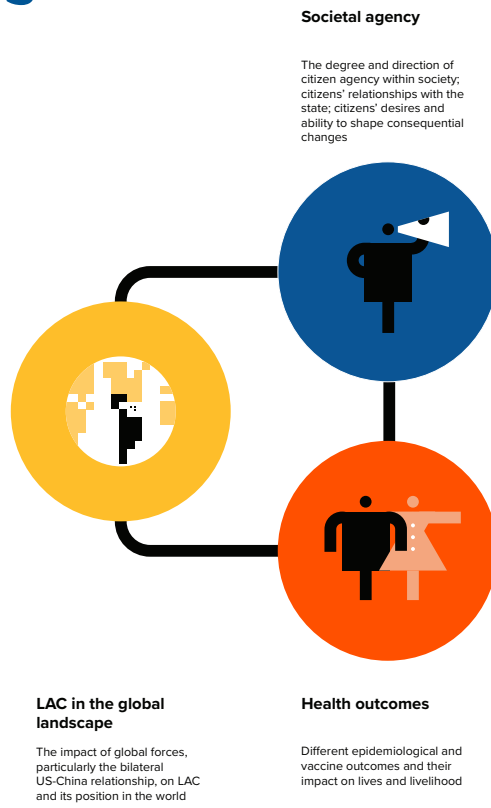
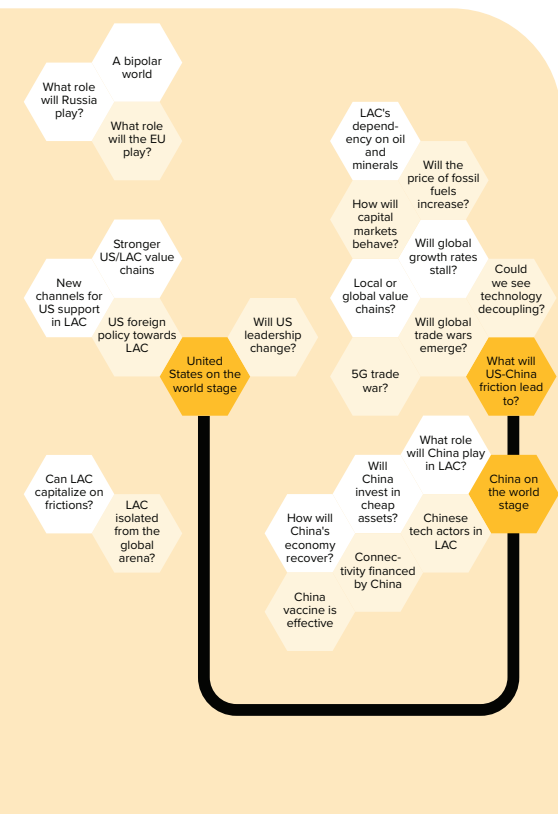
volatility caused protests across LAC. In several cases, political polarization and the rise of populism were already well underway, with divergent implications for elections, institutions, and the rule of law. As the region looks beyond the pandemic, it will need to keep in mind that forty-four million of its inhabitants could fall below the poverty line and fifty-two million could be pushed out of the middle class. These outcomes would reverse much of the hard-fought socioeconomic progress made in LAC from 2000 to 2018, and could have long-term implications for the political stability of the region.<sup>25</sup> According to a new study from the IMF, the risk of riots and antigovernment protests increases over time, following an epidemic, as does the risk of a major government crisis.<sup>26</sup> If history is any guide, unrest could reemerge as the pandemic subsides, especially in a region where the crisis is expected to worsen existing inequality.

## DOMINANT CONFIGURING FACTORS

Following a robust research and consultation process during the summer and fall of 2020 (which is described in Appendix I), the IDB identified a set of three key driving factors—labeled dominant configuring factors (DCF)—from a large set of global forces and uncertainties, as being particularly relevant for shaping regional outcomes over the next several years: (a) public health outcomes; (b) societal agency; and (c) LAC in the global landscape (see Figure 1).<sup>27</sup> Key developments and trends within and across these three DCFs will be significant in determining LAC’s post-COVID future and informing and influencing regional policy and strategy discussions.

FIGURE 1

# The three dominant configuring factors



Source: NormannPartners in collaboration with IDB. See a fuller description in Appendix 1.

This figure was designed and adapted from an early version of the diagram (Figure 6 in Appendix 1), which was produced by NormannPartners in collaboration with IDB.

## A. HEALTH OUTCOMES

In 2020, unprecedented global R&D efforts and collaboration produced a race for COVID-19 vaccines, with multiple forerunners showing satisfactory efficacy and being rolled out by year-end. As of March 26, 2021, thirteen vaccines had been approved by national health authorities around the world for limited or full use, including six currently being administered in LAC.<sup>28</sup> While the vaccines' efficacies now appear to be high, other uncertainties remain, e.g., side effects, duration of immunity, and protection against current and future viral mutations. The unfolding of these uncertainties—over time and through additional trials—will directly alter health outcomes in the coming years. Whether the vaccines and therapeutic drugs can succeed in widespread containment of the disease will have an outsized impact on all post-COVID scenarios for the region and the world.

Regardless of vaccine properties and efficacies, a significant hurdle involves rapid, efficient, and equitable immunization at scale within the region, especially among rural, poor, and other underserved communities. This could lead to potentially divergent outcomes both within and across countries. As seen in the initial stages of vaccine rollouts, even advanced economies could experience hiccups in production ramp-up and delivery.<sup>29</sup> Vaccine hesitancy (referring to people delaying or refusing vaccination despite its availability) poses an additional challenge, accentuated by the lack of informational transparency and the politicization of vaccines (e.g., Chinese/Russian versus Western vaccines) in numerous LAC countries. A holistic plan for vaccine acquisition, distribution, and readiness will help to mitigate logistical and storage bottlenecks—for example, related to cold storage chains—as well as other obstacles such as vaccine hesitancy and medical personnel shortage.<sup>30</sup>

In the absence of adequate planning and deployment, delayed and uneven access to vaccines will hamper the pace and resilience of LAC's economic recovery. This will weigh especially on demand-intensive sectors such as tourism, which is an important source of individual, corporate, and government revenues—particularly in Caribbean countries—but which has collapsed during the pandemic. Corruption may lead to additional inequity and inefficiency in vaccine distribution. On the social front, the pandemic has once again laid bare the region's challenges and vulnerabilities on inequality. COVID-19 struck an already highly stratified region that long has suffered from some of the world's largest gaps in rich-versus-poor access to education, healthcare, and other public goods.<sup>31</sup>

On the one hand, the pandemic represents a chance to reset how the region treats its disparities. On the other, there is a real risk that vaccine access will exacerbate LAC's multi-dimensional inequalities—economic, gender-based, and rural versus urban—and that outcome could fuel migration. Numerous reports have found that the pandemic has had an unequal impact on women, informal workers, and indigenous and rural communities.

Further, COVID-19's unequal impacts speak to structural deficits in the region's healthcare systems. Even beyond the

inequality of access, the region's long-standing underinvestment in healthcare has left it ill prepared for this pandemic. LAC countries score poorly compared with the Organisation for Economic Co-operation and Development (OECD) average, spending 6.6 percent of GDP on healthcare versus the OECD average of 8.8 percent.<sup>32</sup> They typically have less than half the number of hospital beds per capita than the OECD average (2.1 versus 4.7 beds per one thousand people), fewer than half the number of doctors and one-third the number of nurses per capita (two versus 3.5 doctors per thousand people; three versus nine nurses per one thousand people), and a higher share of out-of-pocket health expenditures (a 34 percent spending share on average in LAC versus the OECD average of 21 percent).<sup>33</sup>

After the pandemic, the region—like the rest of the world—could see an increase in diagnoses of non-COVID-19 conditions, the result of a backlog of missed or delayed appointments during the pandemic. This eventuality should pose yet another healthcare stress test for the region, which is particularly vulnerable to cardiovascular diseases, cancer, diabetes, and other diseases given the high incidence of overweight and obese people plus the region's other risk factors for noncommunicable diseases.<sup>34</sup> Likewise, mental health could become another source of “non-COVID” health concerns, as the region fully fathoms the psychological impact of the pandemic, its economic spillovers, and the recurring and extended lockdowns (in attempts to slow the spread of the virus, LAC countries implemented some of the world's longest and strictest lockdowns in 2020, drastically altering the daily lives of millions). Chronic underinvestment in mental healthcare services leaves the region ill prepared to address such a widespread challenge, which also poses a threat to the region's productivity as citizens struggle to cope with the pandemic's multiple emotional and physiological stresses.

## B. SOCIETAL AGENCY

COVID-19 has magnified preexisting fault lines in societies around the world. The unequal impacts of the evolution of the outbreak on employment and livelihoods, the repeated quarantine and ongoing behavioral mandates (social distancing, etc.), the social media-driven misinformation about the pandemic and official responses to it, all combined with existing frustrations about good governance, have added new sources of turbulence to an already uncertain societal dynamic in many countries. Many of these potential causes of social disillusionment and division are well documented in the World Economic Forum's Global Risks Report 2021.<sup>35</sup>

Although some democratic governments, for example in the Asia-Pacific region (e.g., South Korea, New Zealand), have performed well at containing the virus and therefore have kept discontent muted, others have suffered to varying degrees from high levels of public dissatisfaction at the lack of progress. In LAC, some governments experienced initial increases in popularity at the onset of the pandemic. Now, as the crisis drags on and citizens struggle to manage its economic and health impacts, many leaders' approval ratings are falling.<sup>36</sup>

Far worse is the apparent backsliding of democratic governance in many countries during the COVID-19 crisis. An October 2020 Freedom House report found that democracy and human rights have retreated in eighty countries since the onset of the pandemic, including twelve in LAC. Particularly in weaker democracies and under already repressive regimes, the report uncovered abuses that were catalyzed by the pandemic including: the overstepping of officials' legal authority (e.g., to grant themselves special emergency powers to interfere in judicial systems); greatly expanded citizen surveillance

capabilities; discriminatory measures targeted at marginalized groups (such as refugees and minorities); severe news media restrictions; denial of access to official public health data; and interference in elections.<sup>37</sup>

Uncertainties about state and society are pronounced in LAC. Prior to 2020, anemic growth rates were exacerbated by social unrest in several countries. While governments increased public spending by an average of 6 percent of GDP over the last two decades, these increases only led to limited improvements in the quantity and quality of services that the

## BOX 1

## Inequalities in LAC

The multiple forms of legacy inequalities in the region (affecting residents by geography, socioeconomic status, gender, race and ethnicity, and other factors) have worsened during COVID-19.<sup>a</sup> This is particularly true for women, persons with disabilities, migrants, indigenous people, those of African descent, LGBTQ+ individuals, and other marginalized groups as they already had lower rates of labor force participation and formality than the rest of the population. Women are particularly affected, as they predominate the most deeply affected sectors including the retail sector, which employs an estimated 21.9 percent of LAC working women, and the hotel and restaurant industries.<sup>b</sup> In addition, new forms of inequality, including digital, climate, and migration, have emerged. For instance, the five hundred thousand or more economic and climate migrants from Central America and more than five million Venezuelans who have left their country in the largest regional migration in recent history will face even greater hardship during and after COVID-19.<sup>c</sup> There also is the prospect for increasing migratory flows as recovery and vaccine availability vary across the region.

