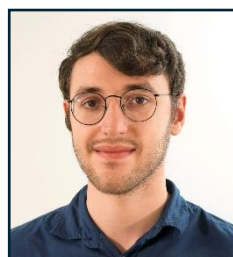


South America's Fracted Geoeconomics



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1. Introduction

History is full of examples that the interest in expanding power has been pursued and achieved by force. The option of conquest through military means involves economic costs in the short and medium term, and the margin of success is not always assured.

It is possible, however, for some countries to achieve comparable results through international economic and legal instruments, instead of resorting to military solutions. Such strategies have become more frequent thanks to lower communication costs, data processing and transmission, as well as the presence of companies with capital invested in other countries. They are more subtle, less explicit, and eventually less costly in economic and political terms than the use of force. This is the basic rationale of what is called 'geoeconomics': the 'logic of conflict' applied to international economic relations.¹

Resorting to these instruments is a prerogative of dominant countries, which hold a significant share of global economic transactions and have the ability to influence, for example, the way a multilateral organisation operates. Other nations are passive actors and are affected by the action of the active players through selective trade policies, specific production standards, control of raw materials and components, or conditions attached to technical assistance. The list of examples of the use of economic instruments to increase the relative power of some countries is enormous and varied.

The scenario for global transactions — whether in trade, direct investment, or financial flows (not to mention migration barriers) — presents therefore a degree of turbulence and conflictive potential that has not been seen for a long time. For economies with less power in the international scenario, an alternative to fully and peacefully adhering to the interests of the stronger parties is to look for complementarity

¹ For a detailed discussion of the concept, see Baumann (2025).

with neighboring countries, so as to improve competitiveness as well as their negotiating capacity.

Regional integration mechanisms could provide such capacity. The experience of Latin American countries in the last eight decades is quite poor in terms of joining efforts to enhance their international presence. A major shortcoming is that the focus has often been limited to easing market access within the region. Moreover, most initiatives aimed at improving trade and investment in the region have been incomplete and suffered discontinuity.

The present article seeks to better grasp the geoeconomic logic underpinning South America's regional integration and insertion into the global economy over the last decades. Following this Introduction, Section 2 presents the evolution of geoeconomic arrangements in the continent and their political and economic perspectives. Section 3 discusses the challenges and potentialities currently faced by South American countries, particularly regarding energy, natural resources, and their integration into international trade. A last section is devoted to final considerations.

2. South American Geoeconomic Arrangements: Historical Evolution and Current Dominant Perspectives

Regional integration in Latin America started in 1960, with the creation of the Central America Common Market (CACM), consolidating efforts that started in the late 1940s. In the same year, the Latin American Free Trade Association (LAFTA) was founded by the Treaty of Montevideo, envisioning the constitution of a continental free trade zone within 12 years.



The trade liberalisation targets established by the Treaty of Montevideo were not met, and the whole process came to a standstill. This was mainly due to asymmetries in productive structures; to the decision process that required unanimity; to political instabilities within nations and ideological clashes, as well as legal breaches that allowed countries to make indefinite exceptions to liberalisation (Torres, 2006; Vieira, 2016). The fact that most countries had by then military governments also contributed to the resistance in negotiating reductions of trade barriers.

Some smaller regional blocs emerged in the late 1960s and early 1970s. The Andean Pact was established in 1969 through the Cartagena Agreement, originally signed by Peru, Bolivia, and Ecuador and joined by Venezuela four years later. The Caribbean Free Trade Association (CARIFTA) was created in 1968, being soon replaced by the Caribbean Community (CARICOM) through the Treaty of Chaguaramas (1973) - initially ratified by Barbados, Guyana, Jamaica, and Trinidad and Tobago, but later expanded to other members.

Both the Andean Pact and CARICOM had pretensions even bolder than ALALC, emphasising not only trade liberalisation but also the harmonisation of social and economic policies, as well as political cooperation. In the former, a strong institutional apparatus was created, comprising, for instance, a plurilateral parliament, a court of justice, and a council of foreign ministers.²

Except for these two sub-regional blocs and some bilateral agreements, integration in Latin America lost traction in the late 1970s and early 1980s, when the entire continent was affected by the foreign debt crisis and the soaring interest rates for international loans (Haffner, 2002).

Nevertheless, there was an attempt to revive integration at the continental level: in 1980, a second Treaty of Montevideo replaced LAFTA by the newly created Latin American Integration Association (LAIA), with the same goal of establishing, in the long run, a regional common market, but comprising more flexibility in the decision process.

LAIA adopted a more pragmatic approach than LAFTA, by focusing on enabling bilateral or sub-regional agreements that could be overlaid and leading to an overall free trade area. Another noteworthy aspect was the differentiation of member states into categories of economic development - lower relative development, intermediate development, and higher development – so that less industrialised countries could receive preferential treatment (Vieira, 2016).

