GLOBAL OPPORTUNITY INDEX 2025

Revisiting Latin America and the Caribbean

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MARCH 2025

ABOUT US

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The Milken Institute is a nonprofit, nonpartisan think tank focused on accelerating measurable progress on the path to a meaningful life. With a focus on financial, physical, mental, and environmental health, we bring together the best ideas and innovative resourcing to develop blueprints for tackling some of our most critical global issues through the lens of what's pressing now and what's coming next.

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SUMMARY

The Global Opportunity Index (GOI) 2025 report focuses on Latin America and the Caribbean (LAC) region. In recent years, the LAC region has become a popular destination for foreign capital, attracting almost half (48.9 percent) of foreign direct investment (FDI) inflows to emerging and developing (E&D) economies in 2023 and surpassing the FDI inflows to E&D Asia. Based on project announcements, LAC countries are likely to remain an attractive investment target. In 2023, the value of announced projects targeting the LAC region grew by 16 percent, driven by several megaproject announcements in the renewable energy, metals and minerals, and automotive and auto parts sectors.[1]

Despite large inflows of capital, real GDP growth in LAC has recently moderated, falling to 2.2 percent in 2023 after a strong post-pandemic rebound (with real growth at 7.4 percent in 2021 and 4.2 percent in 2022). Countries across the LAC region continue to face several challenges, including income inequality, weak public governance amid security concerns, and exposure to severe climate risks. Despite this, the relative economic openness of major LAC economies such as Mexico and Brazil and their (so far) limited trade-distortive interventions in view of rising geopolitical tensions make the LAC an attractive region in which to trade and do business.[2]

This report provides an overview of LAC's main strengths and vulnerabilities through the lens of our GOI and its various components, which reflect key business, legal, and regulatory policies that affect investments. In addition, we offer an in-depth look at the composition and evolution of Latin America's global capital inflows, emphasizing the role played by FDI and cross-border mergers and acquisitions (M&As) in stabilizing the region's flows of investment. This is the first time the GOI has been used to examine LAC's attractiveness to investors using data from after the onset of the COVID-19 pandemic.

Our analysis shows that the LAC countries compare well with other E&D regions in three main aspects:

- All but two of the LAC countries scored above the E&D average in the **Future Environment of Growth** subcategory of the index, which measures countries' potential for resilient and sustainable growth. Costa Rica and Uruguay are the regional leaders in this area. Both countries benefit from vast natural resources and a relatively equitable society, as reflected by a high proportion of women in government.

- The expanding highly skilled labor force has been an important driver of economic growth for the LAC region. As a reflection, most (12 out of 19) LAC countries scored above the E&D average on the **Workforce Talent** subcategory of the GOI. Dropping fertility rates, amid other demographic pressures, imply that Latin American countries will need to find new ways to expand their working population to continue benefiting from this area of relative strength in future years.

- All but two LAC countries outperformed the E&D average in their **Financial Size and Conditions.** Brazil, Chile, and Uruguay are the regional leaders in this area, while Guatemala and Paraguay lag slightly behind, scoring close to the E&D average on this subcategory of the GOI.

However, the region continues to present potential for growth in two areas:

- Most (13 out of 19) LAC economies score below the E&D average in **Innovation**. Yet the region shows some positive signs, with Brazil and Mexico (its two largest economies) ahead of the E&D average in this subcategory of the GOI.

- Slow and inefficient **Recovery and Resolution Processes** continue to drive down the region's Business Perception, with nine LAC economies scoring below the E&D average in this subcategory. Mexico is the main exception, benefiting from relatively high recovery rates and swift resolution procedures.

The picture becomes more nuanced considering LAC's five major economies that jointly attract 82.6 percent of the region's FDI:

- **Argentina** scores last or second to last among LAC's major economies in all categories of the index. Despite its vast natural resources (as reflected in its high score on Future Environment of Growth), the country's economy continues to struggle amid economic and political imbalances. Yet Argentina's capital inflows have risen steadily since 2020, signaling the possibility of a brighter future ahead.

- As the world's ninth-largest economy, **Brazil** is the main attractor of capital inflows and FDI to the region. The country benefits from a dynamic innovation economy and a strong financial system, as reflected by its top score among LAC (29th overall) in the Financial Services category of the GOI. In recent years, the country has experienced steady FDI inflows in the form of equity finance. This is partly the result of its strong M&A activity, with six of the 10 largest cross-border M&A deals in 2023 having taken place in Brazil.[3]

- With its long record of market-oriented policies, **Chile** continues to lead the GOI rankings for the LAC countries. This year, however, the country drops to fourth among LAC's major economies and 112th overall in Economic Performance. While this partly reflects an adjustment after Chile's fast economic expansion in 2021, it is also a sign of potentially slowing productivity. Still, the country continues to attract a sizable amount of capital relative to its GDP (8.0 percent in 2023), reflecting sustained investor interest, partly due to Chile's abundant natural resources.

- Reflecting the country's commitment to sustainable and resilient growth, **Colombia** outperforms E&D economies and the LAC's average in Future Environment of Growth.

However, high taxes and burdensome regulations continue to limit Colombia's growth. This is reflected in Colombia's relatively low score in the Economic Performance subcategory of the GOI. Like Chile, however, this country's foreign investments are high relative to its GDP (6.2 percent in 2023), with most of its capital inflows concentrated in FDI.

- As the US' biggest trade partner and the region's second-largest economy, **Mexico** continues to be a key driver of performance in the LAC region. Mexico benefits from a high score in Economic Openness and a relatively good Business Perception. Its FDI inflows have proved remarkably resilient, increasing even in 2020, when most countries experienced a drop in foreign investment. In the three years since 2020, Mexico has maintained a relatively large share (42.5 percent) of its FDI in manufacturing, even as the share of inflows into this sector has dropped across LAC.

While the business environment in LAC countries has largely improved since the last edition of the GOI focusing on Latin America, the region's ability to maintain attractiveness to foreign investors may depend on its capacity to overcome ongoing challenges that pose a burden to businesses.

To maintain their global competitiveness, LAC economies will need to strengthen institutions, invest in innovation, and streamline regulations to reduce excessive administrative burdens. With abundant resources and a favorable growth environment, the region has the potential for a resilient future if its countries can leverage their assets while tackling systemic obstacles to growth.

A BRIEF OVERVIEW OF THE GOI

The Global Opportunity Index (GOI) provides an objective benchmark for evaluating the attractiveness of foreign investment opportunities in more than 100 countries across the world. The index tracks countries' relative investment potential by considering key business, legal, and regulatory policies that influence foreign capital inflows. Governments can use the GOI to strengthen their business environments and attract foreign investments, while businesses can leverage the index's insights as they explore new growth opportunities.

GOI Categories and Their Components

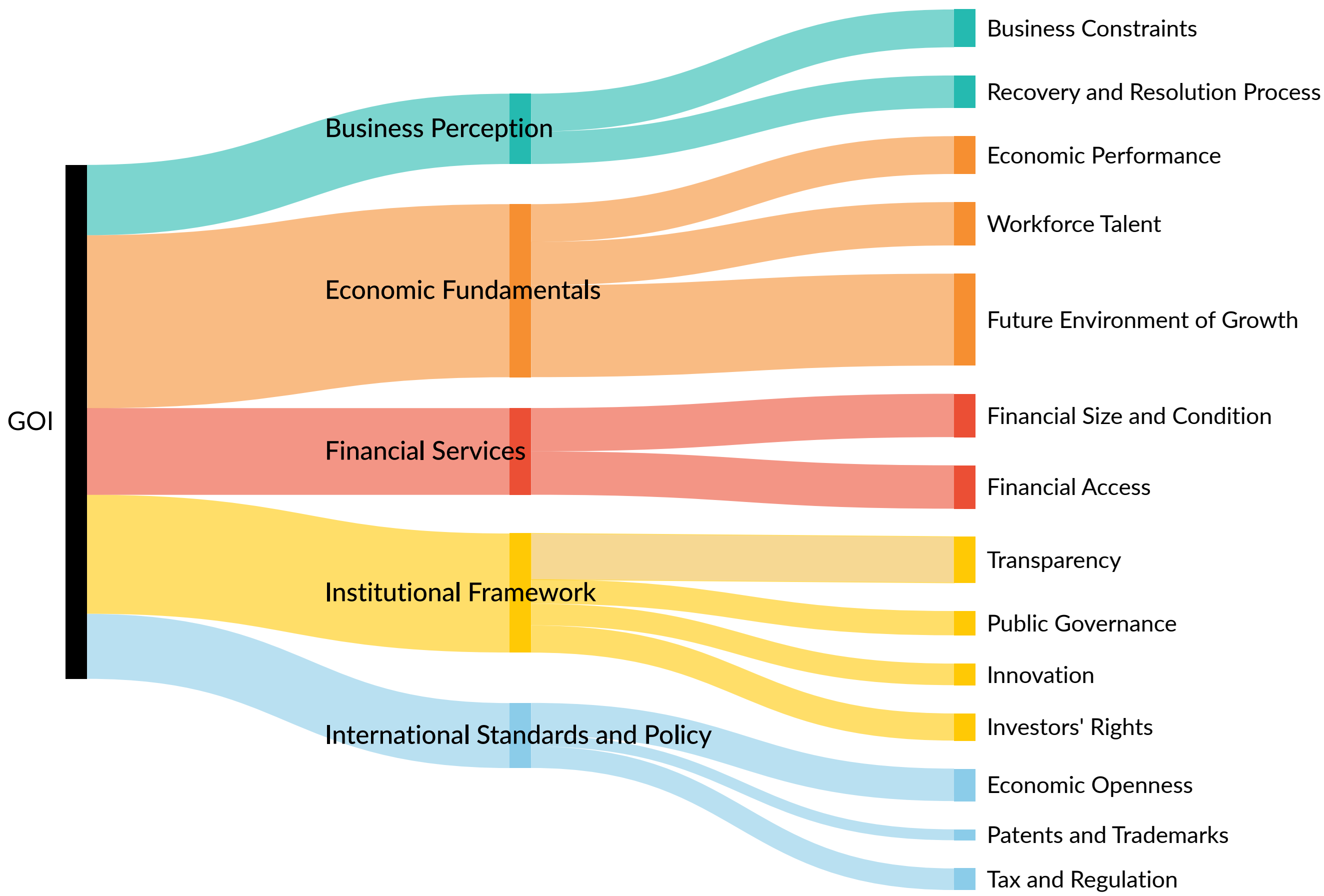
The total GOI score is based on indicators obtained from international organizations and institutions, such as the World Bank, the International Monetary Fund, and Transparency International. The indicators collected from these sources fall into five broad categories, each one capturing a different aspect of the country's investment climate:

- **Business Perception** measures the ease of doing business, enforcing contracts, and resolving an insolvency.
- **Economic Fundamentals** captures a country's macroeconomic outlook, workforce talent, and factors affecting its capacity to maintain resilient and sustainable growth.

- **Financial Services** evaluates the depth and breadth of the financial system and access to finance.
- **Institutional Framework** assesses the stability and transparency of a country's institutions and their ability to safeguard investors' rights.
- **International Standards and Policy** measures a country's integration within the international community and alignment with international regulatory standards.

Indicators in these five categories are further divided into 14 subcategories that track specific aspects of a country's performance and provide a deeper understanding of its investment conditions (Figure 1). For a full list of the 98 variables used to assess countries' relative performance on each category and subcategory of the index, see Box 1. Our interactive online tool provides further access to detailed information on the relative performance of the 116 countries ranked by the GOI.

Figure 1. GOI Categories and Subcategories



Note: The bar widths are representative of the number of variables included in each category and subcategory.
Source: Milken Institute (2025)

Box 1. Indicators Used for the GOI, by Category and Subcategory

BUSINESS PERCEPTION

Business Constraint

- Cost of business
- Ease of shareholder suits
- Percent of firms identifying corruption as a major constraint
- Percent of firms identifying labor regulations as a major constraint
- Percent of firms identifying tax rates as a major constraint
- Time required to start a business (days)
- Willingness to start a business

Recovery and Resolution Process

- Enforcing contracts: cost
- Insolvency regulatory framework
- Resolving insolvency: cost (percentage of estate)
- Resolving insolvency: recovery rate (cents on the dollar)
- Time required to enforce a contract (days)
- Time to resolve insolvency (years)

ECONOMIC FUNDAMENTALS

Economic Performance

- Central government debt
- GDP growth
- GDP per capita
- Inflation, consumer prices (annual percentage)
- Total factor productivity
- Trade (percentage of GDP)
- Unemployment, total (percentage of total labor force)

Workforce Talent

- Extent of staff training
- Education expenditure
- Labor force participation rate, age 15+ (percentage of total)
- Labor force with intermediate education (percentage of total)
- Labor force participation rate, female (percentage of female population ages 15+)
- Mean years of schooling
- School life expectancy
- Self-employed (percentage of total employment)

Future Environment of Growth

- Agricultural land (percentage of land area)
- Air pollution (mean annual exposure)
- CO_2 emissions (average per capita, tonnes per year)
- Forest area (% of land area)
- Freshwater withdrawals (annual, percentage of internal resources)
- Age dependency ratio (percentage of working-age population)
- Fertility rate (births per woman)
- Fixed-broadband internet subscriptions
- Healthy life expectancy
- Percentage of the population covered by at least a 3G mobile network
- Proportion of women in government (seats held in national parliament)
- MSME density (micro, small, and medium-sized enterprises)
- Government health expenditure (percentage of GDP)
- International trade in digitally deliverable services
- Internet access (percentage of households)
- Mobile broadband subscriptions
- Mobile phone subscribers (per 100 people)

FINANCIAL SERVICES	
Financial Access • Account ownership at a financial institution or mobile money service provider • ATMs (per 100,000 adults) • Bank branches (per 100,000 adults) • Credit card ownership (percentage of age 15+) • Debit card (percentage of age 15+) • Domestic credit to private sector (percentage of GDP) • Financing SMEs • Venture capital availability	**Financial Size and Condition** • Bank concentration • Insurance penetration premiums • Nongovernment securities (percentage of GDP) • Nonperforming loans to total gross loans (by percentage) • Private credit by banks (percentage of GDP) • Private credit coverage (percentage of adults) • Public credit coverage (percentage of adults) • Total private debt, loans, and debt securities (percentage of GDP)