Digital technologies, which the pandemic has shown are critical tools for participation in the economy, in theory should enable convergence of economic opportunity and contribute to upward social mobility. The reality, however, is quite different in LAC. The pandemic is expected to increase the educational and professional gaps between rural and urban communities as containment measures force citizens to work and study from home, revealing a geographic digital divide. According to an IDB report, less than 37 percent of rural inhabitants have good connectivity while an average of 71 percent of urban dwellers do.<sup>d</sup> During the pandemic, limited internet penetration has forced de facto school closures in underserved communities.<sup>e</sup> Relatedly, LAC's sizable informal sector—accounting for more than 60 percent of active workers in the region, including many in close-contact professions that cannot be performed in a digital environment—has been among the worst hit.<sup>f</sup>

The digital divide, with its various underlying contributing factors, also illustrates the complex challenge of mitigating any systemic inequality in LAC. Expansion of digital infrastructure to cover the poorest households and institutions, such as schools in low-income neighborhoods, will be a difficult task by itself. Broader and sustained improvements in other complementary areas also will be needed, from formalizing labor markets to improving health coverage and social protection. Doing so within budgetary constraints (worsened by COVID-19) will require meaningful fiscal reforms to boost revenue collection and smart spending.

a Luis Alberto Moreno, "Latin America's Lost Decades."

b Alejandra Mora Mora, COVID-19 en la vida de las mujeres: Razones para reconocer los impactos diferenciados, a Inter-American Commission of Women and the Organization of America States, May 1, 2020, <https://www.oas.org/es/cim/docs/ArgumentarioCOVID19-ES.pdf>.

c Peter J. Meyer and Maureen Taft-Morales, "Central American Migrations: Root Causes and US Policy," Congressional Research Service, updated June 13, 2020, <https://fas.org/spp/crs/row/IF11151.pdf>; and International Organization for Migration, "Profile of Venezuelan Refugees and Migrants in Latin America & the Caribbean Reveals Country-to-Country Variations in their Characteristics and Experiences," press release, August 27, 2020, <https://www.iom.int/news/profile-venezuelan-refugees-and-migrants-latin-america-caribbean-reveals-country-country>.

d "Rural Connectivity in Latin America and the Caribbean—A Bridge to Sustainable Development During a Pandemic," a joint project of IDB, Inter-American Institute for Cooperation on Agriculture, and Microsoft, October 29, 2020, <https://www.iica.int/en/press/events/rural-connectivity-latin-america-and-caribbean-bridge-sustainable-development-during>.

e Ryan Dube, "Bolivia Decision to Cancel School Because of Covid-19 Upsets Parents," Wall Street Journal, August 4, 2020, <https://www.wsj.com/articles/bolivia-decision-to-cancel-school-because-of-covid-19-upsets-parents-11596577822>.

f Antonio David, Samuel Pienknagura, and Jorge Roldos, "Latin America's Informal Economy Dilemma," Diálogo a Fondo, IMF blog, March 12, 2020, [https://blog-dialogoafondo.imf.org/?page\\_id=12943](https://blog-dialogoafondo.imf.org/?page_id=12943).

region's emergent-but-fragile middle class expected.<sup>38</sup> As a result, that middle class took to the streets in 2019-2020 to demand higher-quality service delivery and government responsiveness. As governments struggled to mitigate the pandemic's impact, additional underlying structural weaknesses, including economic inequality (see Box 1) and unsafe or inadequate living conditions, became increasingly apparent. Many of these weaknesses have hamstrung the region's pandemic response and could also derail its post-COVID recovery, potentially setting off a downward spiral in socio-economic development. While protests had subsided early in the pandemic, they returned in the third quarter of 2020 and are likely to continue in the coming years.<sup>39</sup> This time around, governments will have decreased fiscal space to respond to citizens' demands as they direct funds toward servicing public debt.

Limited resources will affect governments' ability to meet their citizens' needs and fight poverty. Absent proactive policy making, the region could face greater social instability than that experienced in 2019 or 2020. Alternatively, however, public frustration could become a constructive force if exercised and channeled effectively, as renewed citizen engagement delivers fresh momentum for meaningful socioeconomic improvements. A key driver of uncertainty for the region's postpandemic future will be the participation and actions of its citizens in forging answers to the list of challenges in the preceding paragraphs. The degree and direction of citizen activism (i.e., societal agency) will do much to determine whether LAC could transform the pandemic into an inflection point toward positive structural changes at all levels of government (local to national).

There are encouraging signs. In parts of LAC, competent local authorities have adroitly secured and deployed the emergency resources and responsibilities that came about during the pandemic, propelling new thinking and possibly new leaders to national preeminence. Digital engagement, while not without its flaws (e.g., the spread of misinformation), has given voice to a broader group of previously underrepresented constituents. This includes a generation of increasingly politically active youth, conscious of climate and technological risks and concerned with the "ni-ni" challenges (of youth who are not in school and not in work) widening with the pandemic.<sup>40</sup> An active civil society will have the opportunity to make its voice heard through twenty-four general elections in LAC between 2021 and 2025 (with five in 2021).<sup>41</sup> Citizen participation alone cannot achieve these ambitious transformations; governments, business and civil-society leaders, and the international community also have a role to play. Creating consensus around a more inclusive growth model and social contract across these groups will be necessary not only for moving the needle on major reforms in LAC nations, but also for restoring citizens' trust in their government. Failure to do so risks eroding confidence in democracy and institutions in parts of LAC, and could aggravate democratic backsliding, systemic corruption, and political polarization.<sup>42</sup> The private sector, where a management theory of stakeholder capitalism (as opposed to a strict focus on shareholders) is gaining currency, could be an important ally in this

whole-of-society effort.<sup>43</sup> A growing number of responsible companies are including environmental, social, and governance (ESG) considerations or United Nations (UN) Sustainable Development Goals (SDGs) in their business planning and operations.

### C. LAC IN THE GLOBAL LANDSCAPE: THE US-CHINA RELATIONSHIP

The international context is a crucial factor, with multiple types of external influence capable of shaping the region's current and post-COVID trajectory. An incomplete list of such external factors and megatrends includes: the increasingly severe impacts of a changing climate; the future of global, regional, and bilateral trade and investment regimes (an example here is the Amazon deforestation controversy that is holding up the trade agreement between the European Union (EU) and Mercosur, the South American trade bloc); the evolution of technological change and its locational and sectoral effects (e.g., on the geography of manufacturing, lengthening or shortening of global supply chains, 5G impacts on digital and physical economies); global commodity prices such as oil, gas, and foodstuffs (as many Andean and Southern Cone countries are major commodities exporters, the globally driven prices of many commodities have significant economic impacts on the region); and increasingly severe geopolitical fissures that lurk behind many of these challenges (with major global players including the United States, China, Russia, India, and the EU).<sup>44</sup>

Each of the above external drivers may have important ramifications for the region. Yet the primary extraregional driver and chief uncertainty for LAC's postpandemic future is its relationship with the world's two largest economies and trading nations: the United States and China. LAC's relationship with both, in turn, will be influenced by the evolution of the bilateral US-China relationship in the coming years. Developments within the United States and China also will play a role, for example through strategic decisions made by political leadership surrounding the bilateral relationship and the relationship with LAC, as well as the pace and extent of economic recovery in both countries, which will drive economic performance elsewhere in the world. Indeed, a 2020 World Bank report identified growth rates in China and the Group of Seven economies (including the United States) as two of the top external shocks for LAC.<sup>45</sup>

Relations between the United States and China had been stable for decades, until the past four years, which brought about a sea change characterized by heightened tensions and multisector strategic rivalry.<sup>46</sup> Whether principled pragmatism or broad-brush antagonism will dominate the bilateral relationship in the years ahead could lead to divergent outcomes, from further disintegration to a state of manageable coexistence.<sup>47</sup> The uncertain contours of the US-China relations will have global, multilateral, and regional ramifications, ranging from trade and investment patterns with LAC to the shape of technological innovation and implementation. The current state of the relationship is best demonstrated by the number of tech-related disagreements. The dispute over the rollout of 5G capabilities around the world is an apt example, with the

United States applying significant pressure on its allies to limit or prevent the use of Chinese 5G technology, principally from Huawei.<sup>48</sup>

On the US side, despite a growing bipartisan agreement regarding China as a top foreign policy priority, much disagreement exists over what exactly US policy toward China should be (within a spectrum of options from engagement to strategic competition to confrontation). On the one hand, “fundamental differences” with China likely will continue, including an unsettled trade relationship and a global race for technological dominance.<sup>49</sup> The Biden administration also is likely to bring other pressure points to bear on China that the Trump administration did not fully exploit, for example human rights and democracy protection in Hong Kong, or a multilateral approach working with European and Asian allies. On the other hand, there remains an opportunity to ratchet down the temperature and moderate bilateral hostility, especially as the Biden administration seeks nuanced and constructive coordination with Chinese counterparts on key global issues such as climate change. Much work remains to be done here. The Biden team also will also likely return to a more predictable and conventional form of diplomacy, including rhetorically, which should help enhance bilateral dialogues.

On the Chinese side, relative success in pandemic management enabled China to become the only major economy to grow rather than contract in 2020, accelerating its ascent to the world’s largest economy.<sup>50</sup> However, China’s capacity to become a more constructive global actor within the multilateral system and via bilateral relationships—with the United States, LAC, and others—should be tested more, not less, in the coming years.<sup>51</sup> China will be expected to hold itself to higher standards and shoulder greater responsibilities in international governance. This, combined with the unfolding of China’s “dual circulation” strategy (referring to China’s recent emphasis on boosting its domestic market in addition to its traditional export orientation), will shape the intensity and priorities of the country’s global engagement during and after COVID-19.<sup>52</sup>

The United States boasts a strong historic and multidimensional relationship with the LAC region spanning across economic, security, cultural, and interpersonal domains. For its part, China has successfully expanded its commercial footprint across LAC, consolidating itself as its second-largest trade partner (only after the United States) as well as a major source of official lending and foreign direct investment (FDI) especially for infrastructure projects.

In recent years, LAC has become subject to the competitive dynamics between the United States and China. However, despite great regional heterogeneity, most countries have publicly opted for a neutral position, demonstrating a willingness to work with both parties in respective areas of interest. In the years ahead, a confluence of exogenous and endogenous factors will determine the impact of US-China relations on the region: (a) to what extent China and the United States will actively engage LAC, as opposed to focusing on domestic issues or other regions; (b) US policy toward Latin America and the Caribbean and US ability to provide feasible alternatives to Chinese investment, technology, goods, and services; (c) whether the United States and China can effectively collaborate on global issues relevant to LAC, e.g., climate change and COVID-19 vaccine rollout; (d) how LAC navigates the regional spillovers of US-China relations, be it positive, such as nearshoring and reshoring opportunities for LAC manufacturers, or negative, e.g., possible unwinding of US-China trade war and its resulting trade-diversion gains for LAC agricultural exporters.

The interplay among these uncertainties could lead to divergent outcomes for LAC, with commercial and geopolitical repercussions and for LAC’s standing on the world stage. While many in the region reject a false dichotomy between the United States and China, the continuation or moderation of external pressure on side-choosing will have implications for governments in the region and their foreign policy priorities. This, in turn, could create secondary effects on LAC regionalism, for example; intraregional integration and collaboration become increasingly desirable and necessary in an uncertain or even difficult international environment.



**The United States boasts a strong historic and multidimensional relationship with the LAC region spanning across economic, security, cultural, and interpersonal domains.**

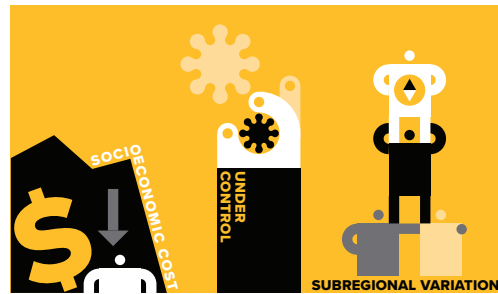
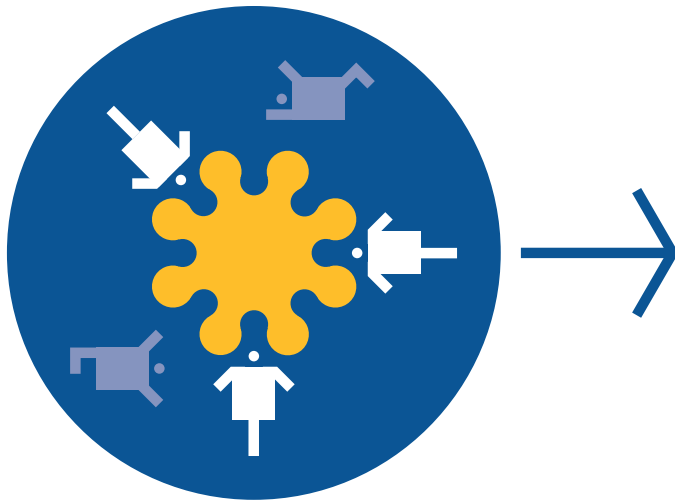
# III. The Scenarios

The three DCFs described above (health, societal agency, and LAC in the global landscape) will be central in shaping LAC's post-COVID future. Numerous plausible scenarios result from the interplay across the DCFs, three of which are outlined in this section: (a) COVID's lasting toll; (b) regionalisms on the rise; and (c) the great divide. Each of the three scenarios was built to provide readers with a useful and contrasting vantage point from which to "look back" at today to challenge predominant perceptions and assumptions, and to reflect on the many pathways and opportunities available.