² Apart from building a common judicial structure, the **Andean Pact** equally aimed at creating a financial infrastructure to allow for the financing of the basic goal of an integrated industrialisation process, such as the Corporación Andina de Fomento (CAF) and the Andean Reserve Fund (FAR). Furthermore, the **Andean Pact** comprised a common agricultural and industrial programming, the liberalisation of reciprocal trade, the adoption of a common external tariff, specific measures to reduce the differences of economic development among the five members, as well as a whole set of disciplines for the treatment of foreign investment, such as the limitation for the remittances of profits, the prohibition to invest in some sectors and to acquire existing industries, among others.

The geoeconomic landscape started to change when, between the mid-1980s and early 1990s, most advanced economies switched to policies that favored liberalisation of trade and capital flows. This trend was consolidated in 1994, with the creation of the World Trade Organisation (WTO).

In Latin America, ECLAC (1994) updated its discourse, advocating an “open regionalism”: regional agreements and multilateral trade openness should be concomitant processes. It was claimed that such a strategy would enable Latin American nations to increase their competitiveness while reducing domestic inflation.

This was precisely the logic embedded in Mercosur’s genesis. Initially, Brazil and Argentina signed in 1986 the Economic Integration and Cooperation Program (PICE), aimed at cautiously expanding the reciprocal tariff preferences on a sectoral basis, thereby fostering productive capacities. However, the new political context after 1989 allowed for broader trade liberalisation, and the original mechanism based on specific protocols was replaced by a planned common market in 1991, via the Treaty of Asunción, to which two neighboring countries - Paraguay and Uruguay – adhered as well. In 1994, when the practical difficulties of liberalisation became more evident, the original objective of forming a common market was reduced to a partial custom union.

This regional bloc adopted a common external tariff (CET), and after 1995 new agreements were signed in the areas of trade in services and competition policy, further strengthening the spirit of “open regionalism”. Mercosur meant a significant change of regional approach, implying the coordination of positions in international economic forums; free movement of goods, services and productive factors; tentative alignment of macroeconomic and sectoral policies; as well as the commitment to harmonise legislation among member countries.

Between the 1990s and the 2000s, Mercosur broadened its agenda beyond economic integration, incorporating initiatives in the political and social spheres as well. Notable examples include the Ushuaia Protocol (1998), which sought to safeguard democracy and the rule of law within member states; the Fund for Structural Convergence (FOCEM) (2004), designed to mitigate asymmetries between larger and smaller economies; the creation of a regional parliament (2006); and the adoption of a Statute for a Mercosur citizenship (2010) (Zardo, 2019). In the same vein, the bloc also expanded its membership, approving the accession of Venezuela (2012) and Bolivia (2024).

There were also relevant changes in the Andean Pact. The 1987 Quito Protocol allowed for bilateral negotiations of preferences and reduced the requirements for common industrial policies. Trade liberalisation resumed in 1991 through the agreement on a free trade area, operational in 1993.³

³ Except for Peru, whose gradual incorporation was only negotiated in 1997.

The bloc equally announced the intention of becoming a customs union in 1995, by adopting a common external tariff – which, nonetheless, was never fully implemented. In 1996, with the creation of a General Secretariat based in Lima, the group was renamed as Andean Community. In the 2000s, relevant initiatives in the social sphere encompass an Andean Pact on Human Rights (2002) and the creation of an Advisory Council of Indigenous Peoples (2007).

An attempt to improve cohesion between these fragmented sub-regional blocs and advance a broader South American integration agenda was sketched in 2000, when an unprecedented gathering of twelve South American heads of state took place in Brasilia. On that occasion, countries committed to expand integration in the areas of trade, political cooperation, and infrastructure.

The most important initiative endorsed by leaders was the so-called Initiative for the Integration of South American Infrastructure (IIRSA), which consisted of a portfolio of infrastructure projects deemed capable of leveraging regional trade and connectivity. In the beginning it was coordinated by the Inter-American Development Bank (IADB) in collaboration with other regional development agencies, such as the Andean Development Corporation (ADC) and Fonplata, but funding was expected to come from the private sector as well (Padula, 2014).

The framework of regional integration was somewhat altered in the following years, with the rise of what came to be known as the “Pink Tide”: several South American nations became, between 2003 and 2015, ruled by left-wing parties, having in common the goal of further advancing the integration of the continent. This implied a different approach to integration: rather than just increasing commercial ties and opening up markets, Pink Tide governments emphasised the reduction of asymmetries within the region and the harmonisation of social policies (Zardo, 2019).

A more radical stream of the Pink Tide led to the creation of the Bolivarian Alliance for the Peoples of Our America (ALBA), in 2004. ALBA initially gathered only Venezuela and Cuba, later joined by Bolivia (2006), Nicaragua (2007), Honduras (2008), Ecuador (2009), and several Caribbean countries.