INSTITUTIONAL FRAMEWORK	
Innovation • Buyer sophistication • Quality of research institutions • Research & development expenditures • H Index	**Investors' Rights** • Physical property rights • Quality of land administration • Rule of law • Strength of legal rights
Public Governance • Judicial independence • Political stability and absence of violence/terrorism: estimate • Press freedom • Regulatory quality • State of cluster development	**Transparency** • Conflict of interest regulation • Control of corruption • Credit depth of information • E-participation index • Extent of disclosure • Incidence of corruption • International Budget Partnership • Start-up procedures to register a business • Voice and accountability: estimate

INSTITUTIONAL STANDARDS AND POLICY		
Economic Openness	**Tax and Regulation**	**Patent and Trademark**
• Bilateral investment treaties (BITs) • Chinn-Ito index • Exchange rate regime • Tariff rate, applied, weighted mean, all products (percent) • Trading across borders • Treaties with investment provisions (TIPs)	• Corporate tax rate (percent) • Income tax rate (percent) • Labor freedom • Regulation of securities exchange	• Patent applications • Trademark applications

The Role of the GOI in Benchmarking Regional Competitiveness

The GOI reflects key economic, financial, and institutional aspects of a country that determine the willingness of businesses to invest and operate within its borders. Because of this, a country's GOI score is closely related to its ability to attract foreign capital. This is illustrated by the close relationship between the GOI scores and FDI inflows to advanced economies (AEs) and the five regions of emerging and developing (E&D) economies, as defined by the International Monetary Fund's (IMF) World Economic Outlook (WEO) (Table 1).[4]

Table 1. FDI Inflows and GOI Scores for Countries in the GOI, by Country Group

			Average Scores on GOI Categories				
WEO Country Grouping	FDI Inflows (per capita), 2019-2023	GOI Score 2025	Business Perception	Economic Fundamentals	Economic Fundamentals	Institutional Framework	International Standards and Policy
Advanced Econ	$544	0.77	0.79	0.82	0.71	0.79	0.75
E&D Europe	$339	0.50	0.54	0.66	0.43	0.41	0.46
E&D Asia	$90	0.43	0.41	0.67	0.39	0.36	0.31
LAC	$263	0.40	0.33	0.66	0.39	0.32	0.31
MECA	$59	0.41	0.51	0.48	0.36	0.36	0.35
SSA	$41	0.24	0.25	0.43	0.12	0.23	0.15

Note: The GOI scores range from 1 (most favorable) to 0 (least favorable).

Source: Milken Institute (2025) and authors' analysis of data from the IMF International Financial Statistics

As in previous years, advanced economies rank highest on the GOI, with scores significantly above those of E&D Europe (the second-highest scoring group of countries) on all index categories. Unsurprisingly, advanced economies are also the top attractors of foreign investments. Average annual per capita FDI inflows to advanced economies totaled $544 from 2019 to 2023, which was more than double the inflows to any of the E&D regions except for E&D Europe (Table 1).

Beyond the association observed for advanced economies, the GOI scores are also related to the capital inflows of E&D economies. For all but one of the five E&D regions, the magnitude of per capita FDI from 2019 to 2023 mirrored the group's GOI ranking, with Latin America and the Caribbean as the only exception.

The LAC region stands out due to its relatively high per capita FDI inflows since 2019. Latin American countries have experienced a rise in their FDI inflows since 2020, with the region's total FDI peaking in 2022 at $199 billion before declining slightly (to $177 billion) in 2023.[5] The relatively high FDI inflows to the region since 2020 have come as inflows to E&D Asia declined, due largely to a relative decrease in capital flowing to China. In terms of the GOI, the LAC region scores particularly high in the Economic Fundamentals category. This is largely due to its relatively robust highly skilled and economically active population, as well as the region's commitment to advancing education, as signaled by its relatively high education expenditure compared to other E&D regions.

OVERALL PERFORMANCE OF LATIN AMERICAN COUNTRIES

The LAC region consists mainly of countries with income per capita above the median for E&D economies. According to the World Bank income classifications, 12 of the 19 LAC countries in the GOI were classified as "upper middle income" in 2024, and four were classified as "high income" (Chile, Panama, Trinidad and Tobago, and Uruguay). Only three countries in the LAC region (Bolivia, Honduras, and Nicaragua) were classified as "lower middle income" by the World Bank.[6]

The size of the economies of these 19 countries, however, varies greatly. The region includes two of the world's 15 biggest economies (Brazil and Mexico) along with other large markets such as Argentina, Chile, and Colombia, all of which rank among the top 50 economies with the highest global Gross Domestic Product (GDP). At the same time, LAC is home to relatively small economies such as Nicaragua, Jamaica, and El Salvador, which fall in the bottom half of the GDP global ranking (Table 2).

Table 2. Income, Growth, and Size of Latin American Countries

	Income Group	GDP Global Ranking	Population	GNI Per Capita	GDP Growth (2022)
Argentina	Upper middle income	22	46,654,581	$12,520	-1.6%
Bolivia	Lower middle income	91	12,388,571	$3,600	2.4%
Brazil	Upper middle income	9	216,422,446	$9,070	2.9%
Chile	High income	44	19,629,590	$15,820	0.2%
Colombia	Upper middle income	40	52,085,168	$6,870	0.6%
Costa Rica	Upper middle income	68	5,212,173	$13,850	5.1%
Dominican Republic	Upper middle income	60	11,332,972	$9,700	2.4%
Ecuador	Upper middle income	61	18,190,484	$6,510	2.4%
El Salvador	Upper middle income	98	6,364,943	$4,920	3.5%
Guatemala	Upper middle income	65	17,602,431	$5,580	3.5%
Honduras	Lower middle income	97	10,593,798	$2,900	3.6%
Jamaica	Upper middle income	120	2,825,544	$6,150	2.2%
Mexico	Upper middle income	12	128,455,567	$12,100	3.2%
Nicaragua	Lower middle income	123	7,046,310	$2,270	4.6%
Panama	High income	72	4,468,087	$18,010	7.3%
Paraguay	Upper middle income	94	6,861,524	$6,200	4.7%
Peru	Upper middle income	48	34,352,719	$6,990	-0.6%
Trinidad and Tobago	High income	106	1,534,937	$17,940	2.1%
Uruguay	High income	77	3,423,108	$19,530	0.4%

Source: Authors' analysis of data from the World Bank and the World Development Indicators (2025)

While the GOI rankings partly reflect the LAC countries' economic size and income group (with Chile and Uruguay at the top of the GOI for the region), the GOI and its categories provide a richer assessment of each nation's relative strengths and areas for improvement.

Since 2021, when our report last focused on LAC countries, the region has seen a relative improvement in its economic conditions. This year, eight LAC countries ranked 60 or better on the Economic Fundamentals category of the GOI, compared to only three in 2021. The region also performs relatively well in Financial Services, with Brazil standing out as the regional leader, having surpassed Chile, which ranked best in this category of the GOI in 2021 (Figure 2). Business Perception, however, remains weak, with many of the LAC countries that rank worst in this category also featuring among the lowest in the Institutional Framework category of the GOI.

Figure 2. GOI 2025 Rankings

	Total	Business Perception	Economic Fundamentals	Financial Services	Institutional Framework	International Standards and Policy
Chile	40	40	69	34	34	42
Uruguay	44	44	43	35	37	51
Costa Rica	47	73	18	60	40	46
Mexico	62	61	63	65	65	62
Peru	64	80	49	56	75	49
Jamaica	65	56	46	66	55	87
Brazil	68	90	61	29	56	86
Colombia	69	70	54	63	63	81
Panama	71	86	48	64	72	70
Dominican Republic	76	93	77	72	81	75
Trinidad and Tobago	77	71	82	73	79	91
Argentina	80	87	70	69	83	101
Guatemala	81	98	80	78	95	52
Paraguay	84	104	60	89	92	69
El Salvador	86	91	72	88	104	78
Ecuador	89	110	56	71	93	100
Bolivia	91	100	53	70	115	89
Nicaragua	92	94	67	92	113	71
Honduras	97	109	83	81	101	98

Color Key	<30	30-59	60-89	>89

Note: The rankings range from 1 (most attractive investment conditions) to 116 (least attractive investment conditions).

Source: Milken Institute (2025)

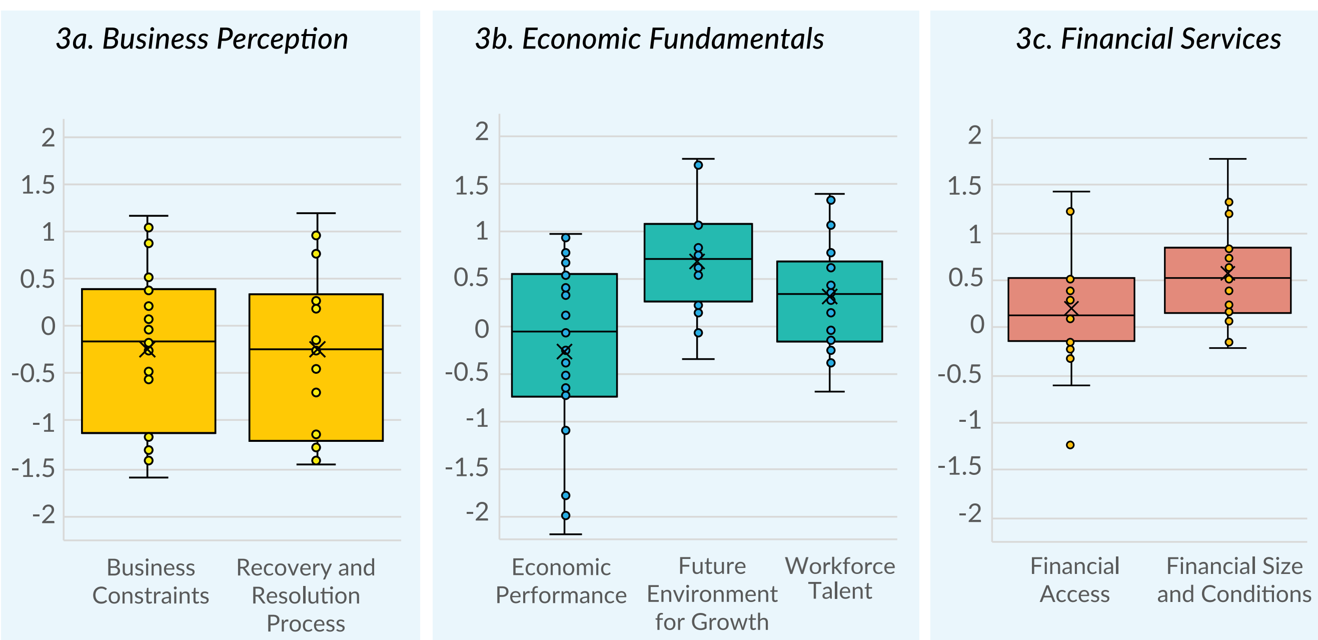
A few LAC countries perform particularly well in this year's GOI. Chile continues to lead the region, ranking 40 in the overall index, while Uruguay and Costa Rica trail close behind at positions 44 and 47, respectively. Having strengthened its performance on the Business Perception indicators, Uruguay now ranks in the top half of GOI countries on all five categories of the index. Costa Rica, which ranks third among LAC, has benefited from strong post-pandemic growth, which has led it to place 18 (above advanced economies such as Canada, Denmark, and Finland) in the Economic Fundamentals category of the GOI.

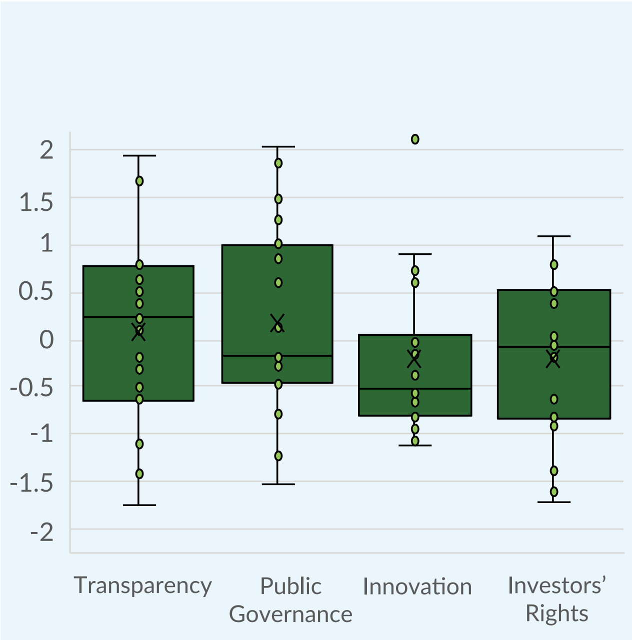
Mexico and Brazil, the region's two largest economies, are ranked 62 and 68, respectively, on the overall GOI. Brazil stands out in the Financial Services category, where it places 29 this year, compared to 41 in 2021. Mexico, while not in the top 60 in any category, stands out due to its overall robust conditions, ranking between 61 and 65 in all categories of the GOI. This consistency places Mexico fourth among LAC countries in the overall GOI ranking, three positions above Brazil.