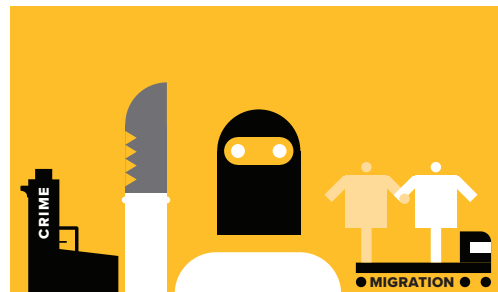
The reader should not engage these fictional scenarios as forecasts, "most likely" futures, or the "best" or "worst" futures, but rather as alternative, plausible stories of how a future for LAC could unfold. While the set of scenarios does not represent the full array of possibilities facing the region out to 2025, the narratives and their underlying analytical process serve to inform and to help policy makers prepare for the future, while navigating old and new uncertainties that will define the post-COVID region.

## SCENARIO A

### COVID's Lasting Toll



**Costly and uneven recovery**  
The pandemic was brought under control but at great socioeconomic costs and with great subregional variation.



**Lasting secondary effects**  
Spillover effects of COVID-19, including crime and migration, continued to threaten developmental and human progress.



**Democratic erosion**  
The COVID-19 pandemic aggravated corruption, eroding civil engagement and democratic governance.

By 2025 and after a period of turmoil caused by the COVID-19 pandemic, the LAC region and the world are finally on a path to economic recovery and growth. Limited COVID-19 testing capability meant that the full human cost of the crisis has remained unknown. As the region became an epicenter of the pandemic in 2020 and 2021, many countries struggled with rising COVID-19

cases and deaths, aggravated by the impact of variants on already stressed health systems. By 2023 and 2024, measures such as the widespread use of masks, prolonged lockdowns, and finally the mass rollout of vaccines to nearly all publics through public, private, and multilateral channels, the COVID-19 outbreak was substantially contained, albeit at great economic and social costs.



## **Local governments, unable to respond efficiently to the pandemic due to limited resources and a lack of support, believed they had no choice but to strike deals with organized criminal groups to both mitigate the impact of the pandemic and to ensure peace and security.**

### **Scenario A**

The pandemic took a heavy long-term toll on the region. Crime and violence initially soared due to the prolonged lockdowns with resulting social and economic impacts, increasing unemployment and learning disruptions, food and housing insecurity, unequal coverage and access to healthcare, and social isolation, among other stressors. Although the region as a whole has begun to recuperate, economic recovery remains elusive for some countries. Millions of migrants have mobilized across the region, looking for better economic prospects and access to healthcare.

As a result of increased insecurity, some armed groups have taken control in isolated (rural) areas and in numerous informal settlements (slums) across the region's cities, at the governments' expense. At times these groups have filled the vacuum, providing services to areas under their control as a pacification strategy, thereby eroding support for local and federal governments while enhancing their own power. Although citizens have begun to organize and press for change, more governments than not have cracked down on dissent, utilizing an expanding digital tool kit to surveil citizens. Democratic governance has been eroding in some countries.

### **ECONOMIC RECOVERY FOLLOWS DOWNTURN**

**B**y 2025, the region was experiencing improving macroeconomic conditions, though with great heterogeneity across and within countries. This recovery followed years of downturn that left several of the region's economies in a substantial hole. Fortunately, debt and inflation finally came under control or were trending downward. Many LAC countries, especially those geographically proximate to the United States, aimed to take advantage of an ongoing US "relocation strategy" to bring production closer to home. Some countries have been more successful in reeling in reshoring and nearshoring

investments thanks to a relatively robust regulatory environment, attractive business climate, low energy prices, and preexisting industrial competitiveness. This enabled them to benefit from increased shares of global manufacturing, shifting toward more value-added production within the region.

The private sector began growing, specifically in the information technology-based sectors, with new actors emerging as a result of the digital acceleration, an increase in 5G infrastructure deployment and automation, and a postpandemic start-up boom. However, several factors continued to prevent the fair distribution of gains from economic recovery. Corruption and cronyism remained prevalent. Although local and corporate elites successfully partnered with foreign investors to expand market share into growing business sectors, many small and medium enterprises (SMEs)—severely impacted by the economic downturn of the pandemic—were unable to recover, leaving millions unemployed. The digital divide became more apparent, as a lack of connectivity, particularly in rural areas, caused millions to fall further behind during the extended lockdowns. Disruptive innovators in the gig economy space have created new job opportunities for millions in the region, but also posed new regulatory and economic challenges related to pension, insurance, and other employment benefits.

The tourism sector in several countries, notably across the Caribbean, recovered. In these countries, tourist flows from North America and Europe returned to prepandemic levels by 2024. Additionally, some countries are benefiting from increasing Chinese tourism. However, in parts of the region where crime and violence has increased, tourism has struggled to bounce back. Relatedly, the uneven pace of rebound in international business travel across the region also has affected FDI flows. "Coronavirus-free economies" experienced a rapid replenishment of the FDI pipeline after it had



dried out in 2020-2021, whereas others grappled with reduced investor confidence and suppressed asset valuations.

Although some governments implemented recovery packages that included climate-focused elements, many others, particularly in South America, focused on strengthening commodity-based sectors for short-term growth objectives. The private sector has emerged to lead the climate fight in most countries, but investment in sustainability—for example, in Amazon forest protection—has lagged, putting an enormous strain on already degraded natural assets.

## DEMOCRATIC EROSION

In several major cities hit hard by the virus, gangs took advantage of further decreased state presence to consolidate their hold on favelas and other informal settlements, utilizing a combination of largesse (social provision in the absence of the state's) and intimidation. Transnational crime also grew. Local governments, unable to respond efficiently to the pandemic due to limited resources and a lack of support, believed they had no choice but to strike deals with such groups to both mitigate the impact of the pandemic and to ensure peace and security (gangs were willing to restrict violence in exchange for tacit control over their areas).

After the virus was contained, local governments that had built ties with these gangs found that they were unable to regain control. To make matters worse, these tacit agreements began to come to light. So too did various corruption scandals enabled by the agreements, for example, ties to a vaccine black market and even profiting from administering fake vaccines in the affected communities. These revelations occurred while other corruption scandals continued to be investigated, particularly national governments' mismanagement of funds during the crisis and the early vaccine rollout.

For a while, it was hoped that the pandemic storm and corruption scandals would inspire and generate widespread democratic reform movements. Indeed, in 2021 large citizen mobilizations—including instances of unrest—called for justice, transparency, and accountability. Over time, however, citizens became less engaged. Demonstrations ebbed, especially as governments began deploying more advanced digital tools to monitor and surveil their citizens. Authoritarian governments restricted freedom of speech to control the dissemination of what they labeled as “fake news.” This was achieved virtually through restrictions on social media and physically through the increased use of biometrics. The latter exploited the enhanced availability of personal data through “immunity passports” and contact-tracing apps that embedded health and movement information.

## US VERSUS CHINA IN LATIN AMERICA AND THE CARIBBEAN

Overall, US-China relations have become less confrontational and unpredictable than during 2017-2021, though tensions and competition have persisted. Effective vaccines were developed in the United States, China, Europe, India, Russia, and elsewhere, but many faced significant production challenges, leading to long delays in shipments across the globe in 2021. Ultimately, US, Chinese, and Russian manufacturers accounted for the lion's share of vaccines used in LAC. In most countries, multiple vaccines—with varied efficacy rates, availability and affordability—were approved and deployed simultaneously.

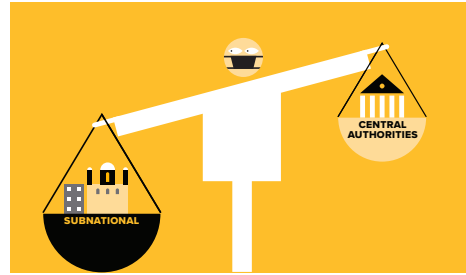
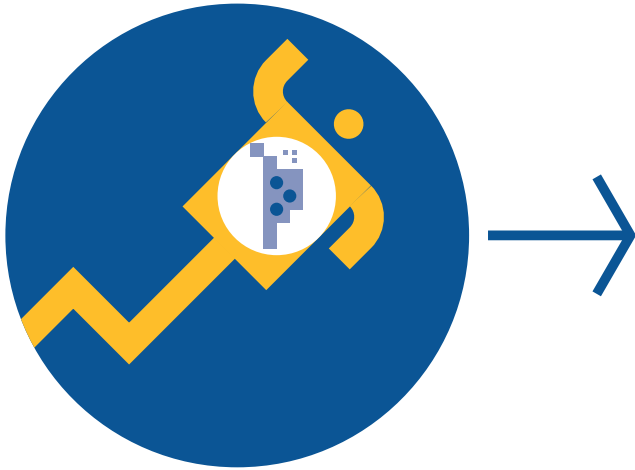
While the United States and China provided comparable amounts of aid throughout the crisis, memory of the America First rhetoric led to the widespread perception that China had been a better ally. This memory lingered despite the 2021 change in US administration, which led it to once again advocate for multilateral engagement, global standard-setting, and increasing investment and aid to the region (especially to Central America to mitigate the root causes of migration). The winner of the 2024 US presidential election also vowed to continue strong engagement in the hemisphere. China, for its part during and after the pandemic, provided flexible financing options to LAC, such as commodity-backed loans, infrastructure investment, and bilateral debt relief. As a result of severe declines in GDP, most Latin American and Caribbean countries are unwilling to prioritize economic relations with either China or the United States and instead welcomed investment from both countries to foster the region's economic recovery.

Cooperation between China and some LAC countries began to expand from the traditional infrastructure, energy, and agricultural sectors to increased Chinese investments in public health and the digital economy. At times, investment came hand-in-hand in both strategic areas, helping countries build stronger health systems based on digital identification systems and electronic records, though not without sparking concerns over data ethics and privacy. These measures were neither widespread nor robust enough, by themselves, to overcome the region's chronic deficit in access to healthcare.

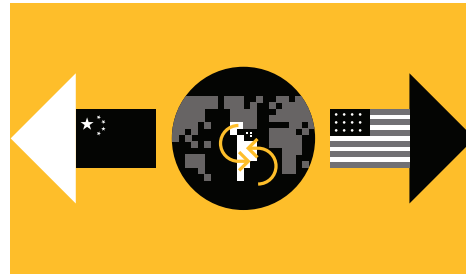
By 2025, the region has begun to recover, but there are large disparities among countries and rural and urban communities. Decisions made at the start of the pandemic, such as the tacit devolution of authority to local criminal organizations, have had lasting adverse impacts for democracy and anti-corruption efforts.



## SCENARIO B

**Regionalisms on the Rise**

**Rise of local leadership**  
Subnational governments managed COVID-19 impacts better than central authorities.



**Rise of regional cooperation**  
Cooperation across the region grew as the United States and China focused on domestic issues.



**Rise of public-private collaboration**  
Stakeholder capitalism and active citizen engagement propelled reforms oriented towards resilient and inclusive growth.



It is 2025, and much of the world has just come through a very difficult period in which it had to repair the social and economic fabric underpinning society. The LAC region likewise was still trying to come to grips with the pandemic's secondary effects. These effects often were negative, with public and private debt levels, for example, failing to significantly decline after the regional debt-to-GDP ratio reached 74 percent at the end of 2020. Other effects were more positive, including the COVID-induced public-private sector collaboration on pandemic and pharmaceutical research, which proved critical.

The most prominent change in LAC, however, has been a noticeable shift in society, with a new equilibrium emerging among the state, private sector, and communities. This shift came with the advent of two parallel types of regionalism in a subnational and international context, respectively. In the former, local authorities across the region took an increasingly prominent role in society. Amid widespread disillusionment with central governments' COVID-19 vaccination and recovery plans (compounded by pre-existing frustrations with central governments' high

corruption levels and inefficiencies), citizens, the private sector, and local leaders began to join forces to craft and implement solutions that proved durable, timely, and effective. At first, these measures were ad hoc and uncoordinated across the LAC region, but over time a coalescence emerged around successful policy and business innovations. For example, some local governments managed to accelerate vaccine distribution through novel methods, partnerships, and public information campaigns. As a result of these and other successes, citizens became more politically engaged, especially as civil society and the private sector discovered that they could have constructive input into the region's structural and future challenges.