Differently from conventional trade blocs, ALBA primarily advocates the establishment of an arena for political cohesion on relevant themes of international affairs, being known for the nationalistic and anti-American tone. Because our focus here is on South America and since only two countries in the region belong to ALBA, the current analysis will concentrate on the other integration exercises.

The 2000 presidential meeting and the purpose of designing a broader institutional framework for South American integration led to the creation, in 2004, of the South American Community of Nations (CASA). CASA, nonetheless, lacked legal personality until its conversion into the Union of South American Nations (Unasur) in 2008, which was joined by all South American countries.

Its main objectives, besides economic integration, comprised political coordination, engagement across civil societies, as well as cooperation in defense, technology,

science, education and culture.⁴ It emerged as a platform to reduce the influence of the Organisation of American States (OAS).

Unasur remained basically an intergovernmental project with a General Secretariat, with thematic councils on topics such as health; social development; infrastructure and planning; education; culture; science; technology and innovation; drug trafficking; defense; economy and finance; energy; and public safety. Its South American Council of Infrastructure and Planning (Cosiplan) assumed major importance for absorbing the IIRSA, updating its portfolio and steering its governance (Barros, 2023).

In parallel to this more holistic view of integration that gained prominence in Unasur, Mercosur, and the Andean Community, Chile, Peru, and Colombia kept prioritising the economic dimension while contending that trade liberalisation was not properly addressed by existing institutional arrangements. In 2011, these three countries, along with Mexico, decided to create a new bloc, the Pacific Alliance, foreseeing totally free trade across members until 2020 (Padula, 2013).

In a nutshell, one can identify three currents of thought standing out in the debate on South American integration in the 2000s and 2010s: (a) the Bolivarian left, whose focus was on combatting imperialism and the dominance of foreign powers in the region; (b) a more moderate center, aiming to institutionalise the economic, social and political dimensions of regional integration; and (c) a pragmatic view centered on strictly economic matters, seeking to expand commercial flows within the region and also between the continent and other poles.

With the progressive erosion of the Pink Tide, political polarisation increased in the region, both within and between countries. In this context, in 2016, Unasur came to a standstill and became virtually inoperative, given that the decision-making process was based on consensus.

In 2019, a parallel mechanism called Forum for the Progress and Integration of South America (Prosur) emerged with the purpose of replacing Unasur with a more flexible and less institutionalised mechanism. Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, and Uruguay adhered to Prosur.

On the other hand, Venezuela, Bolivia, Guyana, and Suriname, still ruled by left-wing governments, remained in Unasur. As a result, there ceased to exist an institutional arrangement encompassing all South American countries.

Domestic political changes led Brazil and Argentina to rejoin Unasur, but with no consensus on the reactivation of its institutions. Brazil's current administration attempted to restart the process of regional approximation by inviting all leaders to a summit held in Brasília, in May 2023. The 12 heads of state reached a final docu-

⁴ See Ferrari (2014).