Comparison of LAC to Peer E&D Countries

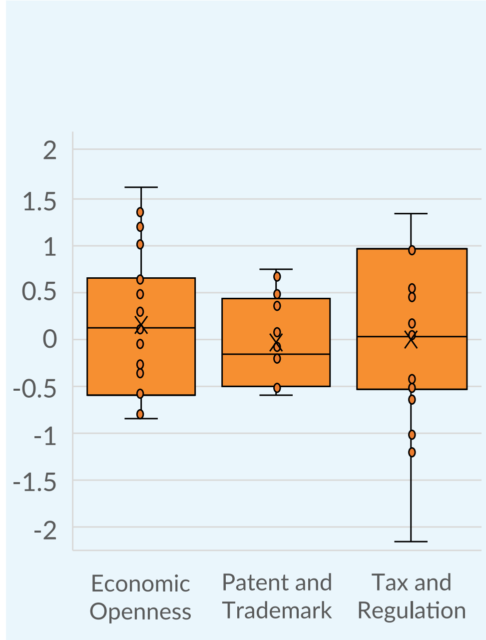
Comparing the LAC countries to their peer E&D economies offers valuable insights into their attractiveness to foreign investors seeking to balance low risk with high returns. For this comparison, we normalize the index to reflect the difference between each country's score and the average for the E&D countries divided by the standard deviation within each GOI category.[7] Figure 3 shows the distribution of these normalized scores on the 14 subcategories of the GOI for the LAC region. For each normalized score, a value above zero means the country performs better than the average for E&D economies, whereas a value below zero represents worse than average investment conditions.

Figure 3. Performance of Latin American Countries Compared to E&D Average, by GOI Subcategory

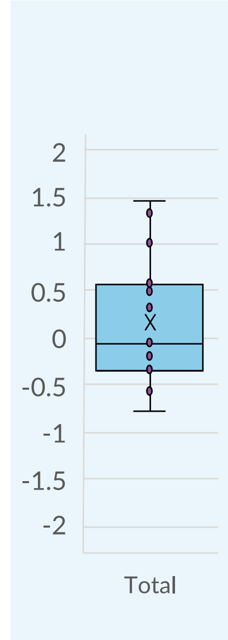




3d. Institutional Framework



3e. International Standards and Policy



3f. Total Index

Source: Milken Institute (2025)

Overall, the LAC countries show strong performance relative to their peers in Economic Fundamentals and Financial Services while underperforming in Business Perception and displaying about average performance in Institutional Framework and International Standards and Policy. Breaking down each category of the GOI into its respective subcategories, however, provides deeper insights into the LAC region's relative performance. More specifically:

- **The LAC countries' above-average performance in Economic Fundamentals is driven by strong scores on Future Environment of Growth and Workforce Talent**. With their vast forest areas, relatively low air pollution, and a high proportion of women in government, many LAC countries—such as Costa Rica and Uruguay—stand out in their Future Environment of Growth, which captures a country's potential to create resilient and sustainable growth. The region also stands out in its Workforce Talent largely due to considerable investments in education in the past decades, leading to its relatively high proportion of skilled workers.
- **Recent slow growth in Chile and Uruguay leads the LAC region to score below the E&D average in Economic Performance**. While Chile continues to lead the LAC region in the overall GOI rankings, the country has recently seen slowing growth after a large economic expansion in 2021, which, combined with high inflation and unemployment in 2023, created a drop in its Economic Performance.[8] Uruguay, another high overall performer, has been affected by a recent drought, which resulted in a decline in its agricultural production and poor post-pandemic economic conditions.[9]

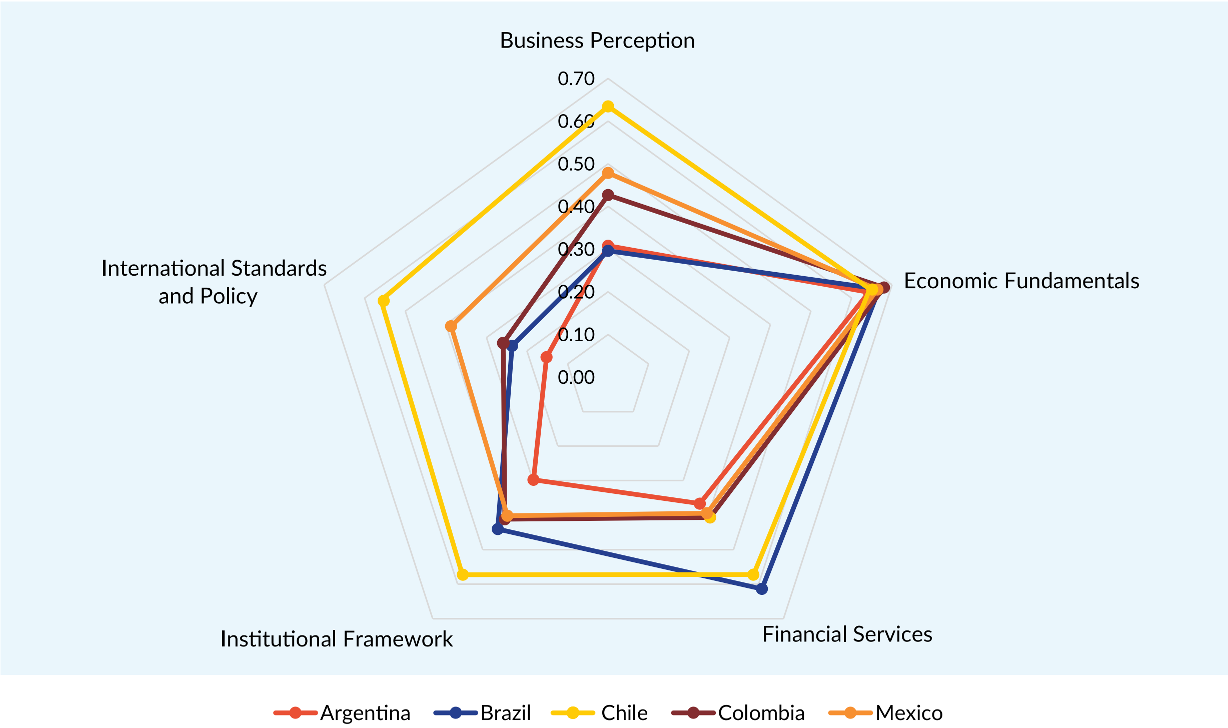
- **The region performs relatively well in both Financial Access and Financial Size and Conditions.** Brazil, Chile, and Uruguay stand out on both subcategories, with scores more than one standard deviation above the E&D average. Most (12 of the 19) other LAC countries also score above the E&D average in the two Financial Services subcategories of the GOI. Nicaragua is the only negative outlier. The country scores 1.2 standard deviations below the E&D average in Financial Access, and also falls below the E&D average in Financial Size and Conditions, reflecting its overall poor financial development.
- **High Business Constraints and poor Recovery and Resolution Processes continue to drive down the region's relative standing in Business Perception.** While most LAC countries score below the E&D average on one or both Business Perception subcategories of the GOI, some positive outliers stand out. With its relatively low costs of doing business and ease of paying taxes, Chile outperforms in Business Constraints, scoring 1.2 standard deviations above the E&D average. Mexico stands out in the quality of its Recovery and Resolution Processes due to both the speed and effectiveness of its contract enforcement and insolvency resolution practices.
- **The LAC countries tend to score close to the E&D average in most of the subcategories of Institutional Framework and International Standards and Policy.** Innovation is an interesting exception. While most countries in the LAC region underperform in this subcategory of the GOI (with the mean for the region at 0.53 standard deviations below the E&D average), Brazil stands out as an outlier, with an Innovation score that is statistically significantly higher than the E&D average. Costa Rica is another positive outlier, scoring significantly above the E&D average in the Public Governance subcategory of the GOI.

Performance of Latin America's Five Major Economies

In 2023, Brazil and Mexico (by far LAC's two largest nations in both GDP and population), along with Argentina, Chile, and Colombia, generated two-thirds of the region's total GDP, contributing almost 15 percent to the overall global production.[10] Given their significance to the global economy, the investment conditions in these five countries deserve particular attention. Evaluating the performance of LAC's five major economies through the lens of the GOI reveals how their institutional and policy differences have led to diverse business environments in these nations.

Chile has traditionally topped the GOI list of the LAC countries, reflecting the country's long record of market-oriented policies and relatively strong institutions. In 2021, when the GOI report last focused on LAC, Chile was the highest-scoring major economy of the region in all five categories of the index. This year, the country remains the highest scoring of LAC's major economies in the total GOI but drops to second place in Financial Services and to fourth place in Economic Fundamentals due to its relatively low Economic Performance (Figures 4 and 5). Chile's low score in the Economic Performance subcategory of the GOI is partly due to its slowing productivity over the past decades, while also reflecting an adjustment in growth after Chile's fast economic expansion in 2021, when the country's GDP increased by 11.3 percent.[11]

Figure 4. GOI Scores of Latin America's Top Five Economies, by GOI Major Category



Source: Milken Institute (2025)

Figure 5. Performance of Latin America's Top Five Economies Compared to E&D Average, by GOI Subcategory

		Argentina	Brazil	Chile	Colombia	Mexico
Business Perception	Business Constraint	-0.3	-0.6	1.2	0.1	-0.1
	Recovery and Resolution Process	-0.5	-0.1	1.0	0.3	1.2
Economic Fundamentals	Economic Performance	-1.8	-0.7	-2.2	-1.1	0.8
	Future Environment of Growth	1.1	0.8	1.2	1.1	0.5
	Workforce Talent	0.4	0.5	0.7	0.4	-0.2
Financial Services	Financial Access	0.3	1.3	1.4	0.1	0.2
	Financial Size and Condition	0.3	1.8	1.2	0.9	0.7
Institutional Framework	Transparency	0.1	0.5	2.0	0.8	0.6
	Public Governance	0.1	0.2	1.5	-0.2	-0.2
	Innovation	0.6	2.1	0.7	0.0	0.9
	Investors' Rights	-1.4	-0.2	0.5	0.8	0.1
International Standards and Policy	Economic Openness	-0.3	-0.4	1.6	0.2	1.0
	Patent and Trademark	0.4	0.5	0.7	-0.2	0.1
	Tax and Regulation	-2.2	-0.4	1.0	-1.0	-0.6

Color Key (Std. Dev. from Average)			
	> 2	1 to 2	0 to 1
	< -2	-1 to -2	0 to -1

Source: Milken Institute (2025)

Brazil displays an interesting pattern in its GOI scores. The country stands ahead of the region in Financial Services and has the second-highest scores among LAC's major economies in Economic Fundamentals and Institutional Framework but places last and second to last, respectively, in Business Perception and International Standards and Policy (Figure 4). Mexico, in contrast, places second among LAC's major economies in both Business Perception and International Standards and Policy.

The contrast between Brazil and Mexico is due to the latter country's superior performance in the Recovery and Resolution and Economic Openness subcategories of the GOI (Figure 5). In Mexico, resolving insolvency takes approximately 1.8 years, with a recovery rate of 64 cents on the dollar. In contrast, the same process takes about four years in Brazil, and the recovery rate is only 18 cents on the dollar. Likewise, Economic Openness is higher in Mexico, with this country having more bilateral investment treaties, more trade flowing through its borders, and a higher index of capital account openness (Chinn-Ito) than Brazil.

While Colombia and Argentina have the lowest GOI scores among LAC's major economies, there are large differences between these two countries in their investment conditions. Despite its relatively low total ranking, Colombia stays ahead of the other major economies (and above the E&D average) in Economic Fundamentals due to its high score on the Future Environment of Growth subcategory, reflecting its commitment to sustainable and resilient growth (Figures 4 and 5).[12] In contrast, Argentina falls last or second to last among LAC's major economies in all categories of the index (Figure 4). The country has experienced persistent inflation amid economic and political imbalances, resulting in a weakened economy despite its vast natural resources and highly skilled workforce (as reflected in the Future Environment of Growth and Workforce Talent subcategories of the GOI).

TRENDS IN PRIVATE CROSS-BORDER INVESTMENT

General Trends in Capital Inflows to Latin America

Global capital flows increased in the three years following the COVID-19 pandemic from an average of $4.83 trillion from 2017 to 2019 to an average of $6.15 trillion from 2021 to 2023, representing a 27.2 percent expansion (Figure 6).[13] Inflows to AEs drove a substantial part of this growth, increasing from $3.58 trillion to $4.96 trillion (a 38.5 percent rise) and expanding the AE's share of global capital inflows from 74.1 to 80.6 percent (Figure 6). E&D Europe also experienced an increase in its share of global capital inflows, while the share of capital flowing to the rest of E&D regions dropped.