During 2020-2021, GDP and asset prices fell, generating an uneven and often asymmetric recovery. Decreased demand for fossil fuels worldwide impacted the public finances of the region's oil exporters. Demand for international aid and assistance skyrocketed, but funds were relatively limited, pushing many LAC economies into frugality and regional cooperation. As LAC's conventional outward-looking approach and dependence on external growth drivers became increasingly unreliable, intraregional trade, investment, and cooperation

expanded. This gave rise to another type of regionalism—as defined by increased regional integration among LAC countries in a “neglectful” international environment. In addition, governments, including local governments, took frugality as an opportunity to optimize available resources more wisely and for broader benefits to society. Many of the region’s citizens and businesses, similarly motivated by this heightened prudence, agreed that broad reforms were needed. In this context, a healthy debate began to surface between the prevailing do-more-with-more economic model and do-better-with-less “frugal economy.” As governments sought to cut back on spending, they turned to the private sector for innovative solutions to fill the void, attracting investment and creating new markets. As a result, a new private-public compact emerged, spurred on by citizens’ strong demand for higher social, economic, and even environmental accountability from the public and private sectors.

## THE RISE OF REGIONALISM, LOCAL AUTHORITIES, AND THE PRIVATE SECTOR

**A**s in many other countries where the pandemic was managed with relative success, this outcome would not have occurred without the critical leadership provided by city and state governments. LAC mayors, city councils, and local health authorities designed bold policies based on local needs. Many of them took appropriate measures regarding lockdowns and vaccine distribution, generating higher levels of public confidence in local leaders. Just as critically, they opened constructive channels for dialogue with local constituencies, including business and civil-society leaders and the general public. In a context of frugality, governments worked increasingly together with the private sector to support LAC’s recovery and to combat other shocks such as natural disasters and climate change.

An unintended consequence was the strengthening of local authority at the expense of central governments. Often hindered by partisan politics, central governments failed to develop swift and sufficient responses to the pandemic and its knock-on effects, eroding confidence in their capabilities. Local leadership therefore filled governance and institutional vacuums that had been created by central governments’ perceived inaction. Governors and mayors became more popular, consolidating their ability to forge ambitious policies supported by broad coalitions. At first, these interventions were uncoordinated and ad hoc, driven by local government officials’ desire to shake off the pandemic and its immediate effects. As successful interventions became more broadly known, however, deeper partnerships and synergies took hold among governors,

mayors, and industry associations. This model was quickly replicated throughout the region.

Much of this local rejuvenation also was assisted by a renewed commitment to stakeholder capitalism and talent migration in the private sector. Some high-skilled expatriate workers returned to the region from abroad, in part because they discovered that they could telecommute from anywhere. They contributed to new start-up companies launching in cities across the region, with some succeeding and scaling rapidly. Local capital markets also began to deepen, providing new sources of funding opportunities in an era of relatively low global liquidity.

## CITIZEN ENGAGEMENT AND INEQUALITY

**T**he pandemic caused many social fault-lines to become more visible. Wide disparities in vaccine access between the rich and poor and across countries made this clear. As well, the pandemic’s economic impact weighed unevenly on populations, with various vulnerable groups taking the brunt: young people and women faced greater risks of unemployment; rural areas suffered a slower recovery due to limited physical and digital connectivity; among others.

As a result, LAC saw a new wave of citizen rallies around social issues. Digital technology played a key role in empowering these movements and interactions between governments and civil society. Where available, digital tools allowed local leaders, including mayors and community representatives, to organize more effectively and bring along newly engaged citizens. Local governments had skilfully used social media during the pandemic to enforce lockdowns and promote social distancing.

Social media helped build local channels for community outreach and develop social capital among digitally native youths, who subsequently became more engaged in their communities. Overall, citizen participation became more active and constructive across many aspects of public life.

## RISE IN (ANOTHER FORM OF) REGIONALISM

**A**lthough the US administration was keen to strengthen relationships with hemispheric allies, financial resources were constrained and domestic priorities, including repairing a deeply polarized society, took center stage. China weathered the pandemic relatively well, but like the United States, it also turned away from much of the region and refocused on domestic priorities. As the rate of credit expansion and top-line economic growth declined, Chinese overseas investments became more targeted and selective. For both the United



## **An unintended consequence was the strengthening of local authority at the expense of central governments. Often hindered by partisan politics, central governments failed to develop swift and sufficient responses to the pandemic and its knock-on effects, eroding confidence in their capabilities.**

States and China, LAC was not a top foreign policy priority vis-à-vis other regions such as Asia or Africa. Europe also was preoccupied with domestic affairs after two years of COVID-19 and intermittent border closures that greatly damaged interregional trade.

This benign neglect led many LAC governments to collaborate more closely out of necessity, one of the areas where the region's central governments came through. Despite missteps early in the pandemic, they coordinated border closures and tourism protocols and maintained trade relations and intraregional supply chains. Global efforts like the COVID-19 Vaccines Global Access Facility (COVAX) helped mitigate inequality in vaccine distribution among countries, but there were still large disparities between developed and developing nations. Only developed countries and emerging Europe and Asia were able to quickly achieve widespread vaccination. In order to address regional vaccine shortages for COVID-19 and future pandemics, a group of LAC countries pooled resources to begin developing and expanding their own manufacturing capabilities of medical supplies and vaccines.

The pandemic's economic impact on the region varied by country and weak global growth squeezed many LAC exporters. In some cases, countries turned to diversification to develop higher value products and services, while exploring more intraregional trade opportunities. In other cases, it led to import substitution of relatively lower value-added goods. Regardless, the regional collaboration during the pandemic led to greater trust among neighbors and facilitated greater trade and customs integration. Multinationals, particularly those in the health-care and chemical industries, looked to relocate closer to key markets in the Americas, and established manufacturing hubs in LAC to facilitate access to Canadian, US, and regional consumers. As a result, another form of LAC regionalism—characterized by greater cooperation and synergy among LAC countries—emerged.

### **A GREEN RENEWAL**

Unfortunately, the Caribbean basin and Central America suffered devastating hurricane seasons in 2021 and 2022, adding to an already difficult situation. Thousands of migrants attempted to make the dangerous journey to the US southern border. Along the Pacific coast of the Americas, on the other hand, drought led to even greater water scarcity. Left with few other options, impatient youth cohorts, unable to seek opportunities elsewhere, pressured their local governments to respond more effectively. As a result, local leaders implemented policy interventions focused on reduced carbon emissions and community resilience. For example, they invested in low-carbon transport and housing solutions and “green” infrastructure along coastlines. The positive spillover effects of the first successful initiatives—with private sector participation—led to a more widespread embrace of the “green growth” concept.

These efforts contributed to rising appreciation of LAC's significant natural resources. Local attempts to protect the region's natural assets (beaches, reefs, Amazon basin) began attracting more serious investment from foreign sources (philanthropies, etc.) that shared an interest in environmental conservation and climate resilience. Additionally, the Biden administration has helped channel private sector investment to Central America and the Caribbean Community (CARICOM)—two subregions that did benefit from sustained US investment—to increase the region's resiliency to climate change. These investments provided local and regional (subnational) governments with enough revenue to mitigate the economic downturn.

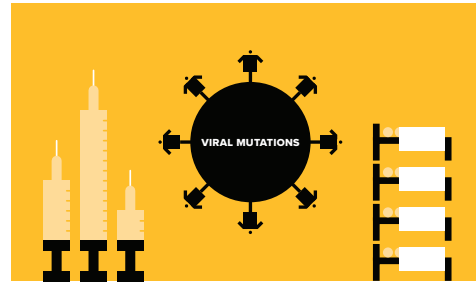
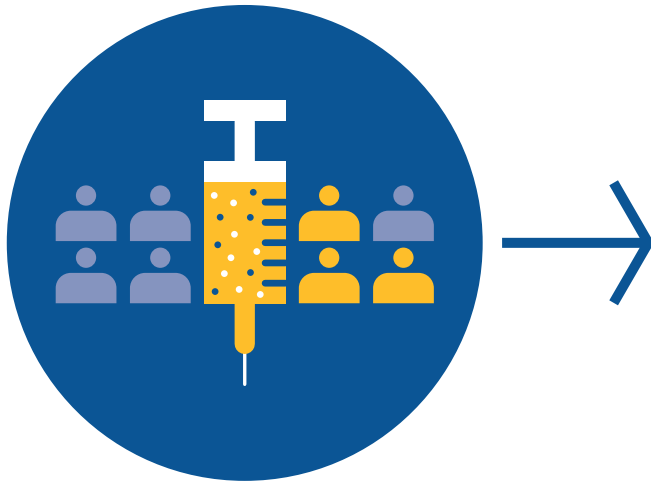
By 2025, the rise of the two LAC regionalisms—characterized respectively by the rise of local authorities and by greater intra-LAC integration—has enabled a new optimism to take hold. Against a global backdrop of an accelerating energy transition, many LAC countries find the urgency and inspiration to build a new, resilient future, with a growing interest in resetting the social contract between the market, governments, and citizens.

**Scenario B**

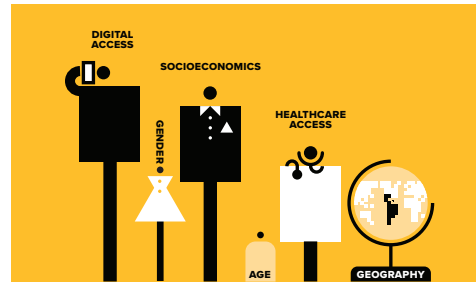


SCENARIO C

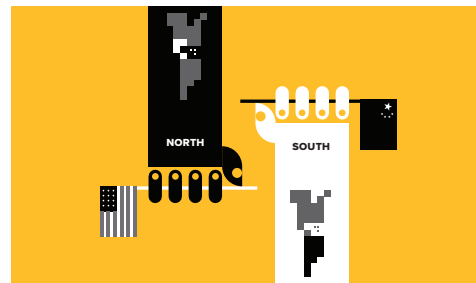
# The Great Divide



**Perma-pandemic**  
Unexpectedly frequent and dangerous viral mutations limited COVID-19 vaccine effectiveness. COVID-19 is here to stay.



**Worsening inequality**  
Multidimensional inequality — based on gender, socioeconomic status, age, geography, digital access, healthcare, and others — exacerbated divisions among and within countries.



**North versus South**  
Amidst US-China rivalry, varied subregional commercial needs led to a geopolitical divide: the North (Mexico, Central America, and the Caribbean) aligned with the United States, whereas South America aligned with China.



It is 2025 and the global health crisis has persisted. The expectation of a long-lasting immunity-giving COVID-19 vaccine has not been realized due to the unexpectedly frequent and continuous coronavirus mutations. Unfortunately, the many vaccines that have been developed offer only limited protection and production has been unable to keep up with the virus’s mutation rate. Moreover, vaccines have not fully penetrated every population group, whether in the region or around the world. The global economy therefore remains fragile. Wealthy countries like the United States and EU members have turned their attention to rebuilding and recovering internally, reducing the availability of resources for international cooperation. Stock market corrections in 2021-2022 brought about a “Greater Recession,” as massive monetary and fiscal stimulus policies proved unsustainable. LAC countries became increasingly dependent on China and the United States. China made further inroads in southern LAC countries (South America) through aggressive vaccine and health diplomacy, while northern LAC countries (Mexico, Central America, and the Caribbean) increasingly became dependent on relations with the United States. The

China-supported South has started to recover economically while the US-dependent North has continued to lag. A sense of growing divide also has been present within country, where inequality widened with societal implications.

## INCREASING WEALTH GAP

As Latin America and the Caribbean continued to struggle to manage the pandemic, the growing disparities between countries that had successfully controlled COVID-19’s spread, and those that had not, became evident. Across the region, per capita health expenditure averaged about \$1,000 per person—a fourth of that of OECD countries—although there was great variability among countries. The lack of investment in national healthcare systems quickly became apparent in many nations, although some weathered the storm slightly better. As health systems prioritized COVID-19 infections, treatment of other conditions such as diabetes and cancer fell to the wayside; even after vaccines became available (albeit with limited effectiveness), there was a high incidence of non-COVID related deaths. In LAC, a high percentage of people must pay healthcare expenses out of pocket. In countries where universal healthcare coverage

## Scenario C

was more widely available, many people, especially informal workers without access to health benefits, still delayed treatments.

By 2025, governments in the region were unable to maintain the emergency relief transfers to vulnerable populations and the private sector. The dire fiscal situation led to instances of default in several countries, as some debt restructurings and new issuances (through international capital markets) proved increasingly unsustainable. Debt monetization also led to heightened inflation risks in countries, eroding purchasing power. The reoccurring lockdowns resulted in high unemployment in the region, where only one in five jobs could be performed remotely. Additionally, the unbanked population struggled to access social benefits and government assistance.