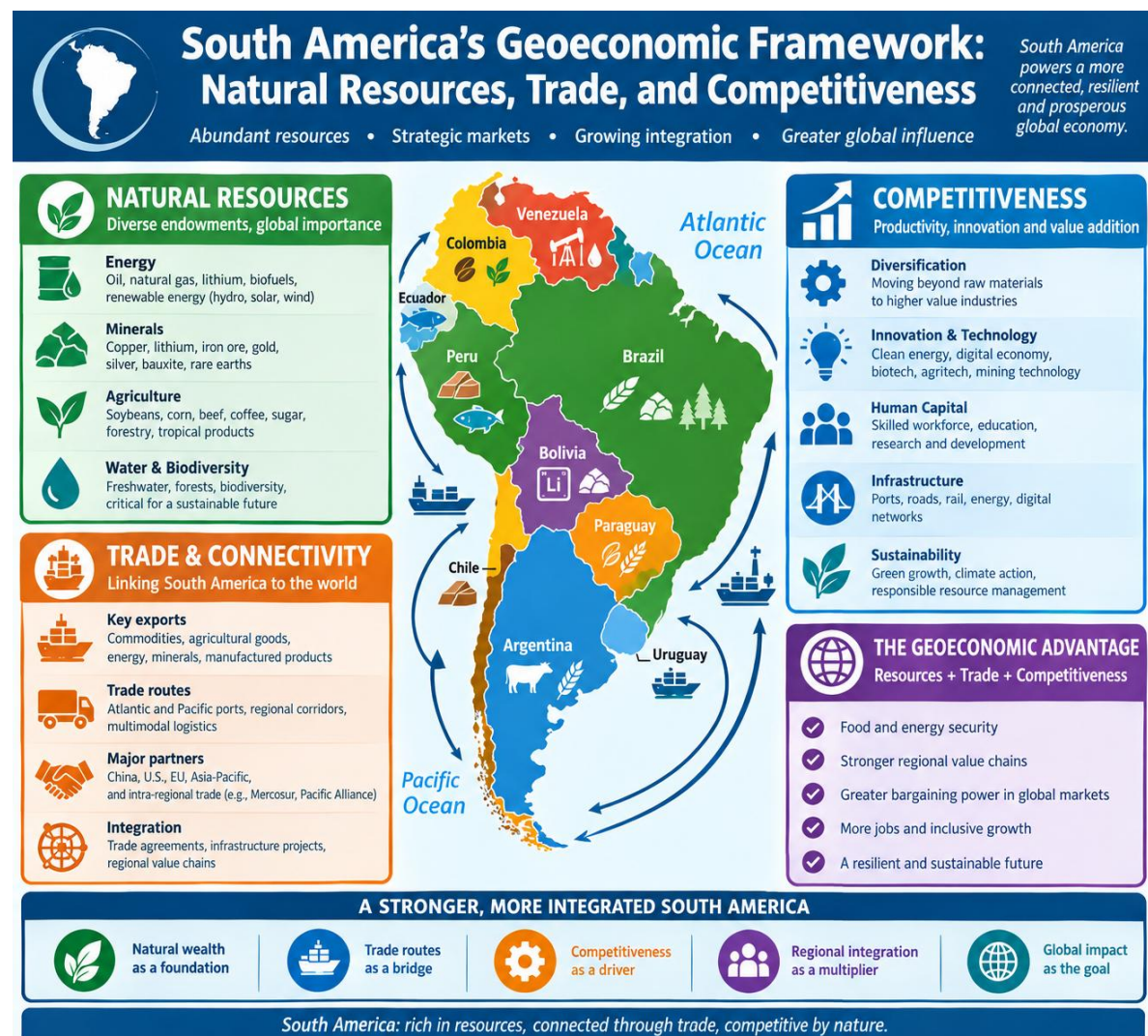
ment - the Brasília Consensus - in which the importance of advancing regional integration is recognised.

Yet, despite the creation of thematic working groups and the release of a “Roadmap for South American Integration”, persistent political polarisation prevented new attempts of institutional development in the region, and integration initiatives remain largely fragmented.

This political fragmentation of South American countries is bound to lead to differences in their geoeconomic approaches. This is the subject of the next section.

3. South America’s Geoeconomic Framework: Natural Resources, Trade, and Competitiveness

An examination of the region’s challenges and opportunities within the current geoeconomic landscape can be structured around two main topics: (a) the continent’s assets in terms of its natural endowments and (b) its economic insertion into international trade flows.



A. South America in the Context of Energy Transition

Access to certain minerals is quite strategic for technological transformation, as they are crucial for producing batteries and permanent magnets — indispensable for electric motors and vehicles, solar panels, and wind turbines. This is the case of lithium, nickel, cobalt, manganese, graphite, copper, niobium, silicon, tin, as well as rare earth elements. Some of those are also widely employed in satellite and defense industries, which greatly increase their economic and political importance.

Argentina and Bolivia possess the largest lithium resources worldwide, together accounting for 40 percent of the mineral already identified. Chile holds around 10 percent of global deposits and is the second largest producer, with over 20 percent of total extraction. Brazil and Peru hold approximately 1 percent of global lithium each; the former contributes about four percent of global production, while the latter's output remains minimal (USGS, 2025).

In the copper sector, South America equally plays a major role, notably through Chile and Peru. The former is the individual nation with the most copper resources worldwide (around 19 percent), whilst the latter counts with about 10 percent of global reserves. In terms of extraction, Chile is the main producer, with a market share of 23 percent, and Peru is the third largest, with 11 percent (USGS, 2025).

Brazil is the only South American country among the top 10 producers and reserve holders of manganese. Despite possessing 16 percent of global reserves, it accounts for only three percent of total production. A similar pattern is observed with nickel: although Brazil holds over 12 percent of global reserves, its share of production is just two percent. In the silicon market, Brazil ranks second in terms of reserves and third in production, with a four percent share in both.

Brazil holds a 26 percent share in reserves of graphite (second place worldwide), yet with only a four percent share in extraction. In the sector of rare earths, Brazil has the largest volume of reserves after China (around 23 percent), but its amount produced nears zero (USGS, 2025). Regarding tin, Brazil is responsible for 10 percent of world reserves and 6 percent of production (USGS, 2025).

The niobium market, in turn, is virtually monopolised by Brazil: it holds more than 90 percent of global reserves and extraction. For cobalt, contrariwise, no nation in the continent ranks in the top 10, both in terms of reserves and production (USGS, 2025).

In a nutshell, given the strategic importance of critical minerals for the ongoing energy transition and technological revolution, South America's vast reserves undoubtedly represent a major geoeconomic asset. These resources not only attract foreign direct investment but also strengthen the region's bargaining power in broader political and economic relations.