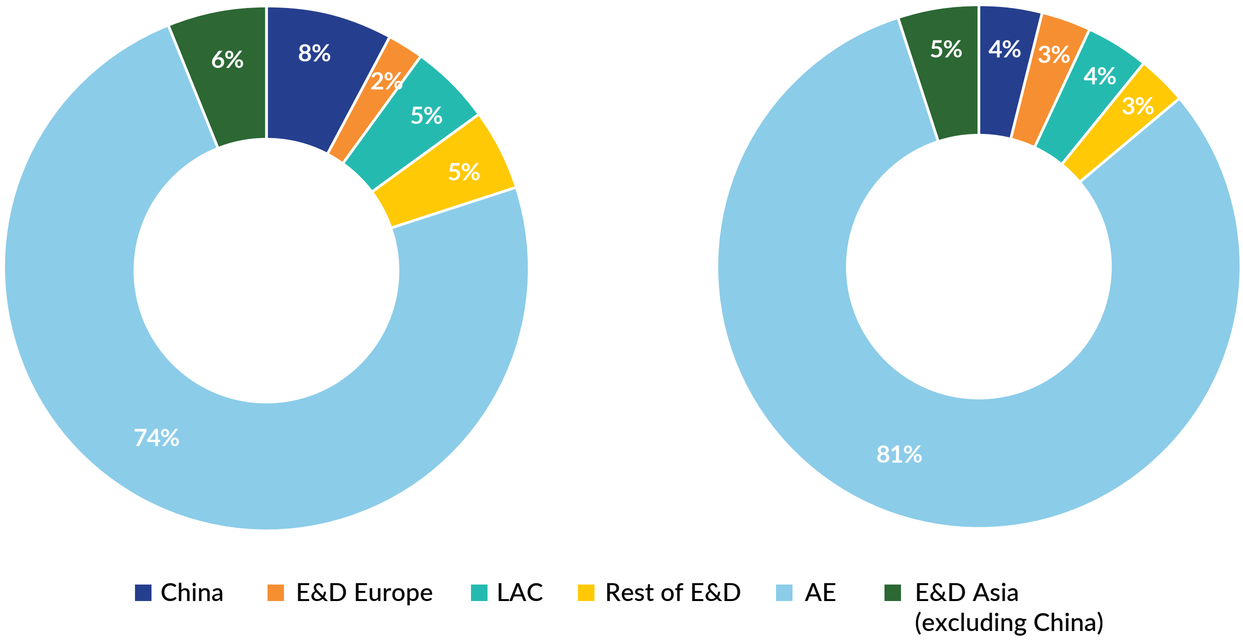
Figure 6. Capital Inflows by Region, Share in World Total

6a. 2017-2019

Total = $4.83 trillion

6b. 2021-2023

Total = $6.15 trillion

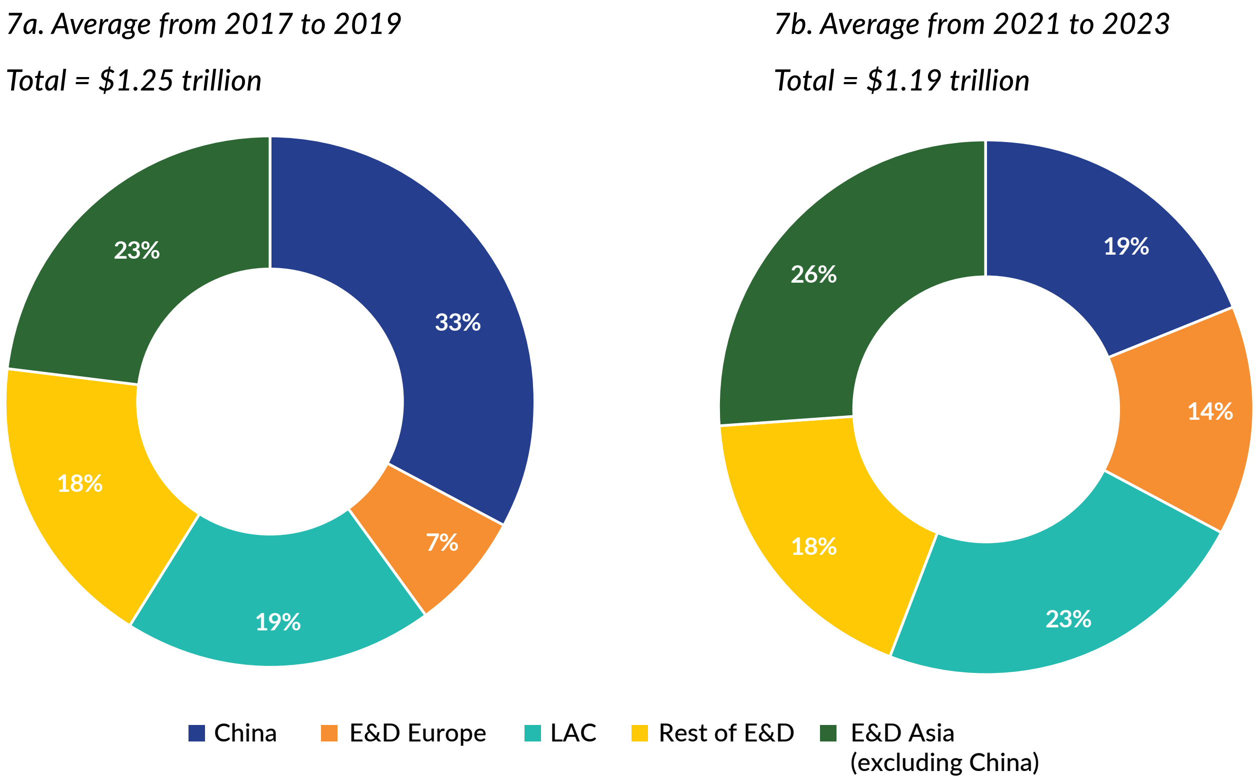


Source: Authors' analysis of data from the IMF International Financial Statistics (2025)

Among E&D regions, inflows to Latin America and the Caribbean increased from $236.7 billion to $273.3 billion, while inflows to E&D Asia (excluding China) grew from $284.6 billion to $312.3 billion. E&D Europe showed particularly strong performance in the capital's flight-to-safety environment that followed the pandemic, with its inflows nearly doubling (increasing from $84.8 billion to $164.9 billion). In contrast, inflows to China decreased by 44.9 percent, falling from $417.1 billion to $229.8 billion. This drop in investment in China pulled down the total capital inflows to E&D economies, which dropped from $1.25 trillion from 2017 to 2019, to $1.19 trillion from 2021 to 2023 (Figure 7).

These changes resulted in a notable redistribution of investments among E&D economies. As China's share of E&D capital inflows fell by 14 percentage points (from 33.3 to 19.3 percent), other E&D regions strengthened their relative positions within the E&D total. E&D Europe doubled its share of E&D inflows (an increase from 6.8 to 13.9 percent), while Latin America captured almost a fourth (23.0 percent) of all capital flowing to E&D economies from 2021 to 2023 (compared to 18.9 percent from 2017 to 2019). This placed Latin America as the E&D region with the second-highest share of capital inflows, after E&D Asia (excluding China), which captured 26.2 percent of the E&D total.

Figure 7. Capital Inflows by E&D Region, Share in Inflows to E&D Economies

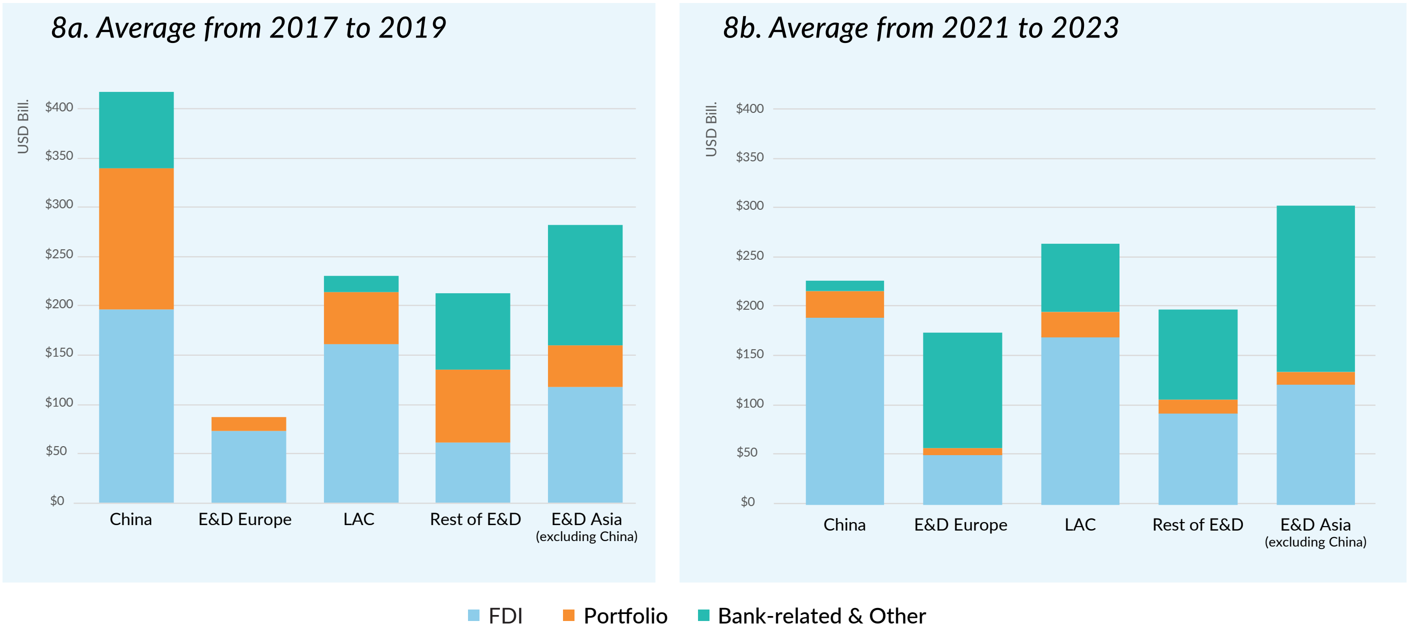


Source: Authors' analysis of data from the IMF International Financial Statistics (2025)

The LAC region saw an increase in most types of capital inflows during the three years following the COVID-19 pandemic (Figure 8). FDI to LAC increased by 6.3 percent on average from 2021 to 2023 (relative to the average from 2017 to 2019), and the region experienced a more than fourfold increase in its bank-related and other investment inflows. While its portfolio investments declined by 50.4 percent (largely due to a sharp drop in portfolio debt), this drop represented a broader trend across E&D markets. The LAC region's mostly balanced growth contrasted with regions such as E&D Europe, which saw a decline in FDI and portfolio inflows despite a substantial increase in its bank-related and other types of investments.

Different types of capital inflows exhibit different levels of volatility across regions. As expected, FDI inflows were the most stable type of capital, increasing moderately in most E&D regions in the three years after 2020 (relative to the three years before). In contrast, bank-related inflows were the most volatile, increasing substantially in E&D Europe while dropping abruptly in China. These differences in volatility can be of particular interest to policymakers in regions that have historically been affected by capital flow reversals, such as LAC.

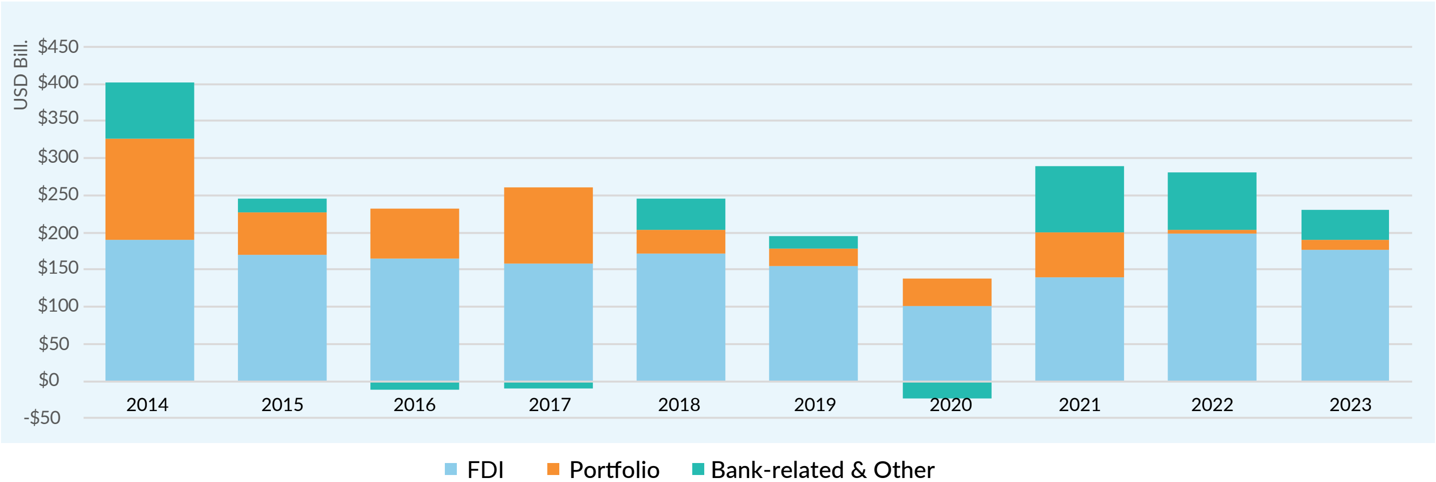
Figure 8. Capital Inflows by E&D Region and Type of Capital



Source: Authors' analysis of data from the IMF International Financial Statistics (2025)

A decade-long view of LAC's capital inflows provides additional context for the recent trends. While total inflows to LAC have not yet returned to their 2014 heights, FDI investments have proved remarkably resilient, reaching their highest level in more than a decade in 2022 (Figure 9). The composition of capital inflows to LAC in the post-pandemic period also suggests a structural change in how capital enters the region. In the two years preceding the onset of COVID-19, inflows to LAC were characterized by relatively low portfolio and bank-related investments. Since 2021, bank-related and other investments in LAC have rebounded, while portfolio investments have shown continued vulnerability and FDI has maintained its role as the largest and most stable component of capital inflows to the region.