### CHANGING SOCIAL DYNAMICS

**A**s unemployment increased, so did inequality. Young people suffered from tightening labor markets as a result of learning disruptions and employers' preference to maintain current more seasoned employees instead of taking on new hires. There was a corresponding increase in suicides among young people who struggled to rectify traditional expectations to provide for their families with an overwhelming lack of opportunities. Due to insufficient skills training and poor connectivity, middle-aged workers struggled to meet the labor market's new demand for digital skills. Women in particular suffered during the pandemic, as they were more likely to work in the informal sector, and in tourism, hospitality, and other high-contact industries. Well-paying jobs were more difficult to find, and long-standing gender biases contributed to a greater gap in unemployment rates between men and women, even in countries where economic activity had resumed. Indigenous populations, those of African descent, and persons with disabilities, also experienced higher rates of unemployment and poverty.

The elderly, who were receiving pensions or government transfers, became a lifeline for the most vulnerable families. As family dynamics shifted and frustration rose, so did gender-based violence, which increased during the pandemic, especially where extended lockdowns were implemented.

Effective COVID-19 vaccines and treatments were far more accessible to the wealthy and connected than to the dispossessed. Enclaves of vaccinated individuals quickly emerged and increased societal tensions. As economies reopened, the wealthy were able to recapture losses caused by the COVID-19 pandemic relatively quickly, whereas the region's poor were unable to recover their economic losses. As the virus aggravated socioeconomic divisions,

protests outside government ministries decrying economic inequality, social injustice, and corruption increased to a daily frequency across the region. Fearing loss of control and instability, governments often repressed these demonstrations, occasionally with the backing of the armed forces.

In the wake of the pandemic, socially focused presidents came to power in 2021 and 2022, but their welfare programs faced strong fiscal constraints resulting from decreased government revenues and debt-servicing obligations. Newly elected governments unveiled economic assistance plans for SMEs and informal workers, assuming the pandemic would subside by the end of 2022, after the first wave of vaccines proved effective against most COVID-19 strains. However, new vaccine-resistant variants of COVID started emerging, forcing scientists to continuously search for vaccine upgrades. Countries had no choice but to reimplement strict quarantine measures amid rolling waves of infection, further limiting LAC's economic recovery and the abilities of governments to implement welfare programs.

### INTERNATIONAL RELATIONS

**B**y 2025, a clear picture of North-South fragmentation based on geography and economic dependence had emerged. China, building upon a growing commercial presence in the region, gained the attention and confidence of leaders and citizens in the region because of its own success in limiting the worst economic and public health impacts of the virus. Its mask and vaccine diplomacy and its flexibility over new loans and debt repayment were welcomed by several southern LAC countries that were experiencing high infection rates, strained fiscal situations, and reduced access to capital markets. Lacking the resources to invest in much-needed telecom infrastructure to enable digital services that would facilitate management of the crisis, governments welcomed the China-led proposal of a health and digital "Silk Road" to roll out 5G mobile technology, in exchange for broader trade and investment benefits. A great deal of collaboration took place in industries potentially helpful for accelerating the recovery, including artificial intelligence (initially designed to help identify, diagnose, track, and control COVID-19 cases). Environmental regulations and labor protections had been lax and were further sidelined in favor of attracting greater investments from China and beyond. Citizen-based social and climate movements timidly voiced their concerns regarding new labor practices and a lack of environmental controls, but these faded as citizens began fearing state surveillance.

The Biden administration renewed the United States' emphasis on human rights and democracy and sought to engage the region in collaborative fashion. Through multilateral organizations and



## **A North-South divide took hold: northern LAC countries began to align more with the United States while the rest of the region, dependent on Chinese investment in energy and strategic minerals and commodities, came to align with China.**

bilateral development financing, the United States provided targeted investment to Central America amid a surge of migration to the United States resulting from climate hazards, bleak economic prospects, and criminal activities in home countries. As countries struggled to restart their economies, northern-tier LAC countries came to rely more on the United States to meet citizens' needs. Deepened supply chain integration and modernization in North and Central America, aided by harmonization between the US-Mexico-Canada Agreement (USMCA) and the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), provided countries with additional economic and political impetus to work with the United States. This opportunity, however, largely failed to reach South America.

In general, a North-South divide took hold: northern LAC countries began to align more with the United States while the rest of the region, dependent on Chinese investment in energy and strategic minerals and commodities, came to align with China. Concerned over the growing Chinese presence in LAC and its national security implications, Washington mounted a vigorous diplomatic effort in the region through a renewed partnership-based approach. Globally and regionally, despite US and Chinese intentions to tone down competitive rhetoric, the bilateral relationship remained largely tense.

### **FRAGMENTED DOMESTIC AND REGIONAL ECONOMIC RECOVERY**

**D**espite continuous access to US aid and a steady flow of remittances from the United States, the economic recovery of the northern LAC countries has been meek. The pandemic created greater inequality than any previous shock, with the GINI index across emerging markets increasing, including in LAC.<sup>53</sup> Millions of formal-sector jobs in LAC were lost as COVID-19 battered the tourism, hotel and restaurant, commerce, transportation, and fashion industries, forcing many workers into the informal sector. Three million firms closed across the region as governments were unable to bail out

private firms, unlike their peers in developed nations. Hopes of reshoring gains waned, as other world regions proved more successful in attracting manufacturing jobs and investment, notably Southeast Asia, which benefited from the 2020 Regional Comprehensive Economic Partnership (RCEP) agreements. Across the region, a strong El Niño Southern Oscillation (ENSO) cycle exposed Central America to major floods that did great damage to infrastructure and the fishing industries. Climate-fueled disasters including a dire Caribbean hurricane season in 2024, combined with higher income inequality and citizen insecurity, caused people to take to the streets. Decreased earnings meant many were unable to meet their basic needs and led to new outward migration to the United States. Those unable to cross due to border closings have been left in vulnerable conditions in border towns.

Meanwhile in the South, a relatively stronger recovery was underway on the back of commodity exports to Asia and stronger investment from China. Digital transformation continued apace across LAC, with some pioneer countries deepening pre-COVID experiments with cutting-edge technologies, including some form of automation and 3D printing in manufacturing. The private-sector incumbents in the South were quick to establish coalitions with Chinese investors, counterparts, and technology providers. In contrast, those in the North were working more closely with US or European technology firms. In neither case, however, were the benefits of digital transformation trickling down to everyone. There is a growing employment challenge as some workers find they do not have the skills to find work in a refashioned economy.

By 2025 the region is divided by economic dependencies on the world's leading economies. Internal divides also have increased as the pandemic more greatly impacted underserved communities: women, indigenous populations, those of African descent, and persons with disabilities. The wealthy have managed to largely isolate themselves from the pandemic while the rest of the region struggled to make sense of vastly altered economies and labor markets.



## IV. Beyond the Scenarios

**T**he COVID-19 pandemic has upended life as we know it, transforming politics, businesses, and societies around the globe. As LAC passed the one-year mark of its first confirmed COVID-19 infection, the region continues to face great hardship and uncertainties in 2021. Although current vaccine news signaled a potential light at the end of the tunnel, what awaits ahead remains unclear. How will the region navigate the remainder of the COVID period? When and in what shape will LAC and the world arrive at the other end of the pandemic tunnel? After that, how different or similar would the new period be to the prepandemic time?

To help guide LAC along this uncertain journey, this report explores a more dynamic ending in lieu of a typical, static conclusion. It poses, sharpens, and offers an initial response to a set of three big questions and challenges introduced by the preceding scenarios.

### 1. WHAT ARE SOME OTHER KEY DRIVERS OF CHANGE THAT WILL AFFECT GLOBAL AND REGIONAL FUTURES OUT TO 2025 AND BEYOND?

This document stresses three drivers of change that will be particularly critical forces out to 2025 and beyond. As discussed earlier and in Appendix I, the IDB (with support from NormannPartners) went through a process that narrowed the analysis down to feature these three drivers (health outcomes, societal agency, and the global context). However, these three drivers are not the only important factors that will shape global and regional futures. Numerous others, many of which have found their way into the analysis and scenarios contained in these pages, also will shape the future. It is important to recognize that there is an interplay not only among the three DCFs but also with the other drivers of change. That interplay will determine how the region and the world might unfold in the coming years and decades. Capturing the opportunities involved and crafting resilient policies to hedge against potential challenges and take advantage of future opportunities will require coordinated efforts from public, private, civil society, and multilateral stakeholders.

Three other long-term drivers worth mentioning include technological disruption (particularly automation), energy consumption patterns and resulting climate change, and demographic drivers including ongoing urbanization, migration, and chronic aging. Technological disruption is both a trend and an uncertainty. It is a trend in that technological change is ever present, driven forward by systematic public and private investment in scientific advance and technological development for commercial and national security gain. Yet technological disruption also is a type of uncertainty, with each new technology bringing with it often-unforeseen changes that ripple across and through societies

around the world. Such disruption is often celebrated and for good reason, leading to greater economic efficiencies and new forms of wealth, to public health breakthroughs, and to many other positive outcomes. Unfortunately, disruption also creates downsides, including in the economic, social, environmental, national and international security, and political domains. Social media is a good example, providing a powerful tool that is used for constructive and destructive social and political engagement. It is imperative to anticipate both the upsides and downsides to best manage the aggregate impact.

Climate change, driven by a carbon-intensive global energy regime plus other factors (land use changes, e.g., burning of the Amazon rainforest), poses an existential threat to humankind. Earth systems already are changing, the result of warmer atmospheric and oceanic temperatures and changes in hydrological cycles. For the LAC region, the consequences are dire, including a drier and smaller Amazon basin, diminished fisheries, destroyed coral reefs, heat waves, and drought and flooding. These changes then can drive lasting change in human systems, including agriculture, fisheries, cities, coastal infrastructure, and more, hence amounting to sources of insecurity. Livelihoods are at stake. Absent strong mitigation and adaptation measures and efforts to conserve biodiversity taken within the region and around the world, the outlook for the long-term future is grim. Mitigation will depend upon how swiftly the world, including the LAC region, can shift to a net-zero carbon footing, where any carbon emission is matched by carbon removal from the atmosphere. Although the global energy regime is moving toward a decarbonized future, as measured by rapidly increasing renewable energy installations, the rate at which high-carbon sources are being replaced or phased out is insufficient to match the scale of the problem.

Finally, demographic drivers, although often underappreciated in significance, are omnipresent factors that shape future outcomes. Perhaps overlooked in this crisis is the gendered division of labor. As mentioned above, women will be more greatly impacted by the pandemic than men due to their prevalence in contact-intensive industries. Whether and how governments choose to address this phenomenon will have a lasting impact on society and the economy. Some of the other most important consequences of demographic shifts in the LAC region, for example the impacts of chronic aging, will not be felt until after 2025. Other demographic shifts such as internal (intraregional) and external migration patterns are more susceptible to the interplay of the three DCFs discussed in this paper as well as other drivers. Although long-term demographic trends are highly resistant to alteration and therefore are important drivers of future developments (e.g., chronic aging's long-range impacts on workforces or public revenues in LAC), other drivers can impact



some demographic outcomes over the shorter term. Migration, which is subject to economic and political forces (e.g., the Syrian crisis), is perhaps the best example.

## 2. HOW CAN THE SCENARIOS PROVIDE MAXIMAL USEFULNESS FOR STAKEHOLDERS?

The scenarios encourage consideration of the implications of decisions being taken today for the short, medium, and long term. Across different scenarios, LAC faces a set of exogenous and endogenous shocks, from evolving global geopolitics to growing regional poverty and inequality. Choices made by local and national leaders, the private sector, and citizens will determine the region's success in managing these shocks, with potentially lasting consequences for the fight against crime and corruption, climate resilience, foreign direct investment, strength of the region's democratic institutions, the relationship between citizens and the state, and more. Looking "back" at 2021 from 2025 through the scenarios, readers are presented with an opportunity to contemplate key questions such as: which policies or strategies produced the desired outcomes? Which were counterproductive? Where were policy or private sector interventions most needed and how could they be better designed to achieve maximum positive impact? What were the dilemmas and trade-offs involved?

As such, readers (especially policy makers but also business leaders, citizens, and other stakeholders) should avoid approaching the scenario exercise above as forecasts. The scenarios—and their underlying analytical process—provide a framework for creative thinking around the region's post-COVID futures. Amid great uncertainties, successfully navigating and staying ahead of the rapidly changing realities will require readers to periodically update and reassess the scenarios, including their assumptions and implications. For policy makers in particular, a detailed step-by-step checklist is enclosed in Appendix 2 to help inform decision-making using this report.