A clear illustration of this potential is provided by the substantial inflows of external capital into the continent's mineral sector over the past two decades. According to ECLAC (2025b), more than 230 billion dollars were invested in mining in Latin America and the

Caribbean between 2005 and 2024, with a net predominance of South American countries, as Chile, Brazil, Peru, and Argentina accounted for 84 percent of this sum.

Of that value, 42 percent was directed toward critical minerals (ECLAC, 2025b), which received approximately 6.5 billion dollars in 2024 and 10 billion in 2023, primarily in lithium and copper (ECLAC, 2025a). The main investors were Canada and the United Kingdom (20 percent each), followed by China (14 percent), Australia (11 percent) and others, like Switzerland, Poland, Japan and Mexico (ECLAC, 2025a). These data underscore the regional diversification in the origin of resources.

In addition to critical minerals, one should consider that South America holds three of the biggest reserves of water resources — namely the Amazon Basin and the Alter do Chão and Guaraní Aquifers. In times of acute hydrological crisis in much of the world, this constitutes a significant comparative advantage.

Likewise, it is important to acknowledge that an effective green transition is heavily reliant on clean electricity, which requires a power grid increasingly based on renewable energy sources. Indeed, given the pressing challenge of reconciling economic growth with the stringent environmental targets set to curb climate change, the availability of renewable, abundant, and cheap energy has become a key factor in guiding investment decisions. This positions South America favorably as a destination for sustainable investments and green technologies.

Holding more than 20 percent of the world’s freshwater, South America has unparalleled potential for hydropower generation, known for its low cost. Similarly, the prevalence of high temperatures across much of the continent creates opportunities for solar energy development, while airflows along the Atlantic coast and in Patagonia provide potential for wind power. The vast cultivable lands also enable the production of energy from biomass. Table 1 depicts the power grid of each South American country, highlighting the significant share of renewable energy sources:

Table 1: Power Grid Composition (%) in 2023

Country	Energy Source					
	Hydro	Wind	Solar	Biomass	Nuclear	Fossil Fuels
Argentina	27	10	2	2	7	53
Bolivia	25	4	3	5	0	63
Brazil	60	14	7	8	2	9
Chile	26	10	20	6	0	37
Colombia	65	0	1	3	0	30
Ecuador	75	0	0	1	0	24
Guyana	N/A	N/A	N/A	N/A	N/A	N/A
Paraguay	100	0	0	0	0	0
Peru	50	3	1	1	0	45
Suriname	10	0	0	2	0	88
Uruguay	38	32	3	17	0	9
Venezuela	78	0	0	0	0	22

Source: IEA (2025)

South America also presents opportunities in fossil fuels. Whilst Venezuela owns the largest amount of known oil reserves, one should underline recent findings on Brazil's southern coast – the Pre-Salt fields - and on the so-called Equatorial Margin, which ranges from Guyana to Brazil's extreme north, encompassing Suriname and French Guyana. Argentina, in turn, recently discovered the *Vaca Muerta* reserve, which constitutes the second largest shale gas field worldwide and contains significant volumes of shale petroleum.

In conclusion, South America possesses a unique combination of critical minerals and abundant renewable energy resources, presenting itself as a key player in the global energy transition. These assets offer significant geoeconomic leverage, thereby generating major opportunities for attracting foreign investment. At the same time, the region holds considerable fossil fuel reserves, which, although expected to decline in relative importance, remain highly relevant in the short term. The continent, therefore, is expected to play a major role in the shift towards a greener economy while helping address the pressing trade-off between growth and environmental conservation.

South America's Approach to the External Sector

South America remains peripheral in world trade, with much of its potential still untapped. Although the region accounts for about 5 percent of global GDP, it represents only 3 percent of total exports and imports (UN Comtrade, 2025). While international trade amounts to 44 percent of global GDP, most South American countries fall well below this average, with the exception of smaller economies — such as Paraguay, Guyana, and Suriname — and Pacific Alliance members, which display higher levels of openness (Table 2).

At the same time, however, all countries considered here have increased the share of external trade in GDP over the last two decades. This is a remarkable indication in itself, but one that must be taken with some caution, since it mirrors the value of merchandise trade in a period of boom of commodity prices. A more detailed appraisal is beyond the purposes of this text. Suffice it to say that the region is now more exposed to international market variations as compared to a couple of decades ago.

Table 2: Merchandise Trade (% of GDP)

Country	Year	
	2000	2023
MERCOSUR (*)		
Argentina	18	22
Brazil	17	27
Paraguay	50	65
Uruguay	25	28
ANDEAN COMMUNITY		
Bolivia	36	50
Colombia	25	31
Ecuador	49	51
Peru	28	44

Country	Year	
PACIFIC ALLIANCE		
Chile	48	54
Colombia	25	31
Mexico	47	68
Peru	28	44
OTHER COUNTRIES		
Guyana	150	117
Suriname	97	116
Venezuela	42	..