Figure 9. Capital Inflows to the LAC Region, by Type of Capital and Year

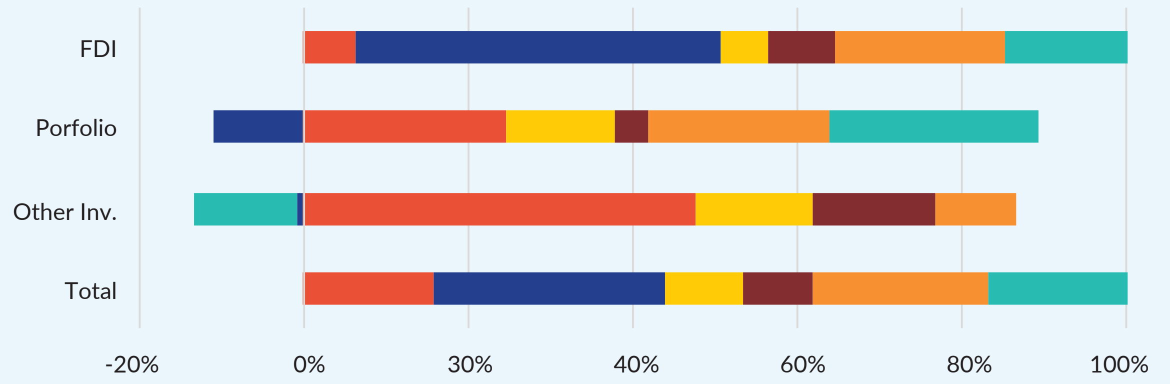


Source: Authors' analysis of data from the IMF International Financial Statistics (2025)

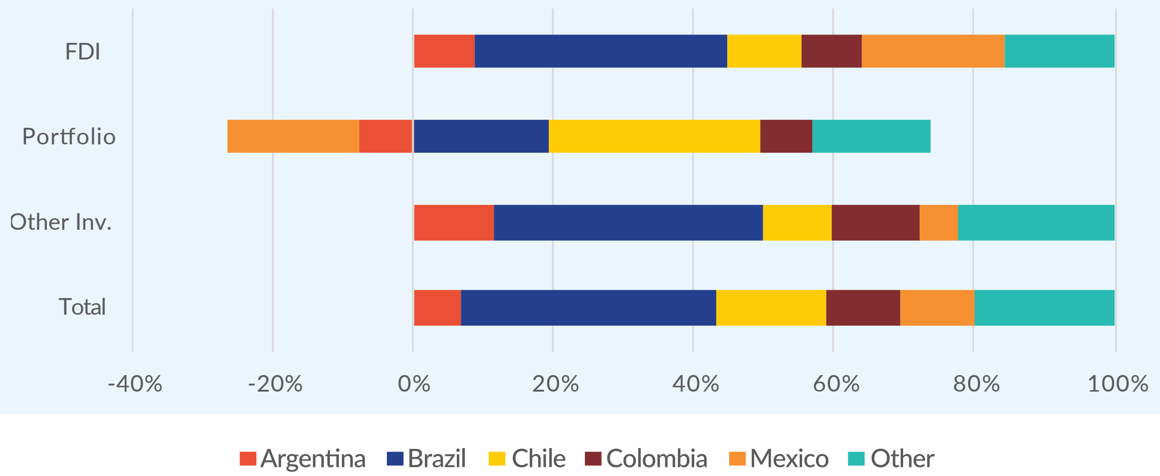
While LAC's five major economies continue to attract most of the investments flowing to the region, the distribution of inflows across these five countries has shifted. Chile has replaced Colombia as the third largest attractor of FDI inflows (after Brazil and Mexico) and is also now the biggest destination for portfolio inflows (Figure 10). While Brazil and Mexico have maintained their dominant roles, attracting 56.3 percent of all FDI inflows to the region, Mexico's share in total capital has diminished, as the country has seen a drop in its portfolio investments. Brazil, in contrast, has established itself as the biggest destination for capital, attracting 36.5 percent of all inflows to LAC in 2021 to 2023, compared to 28.0 percent in 2017 to 2019.

Figure 10. Importance of LAC's Five Major Economies in Capital Inflows to the Region

10a. Average from 2017 to 2019



10b. Average from 2021 to 2023



Note: Capital inflows reflect the net flow of funds from foreign investors to a country's economy. For more information, see Box 2. A large share of either positive or negative net inflows implies an active investment environment.

Source: Authors' analysis of data from the IMF's International Financial Statistics (2025)

Box 2. Classification of Capital Flows

We define capital inflows as the financial transactions between foreign investors and domestic economies measured as nonresidents' net acquisitions of domestic assets. Inflows can be positive or negative, depending on whether purchases exceed sales or vice versa. For instance, when foreign investors purchase $5 million in domestic assets while selling $3 million during the same period, this results in net capital inflows of $2 million.

Capital inflows are classified into three main categories based on the type of investment and underlying motivation:

- **Foreign direct investment (FDI) inflows**: nonresidents' direct ownership or controlling interest in domestic firms, typically through direct equity purchases.
- **Portfolio inflows**: nonresidents' acquisition of stocks, bonds, and other securities issued by residents, including both equity and debt securities in financial markets, without controlling interest.
- **Bank-related and other inflows**: transactions in deposits, loans, and other financial instruments, with classification determined by the type of instrument rather than the type of investor, meaning that investors can include nonbank entities. Note that foreign banks' purchase of a resident-issued bond falls under portfolio investments, not bank-related flows.

Capital Inflows to Latin America's Five Major Economies

Over the past decade, Argentina has had the most volatile capital inflows of the LAC's major economies, largely due to the instability of its portfolio investments and its historically low share of FDI (Figure 11). This contrasts with Brazil, where the volatility of its portfolio inflows has been partly offset by its relatively larger share of FDI, the most stable type of capital. Of the LAC's five major economies, Colombia has maintained the most consistent inflow volumes since 2014, even as its bank-related and other investments have oscillated sharply in the past three years.

While most of LAC's economies experienced a dip in capital in 2020, their post-pandemic recovery patterns varied. Chile's capital inflows peaked sharply in 2021 (at 18.6 percent of its GDP) but declined the following two years, largely due to a spike and drop in its portfolio investments. Argentina, in contrast, has had continued growth in both total capital and FDI inflows since 2021. FDI has generally increased across LAC's five major economies, remaining a major component of capital inflows to Mexico and Brazil. While investments in Mexico have declined as a share of its GDP in the past decade, this has been due to a drop in portfolio and bank-related inflows, with the country maintaining a relatively stable stream of FDI inflows.

Figure 11. Capital Inflows to LAC's Major Economies, by Type of Capital, Country, and Year

Figure 11a. Argentina

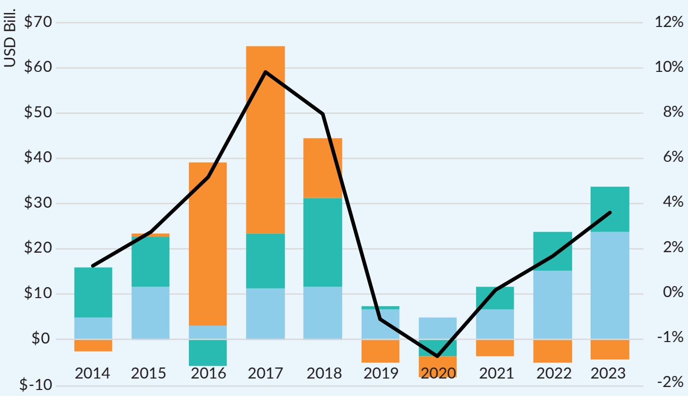


Figure 11b. Brazil

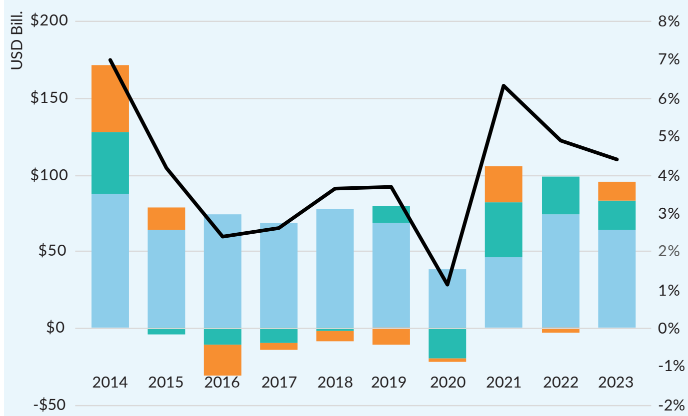


Figure 11c. Chile

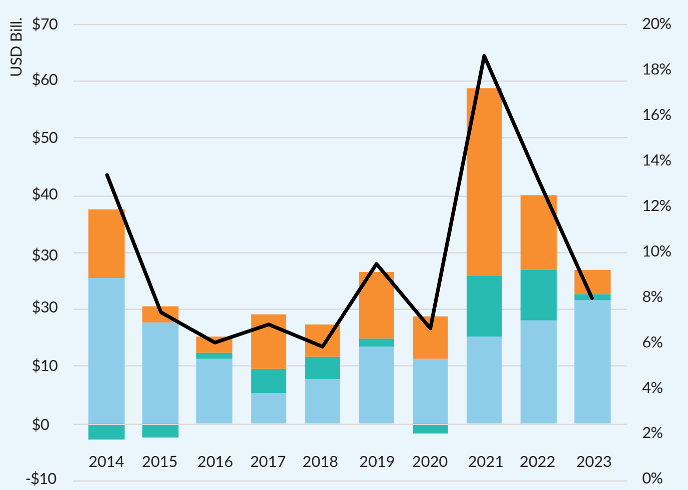


Figure 11d. Colombia

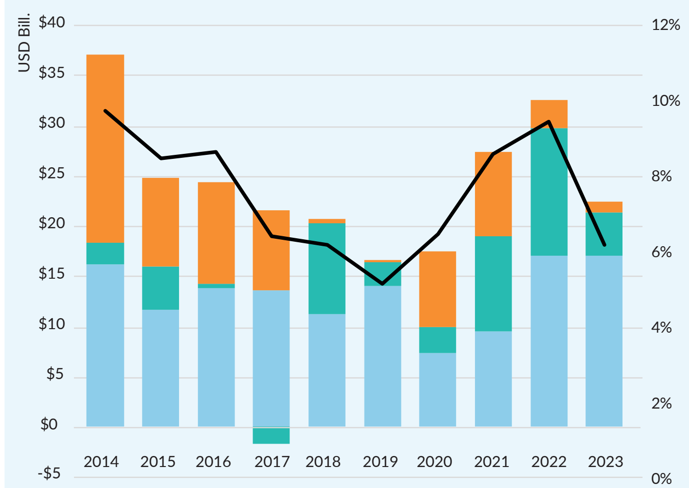
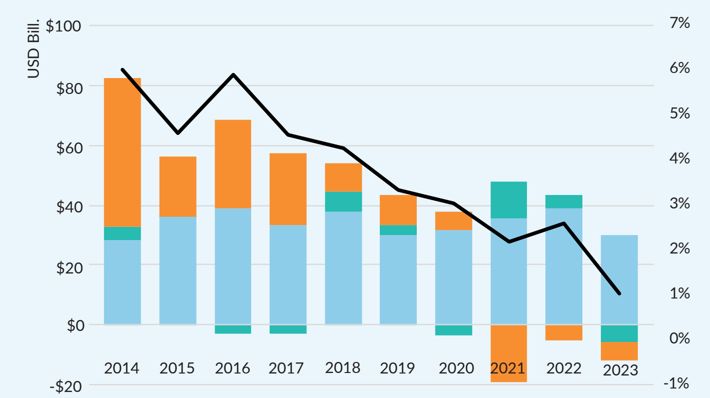


Figure 11e. Mexico



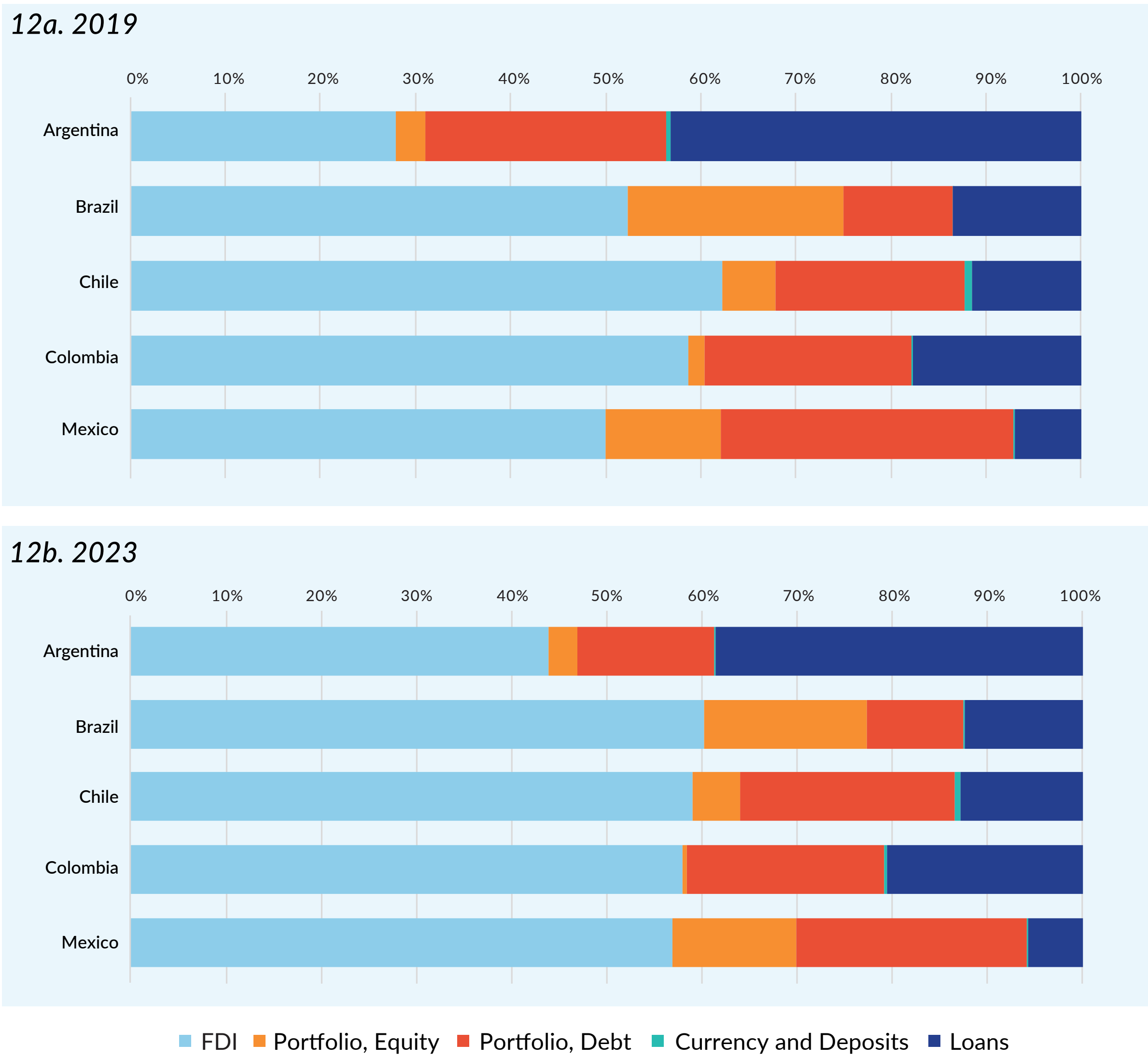
■ FDI ■ Portfolio ■ Bank-related & Other ■ Total as % of GDP

Source: Authors' analysis of data from the IMF's International Financial Statistics (2025)

The evolution in capital inflows to these five major economies reflects broader differences in the countries' financial landscapes. As the smallest of LAC's major economies, Chile's capital inflows represent a relatively large share of its GDP, even as the country captures relatively less of the FDI flowing to the region. Mexico, in contrast, captures a substantial share of FDI inflows to LAC, though total investments represent a declining share of its GDP. Meanwhile, Argentina's growing inflows and Colombia's steady FDI patterns suggest investors' ongoing interest in the region.