A main takeaway from the report is that numerous actors, not just governments, will contribute to building a better

post-COVID future. Civil society organizations have played an important part in holding governments accountable and channeling discontent throughout the pandemic. In the post-COVID future, strong and vocal civil society organizations will be key in ensuring that the emergency decrees and other measures do not lead to a permanent erosion of democracy and that they do not become a substitute for democratic debate. Additionally, during the COVID-19 lockdowns, LAC saw an alarming increase in the number of attacks against social leaders and violence against women. Civil society will continue to play a vital role in pressuring governments to improve transparency, governance, and human rights protection, and to foster sound and inclusive recovery plans.

As governments face strong fiscal constraints in the years ahead, philanthropic leaders and multilateral organizations can mobilize additional funding through local organizations to address overlooked issues and populations. Business leaders also can help provide additional assistance to the most vulnerable through well-structured corporate social responsibility programs. Overall, holistic approaches that strive to leave no citizen behind will be fundamental to minimizing the impact of COVID-19 and a strong recovery.

Digitization is a potential area of stakeholder capitalism and public-private collaboration. While the effects of the pandemic on business cannot be overlooked—CEPAL predicted that 2.7 million firms in LAC would close by the end of 2020—companies that implemented successful digital strategies are well positioned to promote a digital boom following the pandemic.<sup>54</sup> To maximize the benefit of the COVID-19 led digital transformation, businesses should partner with governments to close the digital divide. Corporate social responsibility programs, like Microsoft's 2020 initiative to help 25 million people acquire digital skills, could play a leading role in extending digital technologies to underserved areas and increasing citizens' digital capacities. Additionally, whenever possible, even medium and small businesses should upskill their employees, as a more highly skilled workforce will provide immediate benefits to companies and strengthen local ecosystems, leading to new opportunities for innovation and development.



**Choices made by local and national leaders, the private sector, and citizens will determine the region's success in managing these shocks, with potentially lasting consequences for the fight against crime and corruption, climate resilience, foreign direct investment, strength of the region's democratic institutions, the relationship between citizens and the state, and more.**

### **3. HOW CAN LAC LEADERS BE PROACTIVELY (NOT REACTIVELY) BUILDING CONSTRUCTIVE RELATIONSHIPS WITH EXTERNAL ACTORS, INCLUDING THE UNITED STATES AND CHINA BUT ALSO THE EU, INDIA, ETC.?**

Of all world regions, LAC is among the most fortunate in at least one respect: there are few hard security threats at a strategic level. Admittedly, there are security concerns, for example insecurity arising from drug trafficking and powerful organized criminal activity in parts of the region, or from violent gangs that too often control events in isolated rural areas or informal urban settlements. Yet the region does not suffer from the kinds of violent conflicts, or threat of such conflicts, that bedevil other parts of the world. There is no raging civil war, systemic terrorism, serious threat of interstate warfare, nor geopolitically fueled arms race of the kinds that plague other regions around the world.

With respect to foreign affairs (LAC countries' and blocs' relations with countries and blocs elsewhere in the world), aligning hard security and geopolitical considerations with economic and trade priorities is almost a nonissue. Although there is some possibility that the US-China bilateral relationship will erode to the point where cutting trade and investment deals with one will preclude doing so with the other, at this moment that risk should be considered remote. This luxury is an extraordinarily fortuitous occurrence that should not be taken for granted.

To build constructive relationships with external (non-LAC) governments, LAC policy makers should focus on strengthening and highlighting subnational, national, and regional advantages that prove most attractive for favorable trade and investment agreements. Those features include: regional security and the absence of violent interstate and intrastate conflict; stable democratic governance; a capable administrative state buttressed by the rule of law; strong civil society; expanding human capital; extraordinary natural assets; and quality infrastructure and livable cities. Although countries within the region struggle to one degree or another along these metrics, policy makers should focus on strengthening these aspects as means to more robust bilateral and multilateral agreements.

The pending EU-Mercosur trade deal is a case in point: the fact that the EU is willing to enter into a comprehensive trading agreement with a South American bloc underscores the attractiveness of this subregion's stability and potential. Yet the EU-Mercosur agreement, now held up over a dispute involving protection of the Amazon basin, at the same time underscores how the region's external relations also depend on addressing policy deficiencies, in this particular case increasing environmental protection.

### **FINAL THOUGHTS**

It is critical to think beyond the scenarios themselves. COVID-19 has underscored the need for (pro)active thinking, as well as for flexibility and resilience to continuously adapt to the changing context. Indeed, complacency poses a dangerous risk even in the best of the post-COVID scenarios. Recovery can be derailed by unexpected developments. While some countries are well positioned to capture reshoring/nearshoring trade and investment gains, they may still lose out to global competitors without adequate policy support and regulatory enhancements. If the United States experiences a faster-than-expected rebound, inflation risks could pressure rate hikes and dollar appreciation by 2025, causing a so-called taper tantrum with adverse implications for FDI flows and debt sustainability in the region. In short, LAC must stay vigilant and proactive across all scenarios.

In this spirit, the report is intended to be more than a foresight exercise, providing an opportunity for readers to constantly reframe and challenge their own assessment and worldviews. A product of partnership itself, it also is an invitation for doing so in a collective way through dialogue and collaboration. The open-ended questions above represent a starting point for these meaningful collaborative efforts, among LAC governments, business leaders, civil society, as well as the international community interested in supporting LAC, including organizations such as the IDB.

# V. Appendices

## APPENDIX 1

### POST-COVID SCENARIO PLANNING PROCESS: METHODOLOGICAL NOTE

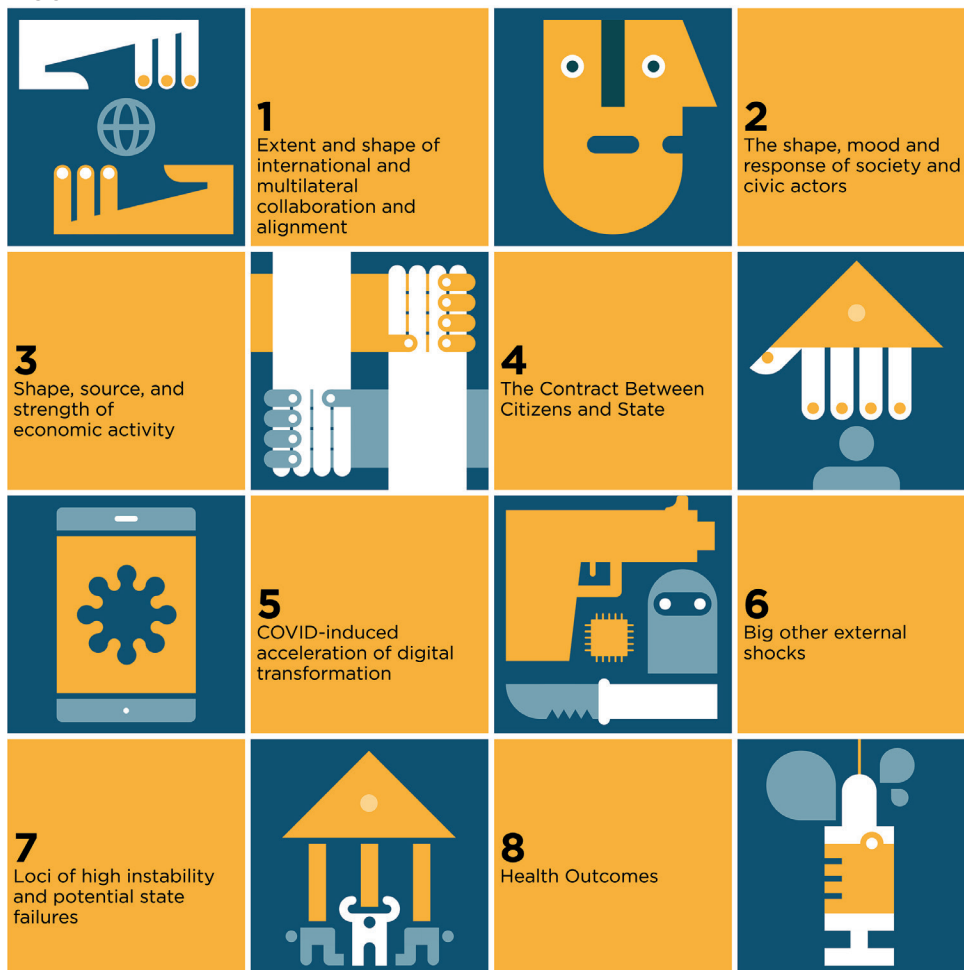
COVID-19 poses a multi-dimensional challenge to Latin America and the Caribbean (LAC), threatening socioeconomic progress while imposing enormous human costs. Although many LAC countries have taken unprecedented steps to address COVID's immediate effects, the region's medium-term outlook remains challenging, especially considering the uncertain global environment.

From the onset of the crisis, the Inter-American Development Bank (IDB), has taken an active role in diagnosing the economic and social implications of COVID-19 in LAC, its future challenges, and the opportunities for countries to emerge stronger and leap forward in their development. To

complement this knowledge, the IDB, using the University of Oxford's Scenario Planning Approach, with the support of NormannPartners, undertook a qualitative study to identify factors of contextual uncertainty that might affect the region's post-COVID future and construct a set of scenarios for post-COVID LAC.

To do so, between May and July, IDB conducted fifty qualitative interviews with a diverse set of actors from the public and private sectors, multilateral development banks, bilateral donors, academia, civil society, and the media. Based on a synthesis of these interviews and additional desk research, IDB identified eight themes of deep uncertainty that were used as the foundation for the scenario-building process (Figure 2). These included factors such as: the pace of digital transformation, areas of potential state failure, social responses to the conditions of recovery, and the extent of international support for the region.

FIGURE 2



Source: IDB

Scenario-building “sprints” (multiple sessions forming a multi-stage virtual scenario building process) were conducted with the participation of specialists from the IDB Group and other institutions, in a virtual context. Working in teams, the participants collaboratively created, inductively, nine short snippets (short logics) of the future.

To structure and differentiate the preliminary scenarios, from the set of key uncertainties mentioned above, three dominant configuring factors (DCF) were identified as central to defining the post-COVID future of the region: (i) Latin America and the Caribbean in the global landscape; (ii) health outcomes and (iii) societal agency. The scenarios presented in this document were developed using these DCFs and their different plausible outcomes and interplay.

## APPENDIX 2

### HOW CAN POLICY MAKERS BEST UTILIZE THIS DOCUMENT TO ACCELERATE A POST-COVID RECOVERY IN LAC?

Sound policymaking will play a key role in shaping LAC's post-COVID future. The following checklist is designed to help governments efficiently utilize the scenarios, not as a prediction tool but a basis to inform policy actions, contemplate beyond the current time horizon, and challenge conventional thinking around COVID-19 and post-COVID uncertainties.

#### **Read and reflect on the three scenarios above**

- **How would you challenge the key assumptions, uncertainties, and drivers of change?** Review the three dominant configuring factors (DCF) whose evolution and interplay lead to the three regional scenarios above.
- **What additional uncertainties are at play?** Think through uncertainties beyond the three DCFs, including several caveats mentioned with the DCFs, for instance, the role of international players other than the United States and China in shaping LAC's external environment and the risk of complacency as the pandemic begins to subside.

#### **Construct in-depth, country-level scenarios and analyses**

- **How relevant and applicable are the regional scenarios?** While each country faces a unique set of challenges and opportunities, the regional overview above may not fully capture such granularity. For instance, nearshoring/reshoring may prove more promising for Mexico and Central American nations; remote-work tourism could be particularly appealing for the Caribbean islands.

#### **Identify policy implications of the scenarios**

- **Which policy challenges/risks/opportunities/uncertainties had existed before covid-19 and which ones are new?** The pandemic has exposed and amplified structural weaknesses in LAC while creating new ones. Legacy weaknesses include multidimensional inequality, low productivity growth, and inflexible and informal labor markets. The pandemic has brought about new challenges and uncertainties such as efficacy of vaccines against future variants, whether governments can efficiently and wisely use—or give back—the emergency powers and resources accumulated during the pandemic, etc.
- **Among the major uncertainties and issues identified, where are policy interventions most needed and where can policy make the most impact?** Policy may have less influence on some uncertainties (e.g., pace and extent of viral mutations) than others (e.g., measures to communicate timely information about new mutation(s) and enforce countermeasures).
- **How likely are you, as policy makers, to carry out the desired policies to the desired extent? Which trade-offs, prioritizations, and constraints are you facing?** For instance, how will governments expand health coverage and support the economy while maintaining macrofiscal prudence? How feasible is implementing new lockdowns against future pandemic waves in the face of mounting popular fatigue and economic pressure from previous lockdowns?
- **What kind of collaboration can advance or complement policies?** Consultation and collaboration with the private sector and civil society will be fundamental to ensure the effectiveness of policy, from design to implementation. No single government or company can take on the multidimensional challenges caused by COVID-19 on its own. With limited fiscal space, countries need to prioritize investment and reforms that can enhance the conditions allowing the private sector to recover in the medium and long term.