(*) Bolivia only joined Mercosur in 2024

Source: World Bank (2025) Development Indicators, consultation on 08/29/2025

As already assessed in Section 2, part of this weak trade performance stems from the loose commercial blocs in the continent, which remain fragmented and incomplete. LAIA's attempt to establish a continental free trade zone was unsuccessful; Mercosur's common external tariffs are undermined by extensive exception lists; and the Andean Community's customs union was never properly implemented.

Considering that intra-region trade in East Asia, Western Europe and North America account for about 30-60 percent of total trade in their respective countries, it follows that bilateral commercial flows among South American economies remain extremely low, as per Table 3.

Table 3: Intra-group Trade as a Percentage (%) of Total Trade (2023)

Trade bloc	Exports	Imports
Mercosur	11	14
Andean Community	6	6
Pacific Alliance	2	2
South America (overall)	15	15

Source: WITS (2025) Database, consultation on 08/14/2025

With regard to extra-regional trade, South America's performance is equally frustrating, as proved by the low share of the continent in global commercial flows. One of the reasons is the adoption of protectionist policies. In order to have a more precise view of such policies, one could assess, for instance, the level of barriers to imports.

For the sake of simplicity,⁵ we focus here on the weighted mean of the applied tariff rate on all products. As shown in Table 4, tariffs have declined in all countries over the past two decades, yet average rates remain substantially above the global norm.

⁵ A more complete assessment should take into account the tariffs on different groups of products, as well as the intensity of non-tariff measures.

Table 4: Tariff rate, applied, weighted mean (all products, %)

Country	2000	2022
MERCOSUR (*)		
Argentina	10,52	6,45
Brazil	12,69	7,26
Paraguay	10,25	4,63
Uruguay	6,16	4,85
ANDEAN COMMUNITY		
Bolivia	8,46	5,08
Colombia	10,96	2,83
Ecuador	9,58	5,19
Peru	12,82	0,66
PACIFIC ALLIANCE		
Chile	9,00	0,46
Colombia	10,96	2,83
Mexico	15,15	1,62
Peru	12,82	0,66
OTHER COUNTRIES		
Guyana	12,69	7,26
Suriname	12,17	7,8
Venezuela	13,37	12,84

(*) Bolivia only joined Mercosur in 2024

Source: World Bank (2025) Development Indicators, consultation on 08/29/2025

Only Mercosur has a common external tariff. Data for the other groups are only indicative of the commitment of each member to a more open approach to trade. It comes out quite clearly that Mercosur countries are more cautious in trade than the Andean economies. The Pacific Alliance is the group of countries most open to external trade, with the lowest applied tariffs. This should not be a surprise, given the economic motivation that led to the formation of the group.

Moreover, the region, and most notably Mercosur, has been marked by inertia in its commercial policy over the last twenty years. Except for the Pacific Alliance, very few comprehensive free trade agreements (FTAs) have been reached with third economic poles – such as China, Japan, Korea, Europe or the United States. A detailed overview of trade agreements by South American countries and economic blocs is presented in the Appendix.⁶

⁶ Specific data on Brazilian agreements can be found in Baumann (2022)

In the case of Mercosur, for instance, apart from the recent agreements signed with EFTA and Singapore (to be ratified), there are only all-encompassing deals in force with Egypt, Israel, and Palestine, with which all members of the bloc have very limited trade relations. In addition, regarding preferential trade agreements (PTAs), except for a deal with India, all other instruments in force are agreements with other Latin American nations within LAIA's framework.

It is important to notice that South America's trade performance is hindered by structural competitiveness bottlenecks. In particular, one could underscore (a) the lack of appropriate infrastructure both within and between countries as well as (b) the long distances to the most dynamic nuclei of the world economy, currently concentrated in Asia-Pacific and in the Atlantic North, which drives up freight costs. In order to tackle these challenges, the continent must resume regional infrastructure projects.

South America's geoeconomic position can also be assessed through non-financial flows, namely the inflows of foreign direct investment (FDI) and official development assistance (ODA), as shown in Table 5. Evidence on FDI dependency is mixed: in 2023, most countries - except Colombia and Ecuador - recorded a lower FDI-to-GDP ratio than in 2000. While a detailed analysis of each case falls beyond the scope of this study, the overall picture suggests a relatively low regional reliance on external investors. Data on ODA are less conclusive, partly due to limited availability of data, but most countries — except Colombia — appear to have reduced their dependency, with ODA representing only a small share of GDP.