The composition of international investment positions (IIPs) in LAC's major economies has not changed much since the year before the global pandemic, with a modest increase in FDI and a decrease in portfolio investments (Figure 12). FDI represents the largest share of IIPs in all five countries, while portfolio (debt and equity) is the second most dominant type of IIPs in all countries except for Argentina.

Figure 12. International Investment Positions of LAC's Major Economies, Share of Total



Source: Authors' analysis of data from the IMF's International Financial Statistics (2025)

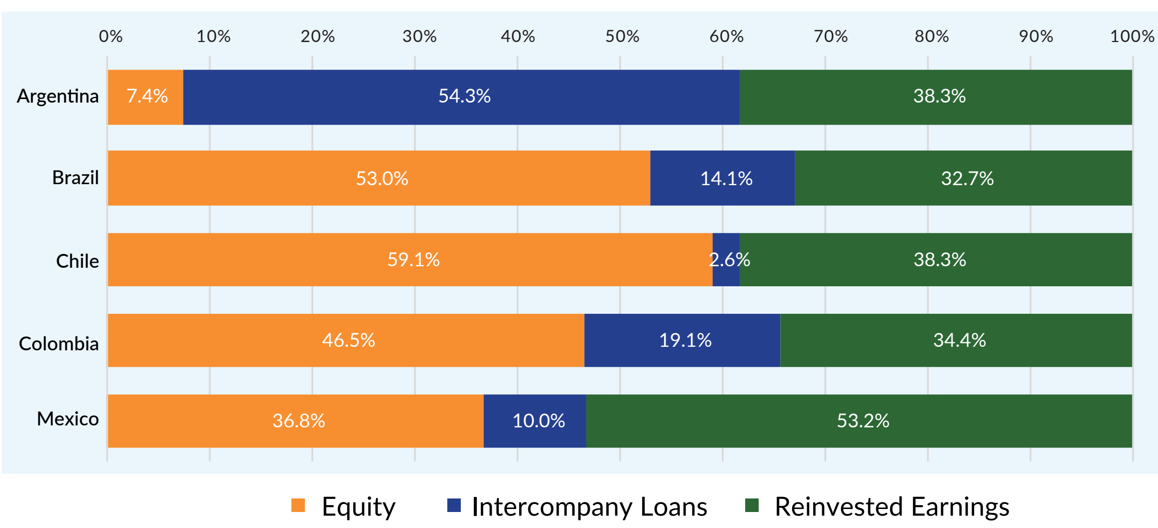
With continued FDI inflows, Brazil and Mexico have both strengthened their FDI shares of total IIPs in recent years. Argentina experienced the largest changes in its IIP liabilities between 2019 and 2023, with a 15.9 percentage point increase in the share of FDI and a 4.5 percentage point decrease in the share of loans. Despite these changes, loans still comprise 38.6 percent of Argentina's IIPs, signaling the country's continued reliance on external debt instruments.

Foreign Direct Investments: A Closer Look

Equity finance—which consists of foreign investors acquiring existing companies or establishing new ones—constitutes the largest share of FDI inflows to most of LAC's major economies. From 2021 to 2023, Brazil and Chile had particularly strong new equity inflows, with this type of capital representing 54.3 percent and 59.1 percent of FDI flowing to these two countries, respectively. Colombia had the most balanced distribution of FDI inflows, which consisted of 46.5 percent equity, 34.4 percent reinvested earnings, and 19.1 percent intercompany loans (Figure 13).

Mexico and Argentina were the only two major economies where equity did not dominate FDI inflows from 2021 to 2023. With Mexico's growing stock of FDI, more than half (53.2 percent) of its FDI inflows consisted of reinvested earnings (Figure 13). This type of FDI refers to earnings of firms owned by foreign investors not remitted to the parent company, reflecting the confidence of foreign investors who have established operations or acquired businesses in the country.

Figure 13. FDI Inflows to LAC's Five Major Economies, by Type (Average from 2021 to 2023)

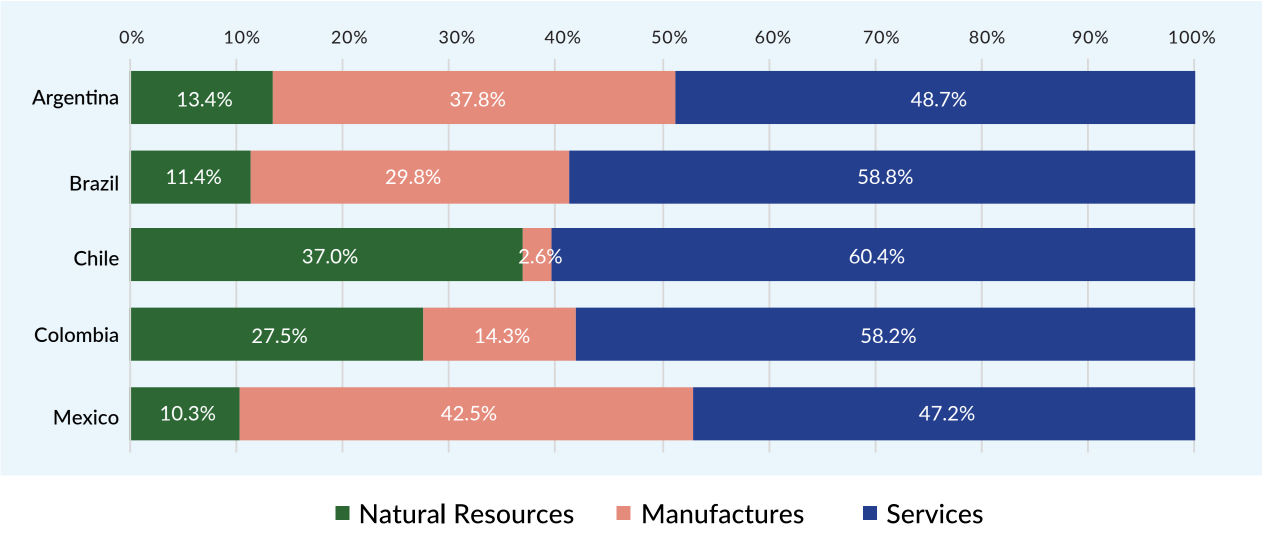


Source: Authors' analysis of data from the Economic Commission for Latin America and the Caribbean (2025)

While intercompany loans typically represent the smallest share of FDI flows to the region, Argentina has recently relied predominantly on this type of capital. From 2021 to 2023, intercompany loans represented 54.3 percent of Argentina's total FDI (Figure 13). This represents a big change from the last time the GOI report discussed the LAC region, when Argentina's FDI consisted predominantly of reinvested earnings, with intercompany loans representing only 9.4 percent of its FDI inflows.[14]

The services sector strengthened its position as the largest recipient of FDI inflows to LAC's five major economies from 2021 to 2023 (Figure 14). While the services sector has typically played a large role in the LAC's capital inflows, in the past manufacturing was another large recipient of FDI in the region. In the three years since 2020, only Mexico maintained a relatively large share (42.5 percent) of foreign investments in manufacturing, as the services sector experienced a more pronounced rebound in its investments in 2021 and 2022. However, manufacturing investments grew for the second consecutive year in 2023, suggesting the possibility of future sectoral rebalancing in FDI inflows to LAC.[15]

Figure 14. FDI Inflows to LAC's Five Major Economies, by Sector (Average from 2021 to 2023)



Source: Authors' analysis of data from the Economic Commission for Latin America and the Caribbean (2025)

While still relatively small, FDI inflows to natural resources constituted a large share of overall FDI in Chile and Colombia from 2021 to 2023, representing over a third (37.0 percent) of FDI in Chile. Most recently, the region's total FDI inflows in the natural resources sector grew by 16 percent in 2023, increasing by 45 percent in Colombia alone. Brazil and Chile remain a dominant force in the region's natural resources investments, with Brazil accounting for 21 percent of total capital inflows to this sector in the LAC region.[16]

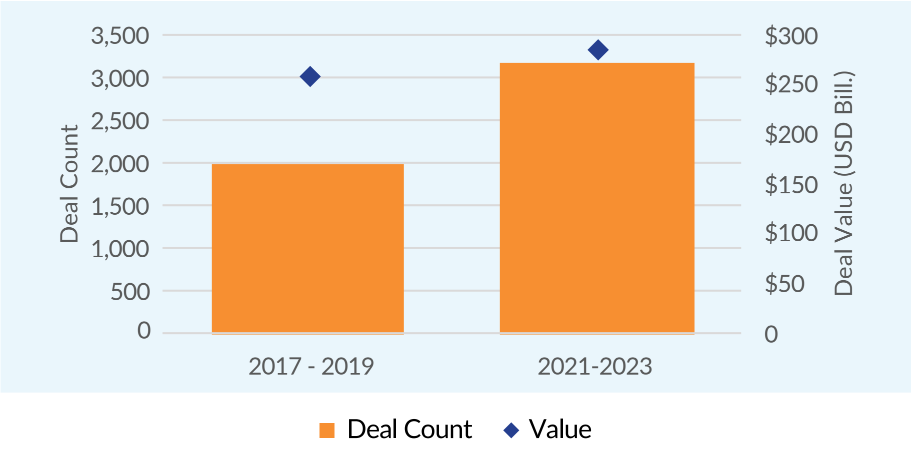
MERGERS AND ACQUISITIONS

General Trends

Mergers and acquisitions (M&As) are a key measure of a country's economic activity and an essential component of foreign direct investment. The number of all M&A transactions (cross-border and domestic) involving assets in the LAC region increased from 1,975 in the three years before the onset of the COVID-19 pandemic to 3,162 in the three years after 2020 (Figure 15). This represented a 60.1 percent increase, reflecting a considerable growth in M&A activity.

The rise in the deal value that accompanied this increase in the number of M&A deals was, however, less pronounced. Total capital invested in M&As grew by 10.3 percent (from $258.2 billion to $284.8 billion) in the three years after—compared to the three years before—2020 (Figure 15). With the relatively smaller growth in the value than in the number of M&As, the average capital invested in an M&A transaction also dropped, decreasing from $130.7 million in 2017 to 2019, to $90.1 million in 2021 to 2023.

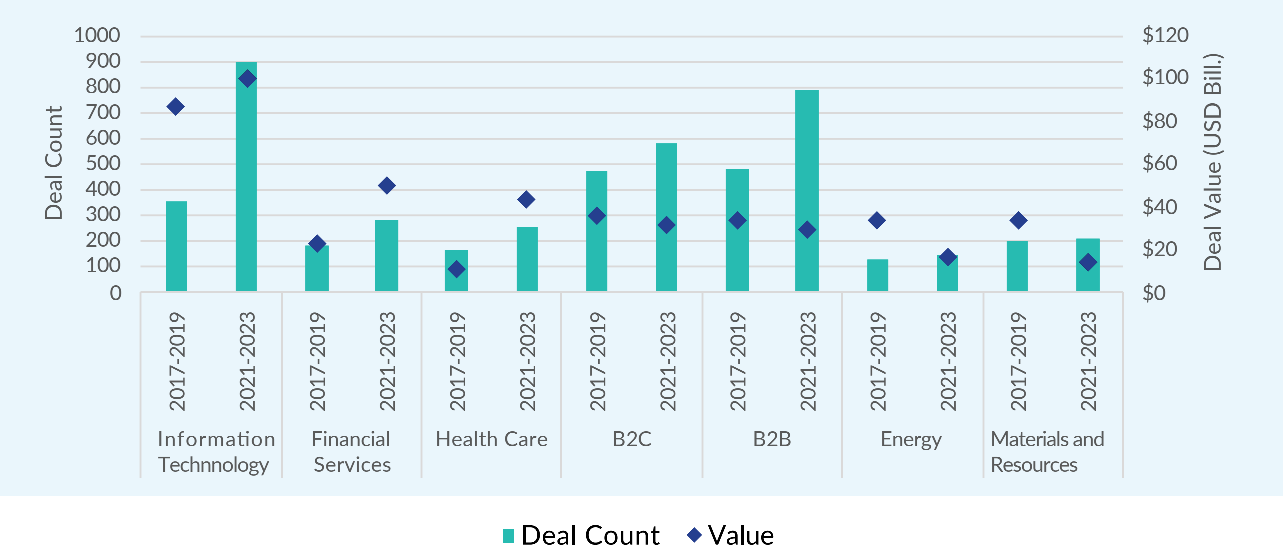
Figure 15. M&A Activity in the LAC Region, Pre-pandemic versus Post-pandemic



Source: Authors' analysis of data from PitchBook (2025)

While the number of M&A deals increased across multiple sectors of economic activity, the value of the transactions increased in only three of the seven target sectors considered. Information technology, health care, and financial services sectors all experienced an increase in their M&A activity, as measured by capital invested in 2021 to 2023 compared to 2017 to 2023. In contrast, the value of M&A deals targeting the business-to-business (B2B), business-to-customer (B2C), energy, and materials and resources sectors dropped between the two time periods, reflecting an increase in relatively low-capital M&A transactions in these sectors (Figure 16).