#### **Design and execute policy, track and update scenarios**

- We recommend revisiting and fine-tuning scenarios at least every six months to ensure they continue to provide relevant insight and foresight for policy making. The uncertainties and realities may evolve significantly between updates.

## ENDNOTES

- 1 Michael Reid, "Latin America's Second 'Lost Decade' Is Not as Bad as the First," *Economist*, December 12, 2019, <https://www.economist.com/the-americas/2019/12/12/latin-americas-second-lost-decade-is-not-as-bad-as-the-first>.
- 2 Economic Commission for Latin America and the Caribbean, "Balance Preliminar de las Economías de América Latina y el Caribe," December 16, 2020, [https://www.cepal.org/sites/default/files/presentation/files/final\\_final\\_balance\\_preliminar.pdf](https://www.cepal.org/sites/default/files/presentation/files/final_final_balance_preliminar.pdf).
- 3 "Perceptions of Democracy in Latin America during COVID-19," Luminare webpage, December 1, 2020, <https://luminare-group.com/perceptions-of-democracy-in-latin-america>.
- 4 Cecilia Barría, "Coronavirus en América Latina | 'Ya está empujando una segunda ola de estallido social': entrevista a María Victoria Murillo," *BBC Mundo*, September 22, 2020, <https://www.bbc.com/mundo/noticias-america-latina-54244590>.
- 5 Laura LaBerge et al., "How COVID-19 Has Pushed Companies over the Technology Tipping Point—and Transformed Business Forever," McKinsey & Company, October 5, 2020, <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-covid-19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever>.
- 6 Piergiuseppe Fortunato, "How COVID-19 Is Changing Global Value Chains," United Nations Conference on Trade and Development (UNCTAD), September 2, 2020, <https://unctad.org/news/how-covid-19-changing-global-value-chains>.
- 7 Country Department Caribbean, LAC Post Covid-19: Challenges and Opportunities, Inter-American Development Bank, 2020, <https://publications.iadb.org/publications/english/document/LAC-Post-COVID-19-Challenges-and-Opportunities-for-CCB.pdf>.
- 8 Center for Systems Science and Engineering (CSSE), "COVID-19 Dashboard," Coronavirus Resource Center, Johns Hopkins University & Medicine, last updated February 16, 2021, <https://coronavirus.jhu.edu/map.html>.
- 9 International Monetary Fund, "World Economic Outlook Update: Policy Support and Vaccines Expected to Lift Activity," January 26, 2021, <https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>.
- 10 James Fransham and Callum Williams, "The 90% Economy that Lockdowns Will Leave Behind," *Economist*, April 30, 2020, <https://www.economist.com/briefing/2020/04/30/the-90-economy-that-lockdowns-will-leave-behind>.
- 11 Gita Gopinath, "A Long, Uneven and Uncertain Ascent," IMF Blog: Insights & Analysis on Economics & Finance, International Monetary Fund, October 13, 2020, <https://blogs.imf.org/2020/10/13/a-long-uneven-and-uncertain-ascent/>.
- 12 World Health Organization, "WHO Coronavirus Disease (COVID-19) Dashboard," accessed February 28, 2021, <https://covid19.who.int/table>.
- 13 Center for Systems Science and Engineering (CSSE), "COVID-19 Dashboard."
- 14 International Monetary Fund, "World Economic Outlook: Managing Divergent Recoveries," April, 2021, <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>.
- 15 International Labour Organization, ILO Monitor: COVID-19 and the World of Work, 7th ed., January 25, 2021, [https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms\\_767028.pdf](https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_767028.pdf); and Oscar Arboleda et al., "Social Policies in Response to Coronavirus: Labor Markets of Latin America and the Caribbean in the Face of the Impact of COVID-19," IDB, April 2020, <https://dx.doi.org/10.18235/0002312>.
- 16 Andrés Cadena, Jaana Remes, Nicolás Grosman, and André de Oliveira, Where Will Latin America's Growth Come From?, McKinsey Global Institute, April 2017, <https://www.mckinsey.com/-/media/mckinsey/featured%20insights/employment%20and%20growth/how%20to%20counter%20three%20threats%20to%20growth%20in%20latin%20america/mgi-discussion-paper-where-will-latin-americas-growth-come-from-april-2017.ashx>.
- 17 Economic Commission for Latin America and the Caribbean, "Balance Preliminar de las Economías."
- 18 Juan Carlos Navarro, José Miguel Benavente, and Gustavo Crespi, "The New Imperative of Innovation: Policy Perspectives for Latin America and the Caribbean," IDB, February 2016, <https://publications.iadb.org/en/new-imperative-innovation-policy-perspectives-latin-america-and-caribbean>. The authors outline the main constraints that limit the development of a high-growth innovation ecosystem in the region, including a lack of investment in research and development, the need to further develop entrepreneurship, venture capital, and private innovation finance, and the need to improve infrastructure for science and technology.
- 19 Over the 2000-2019 period, the LAC region was hit by 1,205 disasters affecting more than 150 million people. United Nations Office for the Coordination of Humanitarian Affairs, "Natural Disasters in Latin America and the Caribbean 2000-2019," March 2020, [https://reliefweb.int/sites/reliefweb.int/files/resources/20191203-ocha-desastres\\_naturales.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/20191203-ocha-desastres_naturales.pdf).
- 20 Andrea Shalal, "IMF Chief Says 62% of COVID-19 Lending Went to Latin America," *Reuters*, updated December 15, 2020, <https://www.reuters.com/article/health-coronavirus-imf-latam/imf-chief-says-62-of-covid-19-lending-went-to-latin-america-idUSKBN28P2BN>.
- 21 IMF, "Fiscal Monitor Update, January 2021," January 2021, <https://www.imf.org/en/Publications/FM/Issues/2021/01/20/fiscal-monitor-update-january-2021>.
- 22 Andrew Powell, "On the Macroeconomics of Covid-19 and the Risks That Will Be Left in its Wake," Ideas Matter blog, IDB, January 6, 2021, [https://blogs.iadb.org/ideas-matter/en/on-the-macroeconomics-of-covid-19-and-the-risks-that-will-be-left-in-its-wake/#\\_ftn5](https://blogs.iadb.org/ideas-matter/en/on-the-macroeconomics-of-covid-19-and-the-risks-that-will-be-left-in-its-wake/#_ftn5); Center for Global Development and IDB, Sound Banks for Healthy Economies: Challenges for Policymakers in Latin America and the Caribbean in Times of Coronavirus, a CGD-IDB Working Group Report, Andrew Powell and Liliana Rojas-Suarez, chairs, 2020, <https://www.cgdev.org/sites/default/files/CGD-IDB-Working-Group-Report-English-October.pdf>.
- 23 Carmen M. Reinhart, "The Quite Financial Crisis," Project Syndicate, January 7, 2020, <https://www.project-syndicate.org/onpoint/covid19-balance-sheets-quiet-financial-crisis-by-carmen-reinhart-2021-01>.
- 24 Andrew Powell and Oscar Valencia, "Avoiding a New Lost Decade for Latin America and the Caribbean," IDB, October 15, 2020, <https://blogs.iadb.org/ideas-matter/en/another-lost-decade-for-latin-america-and-the-caribbean/>.
- 25 Ivonne Acevedo et al., "Implicaciones sociales del Covid-19: Estimaciones y alternativas para América Latina y El Caribe," IDB, October 2020 <https://publications.iadb.org/es/implicaciones-sociales-del-covid-19-estimaciones-y-alternativas-para-america-latina-y-el-caribe>. Extreme poverty is defined to encompass those living on daily per capita income below US\$3. Moderate poverty is defined to encompass those living on daily per capita income of between US\$3.01 and US\$5. Consolidated middle class is defined to encompass those living on daily per capita income of between US\$12.40 and US\$62.
- 26 Philip Barrett, Sophia Chen, and Nan Li, "COVID's Long Shadow: Social Repercussions of Pandemics," IMF Blog: Insights & Analysis on Economics & Finance, International Monetary Fund, February 3, 2021, <https://blogs.imf.org/2021/02/03/covids-long-shadow-social-repercussions-of-pandemics/>.
- 27 Dominant configuring factors (© NormannPartners) are clusters of factors of uncertainty, captured in one overarching phrase or factor with multiple different and plausible outcomes or unfoldings (i.e., at least two). DCFs help to synthesize and organize a large collection of drivers of change into smaller sets. If this set is five or less, they can be used for a deductive step in inductive scenario-building processes.
- 28 The six vaccines currently approved are the Pfizer-BioNTech vaccine, the Sputnik V vaccine, the Convidecia vaccine manufactured by CanSino Biologics, the Oxford-AstraZeneca vaccine, the BBIBP-CorV vaccine developed by the Beijing Institute, and the CoronaVac vaccine manufactured by Sinovac Biotech. Moderna has yet to be approved in LAC per a New York Times tracker.