Table 5: Dependency upon non-financial foreign capital (% of GDP)

Foreign direct investment, net inflows			Net ODA received	
MERCOSUR *				
	2000	2023	2000	2022
Argentina	3,7	3,7	0,0	0,1
Brazil	5,0	2,8	0,0	0,0
Paraguay	1,2	1,3	1,0	0,2
Uruguay	1,2	-6,9	0,1	..
ANDEAN COMMUNITY				
	2000	2023	2000	2022
Bolivia	8,8	0,5	5,2	0,8
Colombia	2,4	4,6	0,2	0,6
Ecuador	-0,1	0,4	1,0	0,3
Peru	1,6	1,5	0,8	0,4
PACIFIC ALLIANCE				
	2000	2023	2000	2022
Chile	6,2	5,5	0,1	..
Colombia	2,4	4,6	0,2	0,6
Mexico	2,5	1,7	0,0	0,0
Peru	1,6	1,5	0,8	0,4
OTHER COUNTRIES				
	2000	2023	2000	2022

Foreign direct investment, net inflows			Net ODA received	
Guyana	9,4	-6,7	9,5	2,2
Suriname	-10,3	-0,2	3,9	1,6
Venezuela	4,0	..	0,1	..

(*) Bolivia only joined Mercosur in 2024

Source: World Bank (2025) Development Indicators, consultation on 08/29/2025

This indicates that South America's potential for attracting foreign investment is not being duly harnessed. The continent has a vast stock of natural resources, as previously discussed, which represents a major geoeconomic asset in view of the current energy transition.

Furthermore, as shown in Table 6, all South American countries (except Guyana) have their population living predominantly in urban areas — not a minor fact, since urban life stimulates the diversification of productive processes, the divulgation of technological advances, the diffusion of demand patterns, and several other influences.

Income in these economies is not only urban, but also highly concentrated. The richest 10 percent of the population absorbs some 30-40 percent of total income in all countries. Urban concentration facilitates the development of sectors such as manufacturing and certain services that contribute to this uneven distribution. This is bound to affect public policies, as governments need to allocate substantial resources to mitigate the effects of inequality, reducing their capacity to invest in infrastructure and other areas. Mobilising foreign and private capital is therefore essential to close this financing gap without compromising social expenditure.

Table 6: Urban Population and Inequality (2023)

	Rural population (% of total population)	Income share held by the top 10%
MERCOSUR*		
Argentina	8	31
Brazil	12	41
Paraguay	37	34
Uruguay	4	31
ANDEAN COMMUNITY		
Bolivia	29	31
Colombia	18	43
Ecuador	35	33
Peru	21	31
PACIFIC ALLIANCE		
Chile	12	35
Colombia	18	44
Mexico	18	34
Peru	21	31

OTHER COUNTRIES		
Guyana	73	..
Suriname	34	30
Venezuela	12	..

(*) Bolivia only joined Mercosur in 2024

Source: World Bank (2025) Development Indicators, consultation on 08/29/2025

Other factors of regulatory and institutional nature equally hamper the continent's attractiveness for foreign investment. A good proxy for the regulatory environment is given by the World Bank's (2020) ease of doing business index, in which the best ranked South American nations are Chile (59th), Colombia (67th) and Peru (76th), with all others falling below the top 100 (Table 7).

Table 7: World Bank's Ease of Doing Business Ranking (2020)

Country	Ranking Position
Chile	59
Colombia	67
Peru	76
Uruguay	101
Brazil	124
Paraguay	125
Argentina	126
Ecuador	129
Guyana	134
Bolivia	150
Suriname	162
Venezuela	188

Source: World Bank (2020)

To summarise, South America remains peripheral in the global economy, constrained by fragmented trade blocs, a limited array of extra-regional commercial agreements, infrastructure gaps, and political and institutional weaknesses. While trade integration has grown, it is still widely insufficient. In the same vein, the region has not been able to untap all the potential in attracting foreign investment provided by its natural resources and dynamic urban population. Structural measures to enhance competitiveness remain essential.

4. Final Remarks

South America presents significant geoeconomic potential, stemming from its abundant natural resources and vast, mostly urban consumer market. Furthermore, amid times of major global military and geopolitical conflicts, the continent's predominantly peaceful environment is a non-trivial factor, representing a strategic asset that should be better explored.

One peculiarity of Latin American economies for several decades has been to bet on regional integration as a means to overcome most of their shortcomings in terms of economic and social development. This approach has now been pursued for almost eight decades in the region, and South America is no exception. As shown here, there are a few initiatives of grouping countries toward common objectives. It is remarkable, nevertheless, that in most of these efforts there has been no clear intention of fostering the international competitiveness of such economies. The aim has often been solely to improve bilateral trade relations, differently from what is found in other regions, like Southeast Asia.

As an outcome, South American economies remain, with few exceptions, mostly closed to international trade, and initiatives to overcome infrastructure bottlenecks constraining trade remain widely insufficient. It is expected that projects such as the road linking the Brazilian Midwest region to Chilean ports might, in the coming years, contribute to alleviate some of these constraints.