Figure 16. M&A Activity in the LAC Region, by Sector, Pre-pandemic versus Post-pandemic



Source: Authors' analysis of data from PitchBook (2025)

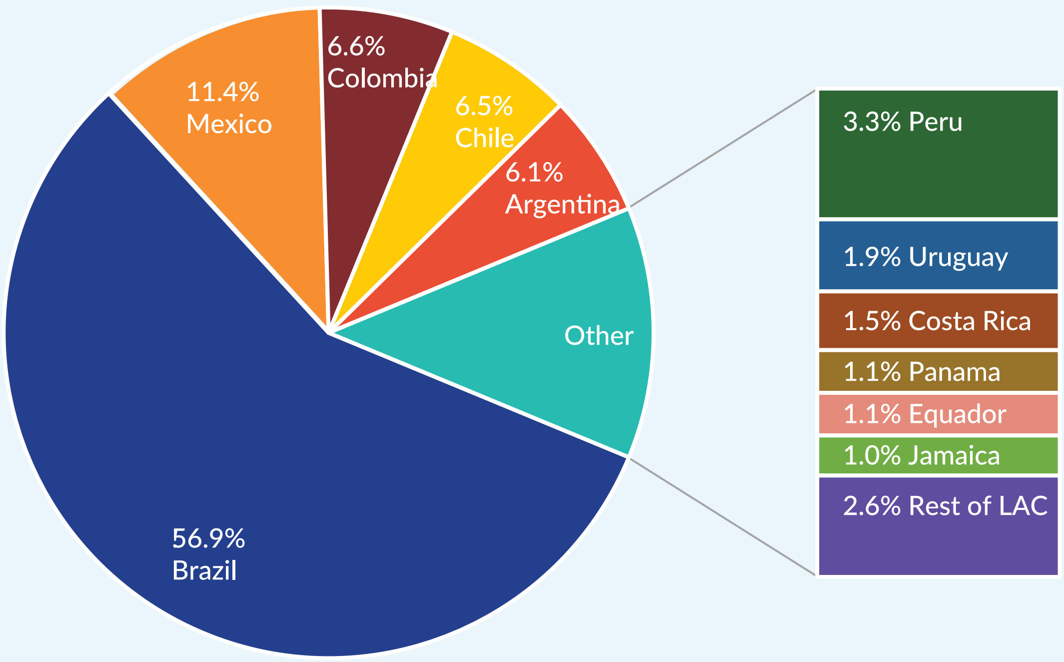
Despite the decrease in M&A capital invested in four out of the seven sectors considered, the value of overall M&A investment increased from 2021 to 2023 compared to 2017 to 2019. This was because of the high amount of capital invested in deals targeting the information and technology (IT) sector.

From 2021 to 2023, the IT sector captured over a third (35.1 percent) of capital invested and 28.5 percent of the number of M&A deals in LAC, representing the largest of the seven sectors in terms of M&A activity. Financial services came in second in M&A value, while the B2B sector had the second-highest number of M&A transactions from 2021 to 2023. In the wake of the pandemic, health care was the fastest-growing sector in terms of M&A deal value, with the capital invested in M&A deals targeting this sector increasing almost fourfold, from 11.1 billion from 2017 to 2019, to 44.0 billion from 2021 to 2023. In contrast, the materials and resources, and the energy sectors experienced the most pronounced (-57.5 percent and -52.4 percent) drops in M&A deal value.

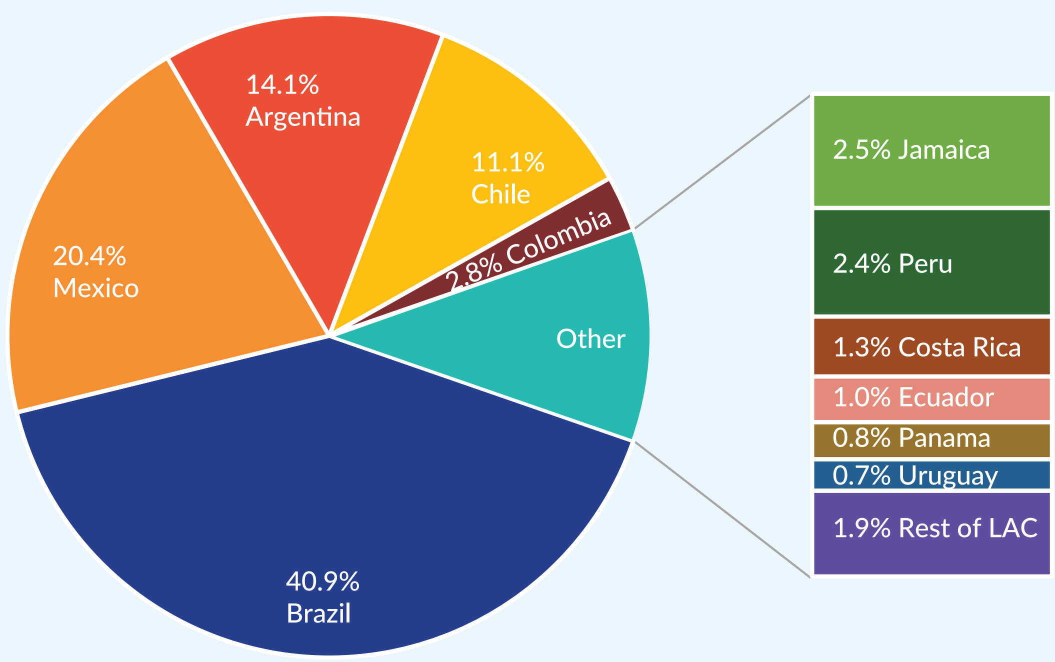
Regionally, M&A activity is largely concentrated in Argentina, Brazil, Chile, Colombia, and Mexico—the LAC's five major economies (Figure 17). From 2021 to 2023, Brazil's M&A deals accounted for more than half (56.9 percent) of the region's M&A transactions and 40.9 percent of deal value. Brazil was also the location for 6 of the 10 largest M&A deals in 2023, underscoring its importance to the LAC economy.[17] Mexico has the second-highest volume and value of M&As, capturing 20.4 percent of M&A capital and 11.4 percent of transactions from 2021 to 2023. Mexico's relatively higher share of the value than the number of M&A transactions was due to a few deals involving large sums of capital taking place in 2022, such as the acquisition of Ricolino—the confectionery business unit of Grupo Bimbo—by Mondelez International.

Figure 17. Percentage of M&A Activity in the LAC Region, by Country, from 2021 to 2023

17a. Number of Deals



17b. Deal Value



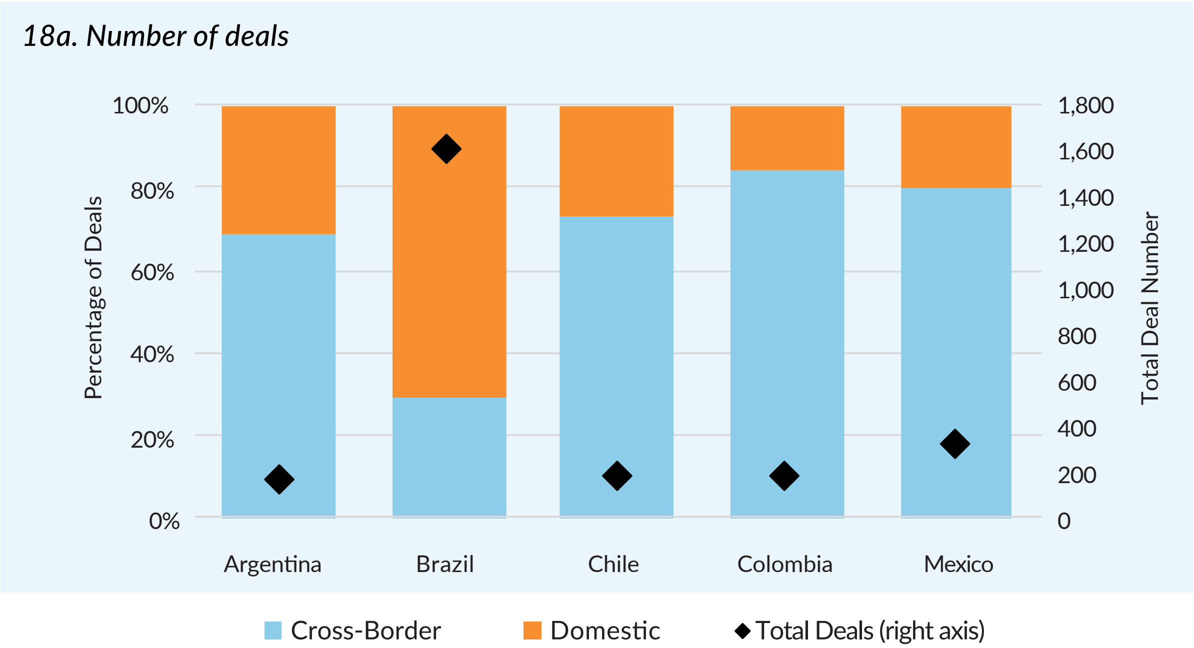
Source: Authors' analysis of data from PitchBook (2025)

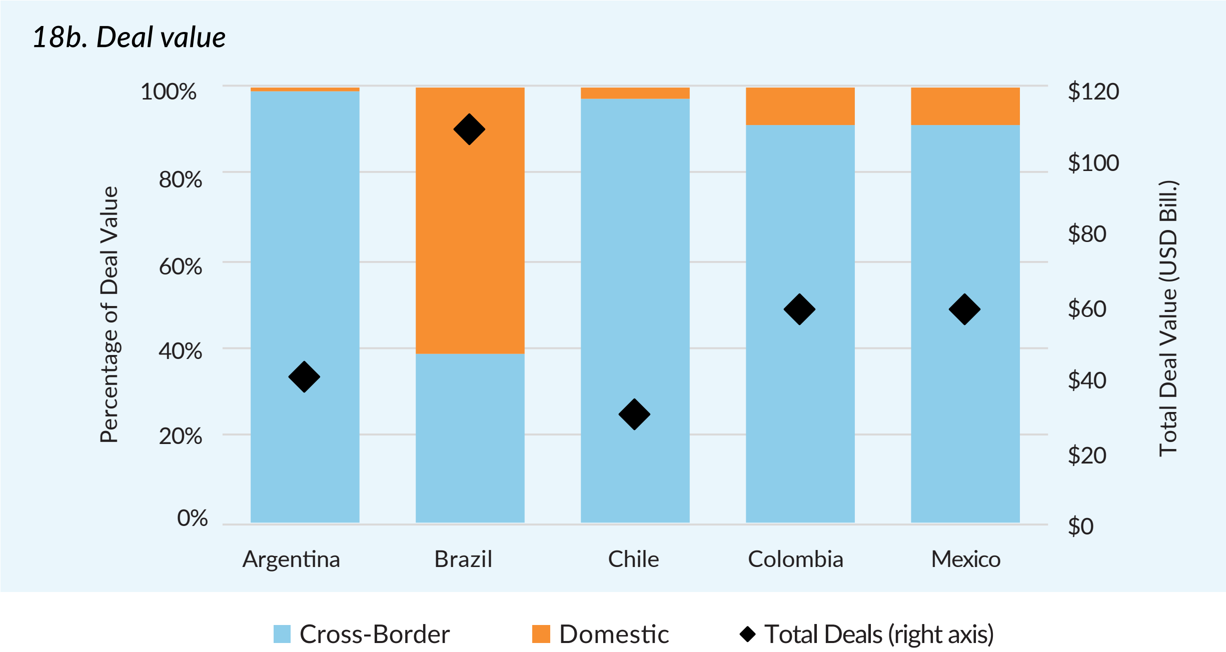
The rest of Latin America—i.e., all countries other than LAC's five major economies—captured only 10.6 percent of capital invested, and 12.5 percent of the number of M&A transactions, from 2021 to 2023. Among these, Peru experienced the highest M&A activity in terms of the number of deals and had the second-highest M&A deal value after Jamaica, whose M&A deal value was boosted by the acquisition of Industrial Gases Ltd, a Jamaican gas manufacturer and distributor.[18] In addition to Peru and Jamaica, Uruguay, Costa Rica, Panama, and Ecuador all captured more than 1 percent of Latin America's M&A transactions, with limited M&A activity in the rest of the region.

Cross-Border M&A Activity in Latin America's Five Major Economies

Cross-border M&As are a key component of equity finance, the most common type of FDI entering the LAC region from 2021 to 2023. As described above, the predominant share of LAC's M&A activity (87.5 percent of deals and 89.4 percent of deal value) is concentrated in its five major economies. Breaking down the M&As into cross-border and domestic, Brazil stands out as the only one of LAC's major economies with a higher share of domestic than cross-border M&A transactions (Figure 18). From 2021 to 2023, Brazil's cross-border M&As constituted less than a third (29.4 percent) of the number of M&A transactions and 38.3 percent of deal value, implying that Brazil's relatively high M&A activity was largely due to domestic transactions.

Figure 18. M&A Activity in LAC's Major Economies, by Country and Type





Source: Authors' analysis of data from PitchBook (2025)

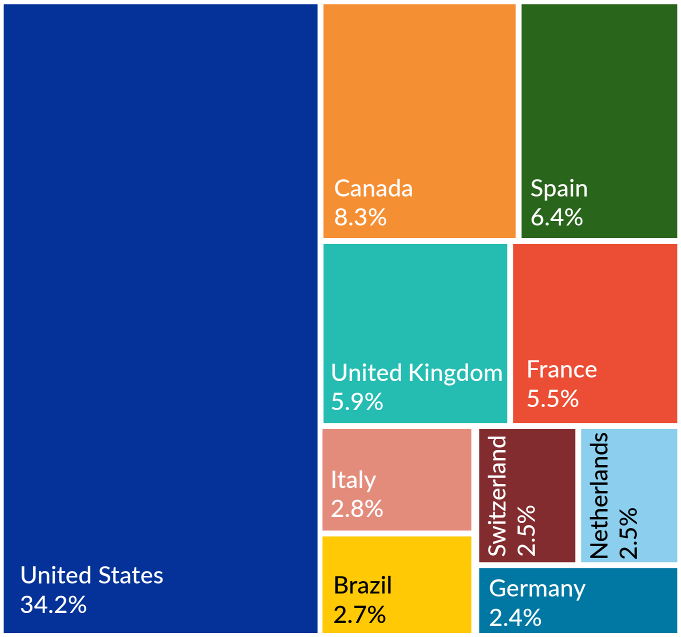
In contrast to Brazil, cross-border M&As accounted for more than two-thirds of the number of deals and more than 90.0 percent of deal value in all of LAC's other five major economies. Cross-border M&A transactions tend to involve a larger amount of capital, resulting in a significantly higher average deal value for these types of M&As ($192.1 million relative to $59.0 million for cross-border and domestic M&As, respectively). Because of this, countries with more cross-border M&A activity tend to have a high amount of M&A capital invested relative to their number of deals.