- 29 Reuters staff, "Cold Chain Doubts Delay COVID-19 Vaccinations in Some German Cities," Reuters, updated December 27, 2020, <https://www.reuters.com/article/health-coronavirus-europe-vaccines-germa/cold-chain-doubts-delay-covid-19-vaccinations-in-some-german-cities-idUSL1N2J7083>; and Costas Paris, "Supply-Chain Obstacles Led to Last Month's Cut to Pfizer's Covid-19 Vaccine Rollout Target," Wall Street Journal, updated December 3, 2020, <https://www.wsj.com/articles/pfizer-slashed-its-covid-19-vaccine-roll-out-target-after-facing-supply-chain-obstacles-11607027787>.
- 30 Pepe Zhang, "Moving Beyond COVID-19: Vaccines and Other Policy Considerations in Latin America," Atlantic Council, December 4, 2020, <https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/moving-beyond-covid-19-vaccines-and-other-policy-considerations-in-latin-america/>. In the issue brief, Zhang offers an eight-point plan for vaccine acquisition and distribution.
- 31 Luis Alberto Moreno, "Latin America's Lost Decades," Foreign Affairs, January/February 2021, <https://www.foreignaffairs.com/articles/south-america/2020-12-08/latin-americas-lost-decades>.
- 32 OECD/World Bank, "Health Expenditure per Capita and in Relation to GDP," in *Health at a Glance: Latin America and the Caribbean 2020*, OECD Publishing, 2020, accessed November 19, 2020, [https://www.oecd-ilibrary.org/sites/6089164f-en/1/3/6/1/index.html?itemId=/content/publication/6089164f-en&\\_csp\\_=1ac29f0301b3ca43ec2d66bb33522eb&itemIGO=oe.cd&itemContentType=book](https://www.oecd-ilibrary.org/sites/6089164f-en/1/3/6/1/index.html?itemId=/content/publication/6089164f-en&_csp_=1ac29f0301b3ca43ec2d66bb33522eb&itemIGO=oe.cd&itemContentType=book).
- 33 OECD/World Bank, *Health at a Glance*, 9-12, accessed January 16, 2020, <https://doi.org/10.1787/6089164f-en>.
- 34 OECD/World Bank, *Health at a Glance*, 15-17; Pan American Health Organization and WHO, "Health in the Americas: Mortality in the Americas," PAHO website accessed January 16, 2020, <https://www.paho.org/salud-en-las-americas-2017/?tag=diabetes>.
- 35 Notes to Pages 11 to 14 World Economic Forum, *The Global Risks Report 2021*, January 19, 2021, <https://www.weforum.org/reports/the-global-risks-report-2021>.
- 36 Directorio Legislativo, *Imagen del poder, Poder de la imagen*, November 2020, <https://alertas.directoriolegislativo.org/wp-content/uploads/2020/11/Imagen-del-Poder-Noviembre-2020.pdf>; Felipe Estefan, Gabriela Hadid, and Rafael Georges, "Measuring Perceptions of Democracy in Latin America during COVID-19," *Luminate*, December 1, 2020, <https://luminategroup.com/posts/blog/measuring-perceptions-of-democracy-in-latin-america-during-covid-19>.
- 37 Sarah Repucci and Amy Slipowitz, *Democracy Under Lockdown*, Freedom House, October 2020, 2-9, <https://freedomhouse.org/report/special-report/2020/democracy-under-lockdown>.
- 38 Alejandro Izquierdo, Carola Pessino, and Guillermo Vuletin, eds., *Better Spending For Better Lives: How Latin America and the Caribbean Can Do More with Less*, IADB, 2018, <https://publications.iadb.org/publications/english/document/Better-Spending-for-Better-Lives-How-Latin-America-and-the-Caribbean-Can-Do-More-with-Less.pdf>.
- 39 Deutsche Welle, "Chile registra segunda jornada de protestas post-confinamiento," report by the German state-owned broadcaster, September 5, 2020, <https://www.dw.com/es/chile-registra-segunda-jornada-de-protestas-post-confinamiento/a-54823301>.
- 40 Ni-ni refers to youth who are out of school and out of work in Latin America. They neither study nor work (ni estudia, ni trabaja).
- 41 Carla Y. Davis-Castro and David A. Blum, "Latin American and the Caribbean: Fact Sheet on Leaders and Elections," Congressional Research Service, updated August 5, 2020, [https://www.everycrsreport.com/files/2020-08-05\\_98-684\\_95fa9ba1d522feebf67a98e072585e42e16ec742.pdf](https://www.everycrsreport.com/files/2020-08-05_98-684_95fa9ba1d522feebf67a98e072585e42e16ec742.pdf).
- 42 Estefan, Hadid, and Georges, "Measuring Perceptions."
- 43 Doug Sundheim and Kate Starr, "Making Stakeholder Capitalism a Reality," *Harvard Business Review*, January 22, 2020, <https://hbr.org/2020/01/making-stakeholder-capitalism-a-reality>.
- 44 On the EU-Mercosur agreement, see Anthony Boadle, "Brazil Pledge on Amazon Needed to Save EU-Mercosur Trade Deal-EU Diplomat," Reuters, December 7, 2020, <https://www.reuters.com/article/eu-mercosur-brazil/brazil-pledge-on-amazon-needed-to-save-eu-mercosur-trade-deal-eu-diplomat-idUSKBN28H1SP>. For additional background reading, see a list of megatrends in a United Nations document: Report of the UN Economist Network for the UN 75th Anniversary Shaping the Trends of Our Time, September 2020, <https://www.un.org/development/desa/publications/wp-content/uploads/sites/10/2020/09/20-124-UNEN-75Report-2-1.pdf>.
- 45 World Bank, *Semiannual Report of the Latin American and Caribbean Region: The Economy in the Time of COVID-19*, April 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/33555/9781464815706.pdf?sequence=10&isAllowed=y>.
- 46 On technology as a geostrategic element within the bilateral US-China relationship, see, e.g., Benjamin Wilhelm, "Overshadowed by a Pandemic, the U.S.-China Tech War Is Heating Up," *World Politics Review*, June 10, 2020, <https://www.worldpoliticsreview.com/trend-lines/28830/overshadowed-by-a-pandemic-the-u-s-china-tech-war-is-heating-up>.
- 47 Kurt Campbell and Jake Sullivan, "Competition Without Catastrophe-How America Can Both Challenge and Coexist with China," *Foreign Affairs* 95 no. 5, (September/October 2019), <https://www.foreignaffairs.com/articles/china/competition-with-china-without-catastrophe>.
- 48 For a summary of European responses to the US-China row over 5G, see Alan Beattie, "Brussels' Subtle Role Reining in Huawei," *Financial Times*, December 3, 2020, <https://www.ft.com/content/b1b0e883-d694-4dcb-8915-b2d2e8e75245>.
- 49 On the US government's rhetorical shift toward China, see Anthony H. Cordesman, "From competition to confrontation with China: The major shift in U.S. policy," CSIS, August 3, 2020, <https://www.csis.org/analysis/competition-confrontation-china-major-shift-us-policy>; On the evolving consensus, see, e.g., Dan Drezner, "Meet the new bipartisan consensus on China, just as wrong as the old bipartisan consensus on China," *The Washington Post*, April 28, 2020.
- 50 BBC, "Chinese Economy to Overtake US 'by 2028' Due to Covid," December 26, 2020, <https://www.bbc.com/news/world-asia-china-55454146>.
- 51 BBC, "Chinese Economy to Overtake US 'by 2028' Due to Covid"
- 52 Decoding China's 'Dual Circulation' Strategy," Project Syndicate, September 29, 2020, <https://www.project-syndicate.org/commentary/china-dual-circulation-economic-model-by-yu-yongding-2020-09>

Notes to Pages 15 to 28

- 53 The OECD tracks income inequality by nation, using the Gini coefficient (dubbed Gini index). It is "based on the comparison of cumulative proportions of the population against cumulative proportions of income they receive, and it ranges between 0 in the case of perfect equality and 1 in the case of perfect inequality." See OECD, "OECD Data: Income Inequality," accessed March 22, 2021, <https://data.oecd.org/inequality/income-inequality.htm>.
- 54 Economic Commission for Latin America and the Caribbean, *Sectors and Businesses Facing COVID-19: Emergency and Reactivation*, CEPAL, United Nations, July 2, 2020, <https://www.cepal.org/en/publications/45736-sectors-and-businesses-facing-covid-19-emergency-and-reactivation>.

## VI. About The Authors

### PEPE ZHANG

Pepe Zhang is an associate director at the Atlantic Council's Adrienne Arsht Latin America Center. Zhang leads the Center's policy efforts in understanding and countering COVID-19's multidimensional impact on Latin America, while co-coordinating its work on other broader regional economic issues such as international trade and investment, supply-chain shifts, and macroeconomics. In addition, Zhang manages the Center's China-Latin America portfolio, which provides timely insight on the growing relations through multiperspective analyses and events. Zhang has provided multilingual commentary on these issues through frequent speaking engagements as well as to US and international press outlets including CNN, the New York Times, Associated Press, Valor Económico, and o Globo. Prior to joining the Atlantic Council, Zhang worked at the Inter-American Development Bank, focusing on international trade and investment promotion, entrepreneurship, and technology in Latin America and the Caribbean. Zhang holds a master's degree in international economics from the John Hopkins University's Paul H. Nitze School of Advanced International Studies (SAIS), and a bachelor's degree from Pomona College in Latin American politics and Spanish. Zhang is fluent in Spanish, English, and Chinese, and has extensive professional and academic experience across Latin America, China, and the United States.

### PETER ENGELKE

Peter Engelke is a deputy director and senior fellow within the Atlantic Council's Scowcroft Center for Strategy and Security. His diverse work portfolio at the Center's Foresight, Strategy, and Risks Initiative spans global and regional futures, innovation and technological disruption, geopolitics, climate change and natural resources, and urbanization among other topics. Dr. Engelke has managed numerous projects on these subjects, resulting in a lengthy list of Atlantic Council publications. His work has been published in the Washington Post, Los Angeles Times, The Hill, the National Interest, Citiscope, Meeting of the Minds, and Euronews, among other outlets, and he has appeared on CBS News, TRT World, and Channel News Asia. Dr. Engelke's professional experience includes stints at other think tanks and foundations in Europe and the United States, including as an executive-in-residence at the Geneva Centre for Security Policy, a Bosch Fellow with the Robert Bosch Foundation in Stuttgart, Germany, and a visiting fellow at the Stimson Center in Washington, DC. His most recent co-authored book, *The Great Acceleration*, is a global environmental history from 1945 to 2016. His first, *Health and Community Design*, was penned while he was on the research faculty at Georgia Tech and is a study of public health and urban form. Dr. Engelke holds a PhD in history from Georgetown University and has master's degrees from Georgetown's Walsh School of Foreign Service, the University of Maryland, and Indiana University. He currently is on the adjunct faculty at Georgetown's School of Continuing Studies.

### SARA VAN VELKINBURGH

Sara H. Van Velkinburgh is a consultant with the Adrienne Arsht Latin America Center where she focuses on the regional impact of COVID-19, Colombian affairs, and the digital economy. Before joining the Atlantic Council, Sara analyzed regulatory and political affairs in Latin America as a senior associate at McLarty Associates, within their Northern Latin America practice. She has worked with multinational companies to respond to regulatory changes, reputational challenges, and political developments throughout the region. Sara graduated Magna Cum Laude from Boston University's Kilachand Honors College and holds a B.A. in international relations and Spanish. Bilingual in English and Spanish, she is a recipient of the Instituto Cervantes Book Prize for excellence. She is a member of the Phi Beta Kappa Honor Society.





### **CHAIRMAN**

\*John F.W. Rogers

### **EXECUTIVE CHAIRMAN EMERITUS**

\*James L. Jones

### **PRESIDENT AND CEO**

\*Frederick Kempe

### **EXECUTIVE VICE CHAIRS**

\*Adrienne Arshnt

\*Stephen J. Hadley

### **VICE CHAIRS**

\*Robert J. Abernethy

\*Richard W. Edelman

\*C. Boyden Gray

\*Alexander V. Mirtchev

\*John J. Studzinski

### **TREASURER**

\*George Lund

### **DIRECTORS**

Stéphane Abrial

Todd Achilles

\*Peter Ackerman

Timothy D. Adams

\*Michael Andersson

David D. Aufhauser

Colleen Bell

\*Rafic A. Bizri

\*Linden P. Blue

Adam Boehler

Philip M. Breedlove

Myron Brilliant

\*Esther Brimmer

R. Nicholas Burns

\*Richard R. Burt

Michael Calvey

Teresa Carlson

James E. Cartwright

John E. Chapoton

Ahmed Charai

Melanie Chen

Michael Chertoff

\*George Chopivsky

Wesley K. Clark

Beth Connaughty

\*Helima Croft

Ralph D. Crosby, Jr.

\*Ankit N. Desai

Dario Deste

\*Paula J. Dobriansky

Joseph F. Dunford, Jr.

Thomas J. Egan, Jr.

Stuart E. Eizenstat

Thomas R. Eldridge

Mark T. Esper

\*Alan H. Fleischmann

Jendayi E. Frazer

Courtney Geduldig

Meg Gentle

Thomas H. Glocer

John B. Goodman

\*Sherri W. Goodman

Murathan Günal

Amir A. Handjani

Frank Haun

Michael V. Hayden

Amos Hochstein

\*Karl V. Hopkins

Andrew Hove

Mary L. Howell

Ian Ilnatowycz

Wolfgang F. Ischinger

Deborah Lee James

Joia M. Johnson

\*Maria Pica Karp

Andre Kelleners

Henry A. Kissinger

\*C. Jeffrey Knittel

Franklin D. Kramer

Laura Lane

Jan M. Lodal

Douglas Lute

Jane Holl Lute

William J. Lynn

Mark Machin

Mian M. Mansha

Marco Margheri

Chris Marlin

William Marron

Gerardo Mato

Timothy McBride

Erin McGrain

John M. McHugh

H.R. McMaster

Eric D.K. Melby

\*Judith A. Miller

Dariusz Mioduski

\*Michael J. Morell

\*Richard Morningstar

Dambisa F. Moyo

Virginia A. Mulberger

Mary Claire Murphy

Edward J. Newberry

Thomas R. Nides

Franco Nuschese

Joseph S. Nye

Ahmet M. Ören

Sally A. Painter

Ana I. Palacio

\*Kostas Pantazopoulos

Alan Pellegrini

David H. Petraeus

W. DeVier Pierson

Lisa Pollina

Daniel B. Poneman

\*Dina H. Powell

McCormick

Robert Rangel

Thomas J. Ridge

Lawrence Di Rita

Michael J. Rogers

Charles O. Rossotti

Harry Sachinis

C. Michael Scaparrotti

Ivan A. Schlager

Rajiv Shah

Kris Singh

Walter Slocombe

Christopher Smith

Clifford M. Sobel

James G. Stavridis

Michael S. Steele

Richard J.A. Steele

Mary Streett

\*Frances M. Townsend

Clyde C. Tuggle

Melanne Verveer

Charles F. Wald

Michael F. Walsh

Gine Wang-Reese

Ronald Weiser

Olin Wethington

Maciej Witucki

Neal S. Wolin

\*Jenny Wood

Guang Yang

Mary C. Yates

Dov S. Zakheim

### **HONORARY DIRECTORS**

James A. Baker, III

Ashton B. Carter

Robert M. Gates

James N. Mattis

Michael G. Mullen

Leon E. Panetta

William J. Perry

Colin L. Powell

Condoleezza Rice

Horst Teltschik

John W. Warner

William H. Webster

*\*Executive Committee Members*

*List as of April 19, 2021*