Apart from that, however, it would be wise for the region to build on the examples of other regions, in terms of identifying joint ways to improve its competitiveness based on its comparative advantages, so as to foster its insertion in the international market.

Right now, the lack of homogeneity of purposes remains as a binding constraint for more proactive joint positions in the international scenario and leads to a loss of potential gains, raising instead the margin for bilateral commercial conflicts. A fractured approach to geoeconomics.

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APPENDIX

Table A.1 - Mercosur - Regional Trade Agreements in force			
Argentina	Brazil	Paraguay	Uruguay
Mexico	Mexico	Mexico	Mexico
GSTP (a)	GSTP (a)	GSTP (a)	GSTP (a)
LAIA (b)	LAIA (b)	LAIA (b)	LAIA (b)
Mercosur-Egypt	Mercosur-Egypt	Mercosur-Egypt	Mercosur-Egypt
Mercosur-India	Mercosur-India	Mercosur-India	Mercosur-India
Mercosur-Israel	Mercosur-Israel	Mercosur-Israel	Mercosur-Israel
Mercosur-SACU	Mercosur-SACU	Mercosur-SACU	Mercosur-SACU

Source: WTO (2025) Regional trade agreements and preferential trade agreements (ptadb.wto.org), consultation on 08/14/25

(a) General System of Trade Preferences

(b) Latin American Integration Association

* Palestine is not listed for not being a member of the WTO

** Bolivia only joined Mercosur in 2024

Table A. 2 - Andean Community - Regional Trade Agreements in force			
Bolivia	Colombia	Ecuador	Peru
GSTP (a)	Canada	China	Canada
LAIA (b)	Chile	Mexico	CPTPP (h)
Mexico	Israel	EFTA(d)	Costa Rica
	Mexico	El Salvador	United Kingdom (g)
	Northern Triangle (c)	European Union (e)	European Union (e)
	Costa Rica	GSTP (a)	GSTP (a)
	EFTA(d)	LAIA (b)	Japan
	European Union (e)	United Kingdom (g)	LAIA (b)
	GSTP (f)	Peru	Panama
	Korea		Australia
	LAIA (b)		Chile
	United Kingdom (g)		China
	United States		Honduras
			Korea
			Mexico
			Singapore
			PTN (i)
			United States

Source: WTO (2025) Regional trade agreements and preferential trade agreements (ptadb.wto.org), consultation on 08/14/25

(a) General System of Trade Preferences

(b) Latin American Integration Association

(c) El Salvador, Guatemala, Honduras

(d) European Free Trade Agreement

(e) European Union - Colombia, Ecuador, Peru

- (f) Preference among developing countries
 (g) United Kingdom - Colombia, Ecuador, Peru
 (h) Comprehensive and Progressive Agreement for Trans-Pacific Partnership
 (i) Protocol on Trade Negotiations

Table A. 3 - Pacific Alliance - Regional Trade Agreements in force			
Chile	Colombia	Mexico	Peru
Australia	Canada	Mercosur	Canada
Canada	Chile	Chile	CPTPP (a)
China	Israel	Colombia	Costa Rica
Colombia	Mexico	CPTPP (a)	EFTA (b)
Costa Rica	Northern Triangle (f)	Ecuador	European Union (g)
Guatemala	Costa Rica	EFTA (b)	GSTP (c)
Honduras	EFTA (b)	European Union	Japan
Indonesia	European Union (g)	GSTP (c)	LAIA
Japan	GSTP (c)	Israel	Panama
Malaysia	Korea	Japan	Australia
Mexico	LAIA	LAIA	Chile
Nicaragua	United Kingdom (h)	Bolivia	China
Thailand	United States	Central America	Honduras
Vietnam		Cuba	Korea
CPTPP (a)		Panama	Mexico
EFTA (b)		Peru	Singapore
European Union		PTN (d)	PTN (d)
GSTP (c)		United Kingdom	United Kingdom (h)
Hong Kong		USMCA (i)	United States
Korea			
LAIA			
Panama			
Peru			
PTN (d)			
TSEP (e)			
Turkiye			
United Kingdom			
United States			

Source: WTO (2025) *Regional trade agreements and preferential trade agreements* (ptadb.wto.org), consultation on 08/14/25

- (a) Comprehensive and Progressive Agreement for Trans-Pacific Partnership
 (b) European Free Trade Agreement
 (c) Preference among developing countries
 (d) Protocol on Trade Negotiations
 (e) Trans-Pacific Economic Partnership
 (f) El Salvador, Guatemala, Honduras
 (g) EU - Colombia, Ecuador, Peru
 (h) United Kingdom - Colombia, Ecuador, Peru
 (i) United States - Mexico - Canada Agreement