An example of this is Mexico. From 2021 to 2023, the number of M&A transactions in Mexico was only a fifth of that in Brazil, but its total deal value was much closer to the region's biggest economy, at more than half (53.8 percent) of Brazil's. Mexico also benefited from a few high-value international transactions during this period. As a result, the value of cross-border M&As in Mexico was higher than that of Brazil ($52.9 billion vs. $41.4 billion) in the three years following 2020, despite Mexico having fewer cross-border transactions.

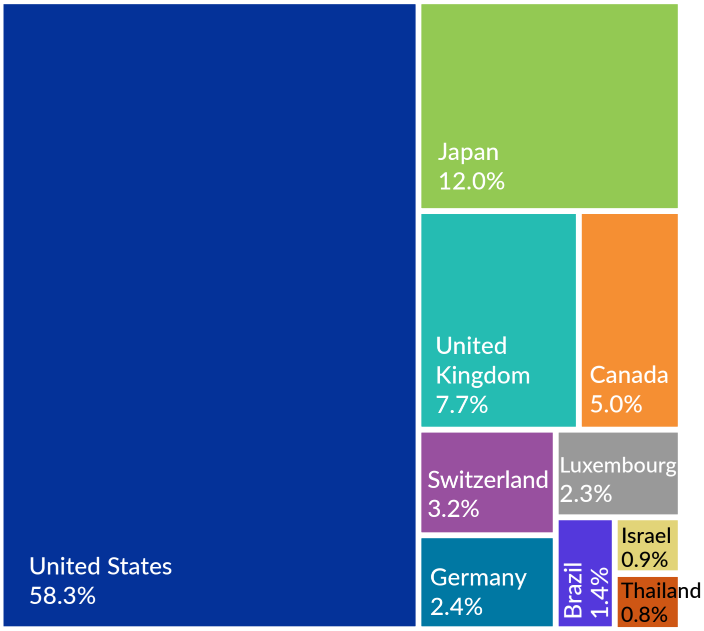
The US occupies a uniquely powerful position as a source of LAC's foreign capital. From 2021 to 2023, M&A transactions that originated in the US accounted for 34.2 percent of the deals and 58.3 percent of the deal value in the region's five major economies (Figure 19). Canada comes in second in deal number and third in deal value, whereas Japan is second to the US in its capital invested in M&A transactions. Despite the high value of Japan's M&A deals, this country represents only 1.5 percent of the total number of M&A transactions involving assets in LAC's major economies, suggesting a few large capital transactions that boosted Japan's position in terms of deal value.

Figure 19. Cross-Border M&As in LAC's Major Economies, by Country of Origin

19a. Top 10 Acquirers by Number of Deals



19b. Top 10 Acquirers by Deal Value

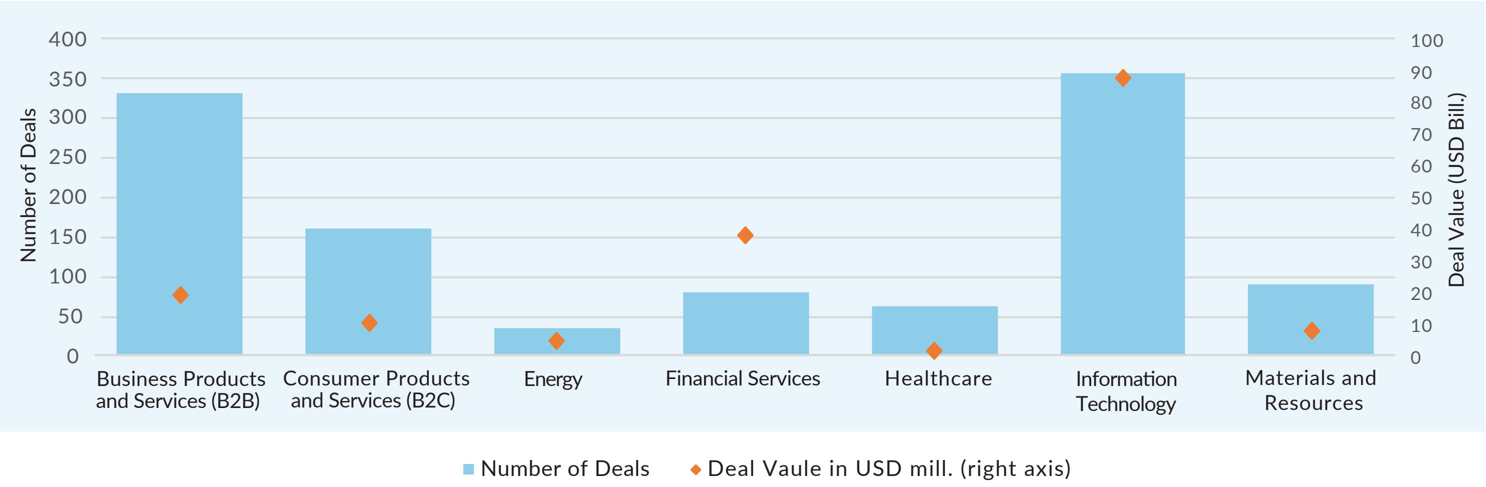


Source: Authors' analysis of data from PitchBook (2025)

The UK is another top source of M&As for LAC's major economies, generating about 5.9 percent of deals and 7.7 percent of deal value. Germany and Switzerland are also among the top 10 countries of origin in both the number and value of M&A deals, whereas other large European economies (such as Spain, France, and Italy) have a large share in the number of M&As but fall off the top 10 list in terms of deal value. Overall, Asian economies (such as Japan and Thailand) rank relatively high in the share of M&A value but low in the number of transactions in LAC's major economies.

The sectors with the highest cross-border M&A activity in LAC's five major economies are the same as the sectors with the highest overall activity in the region. From 2021 to 2023, the IT sector had the highest cross-border M&A activity, with 32.0 percent of transactions and 51.9 percent of deal value (Figure 20). The B2B sector came in second in the number of M&A transactions and third in deal value, while Financial Services followed IT in deal value, capturing almost a fourth (22.4 percent) of the capital invested in cross-border M&As in LAC's major economies. Though B2C had a relatively large number of transactions, M&As targeting this sector accounted for only 6.2 percent of cross-border deal value.

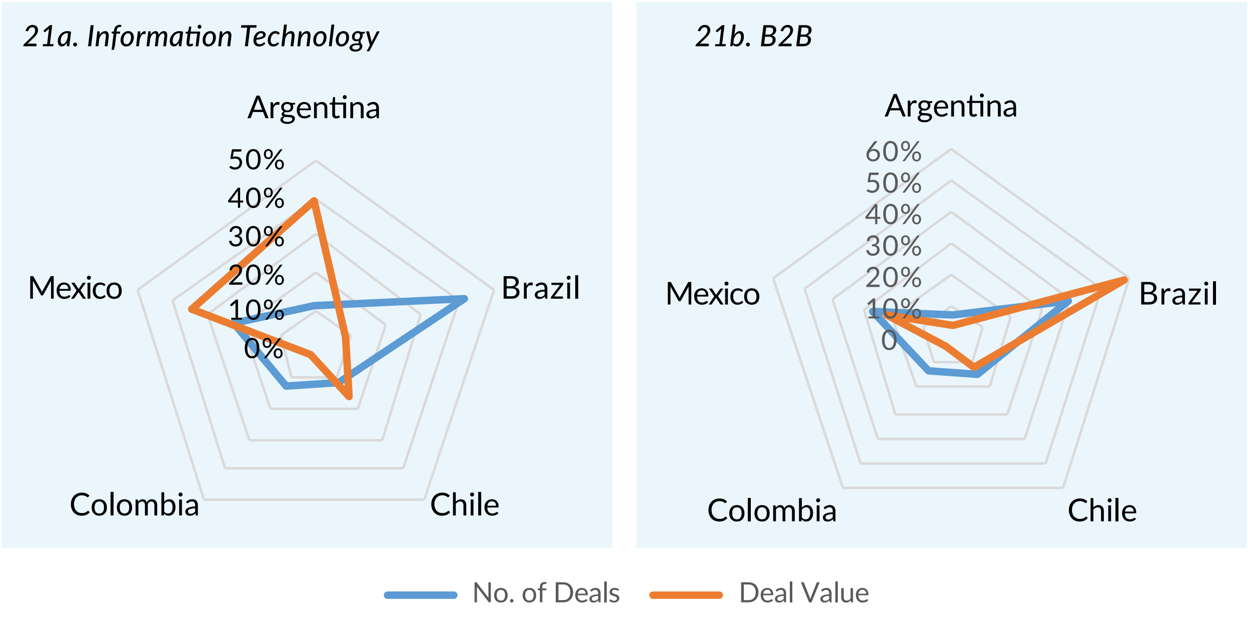
Figure 20. Cross-Border M&As in LAC's Major Economies, by Sector (2021 to 2023)

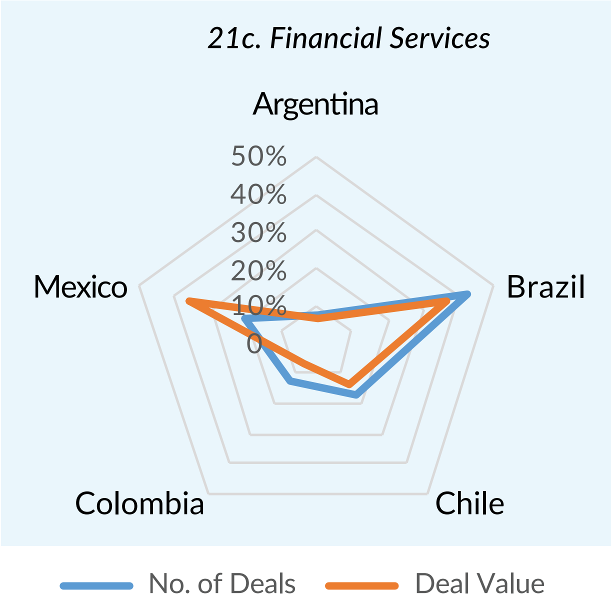


Source: Authors' analysis of data from PitchBook (2025)

From 2021 to 2023, three sectors—IT, B2B, and Financial Services—accounted for 85.4 percent of total cross-border M&A deal value in LAC's major economies. Argentina and Mexico benefited most from the M&A foreign capital investments targeting the IT sector, capturing 38.7 percent and 34.5 percent, respectively, of the deal value in this sector (Figure 21a). Brazil, which had almost half (42.2 percent) of the M&A transactions in the IT sector, captured only 8.5 percent of the deal value. However, Brazil's large share of the deal value of M&As targeting the B2B and Financial Services sectors compensated for its relatively low IT capital from cross-border M&As. From 2021 to 2023, Brazil accounted for 58.2 percent and 36.9 percent, respectively, of the deal value in B2B and Financial Services (Figures 21b and 21c).

Figure 21. Share of M&A Activity in the Top Three Sectors, by Country (2021 to 2023)





Source: Authors' analysis of data from PitchBook (2025)

Mexico came in a close second after Brazil in the value of its cross-border M&As targeting Financial Services, capturing 35.7 percent of the sector's deal value. LAC's second-largest economy also benefited from a large share of the cross-border M&A activity targeting the B2B sector. From 2021 to 2023, Mexico's M&A deals accounted for 26.3 percent of B2B deals and 22.3 percent of the deal value. Finally, Chile stood out due to its consistency in capturing a fair share of the foreign capital resulting from cross-border M&As in LAC's three largest sectors, coming in third at 15.8 percent, 14.3 percent, and 11.1 percent of the deal value in the IT, Financial Services, and B2B sectors, respectively.

CONCLUSION: THE ROAD AHEAD

Latin American countries have largely experienced an improvement in their business environments since the GOI report last focused on the region in 2021. The LAC region benefits from a robust base of highly skilled workers and abundant natural resources. As a reflection, all five of LAC's major economies score above the E&D average on the Future Environment of Growth subcategory of the GOI, which captures a country's ability to prosper in a future where environmental and social conditions are key to economic growth.

Yet the region faces important challenges that will affect its ability to benefit from favorable conditions. LAC's estimated growth rate for 2024 was the lowest among all regions, reflecting continued inequality, high taxes, and burdensome regulations that limit growth.[19] While its high-skilled labor force remains an advantage, LAC's population growth has decelerated as fertility rates have dropped drastically (from 5.8 births per woman in 1950 to 1.8 in 2022) in recent decades.[20] This has created the need for Latin American countries to support the labor force incorporation of populations that have traditionally largely stayed out of the workforce, such as women, to fuel their working populations.[21] Moreover, as countries in the Global South suffer most from the effects of major crises, LAC must also develop adaptation policies as the world moves into an uncertain global environment.

Despite these challenges, the LAC region retains its attractiveness to foreign investors seeking high growth potential, as reflected in the large capital inflows to Brazil and Mexico—the region's two largest economies—since 2020. As dropping interest rates across both advanced and E&D economies relieve stress on households and offer the prospect of increased economic activity, the LAC region finds itself at a crossroads. Whether or not Latin American countries succeed in strengthening their institutions and streamlining regulations may determine their ability to continue to thrive and attract foreign capital in the future.

ENDNOTES

1. Economic Commission for Latin America and the Caribbean (ECLAC), "Foreign Direct Investment in Latin America and the Caribbean, 2024," United Nations, August 2024, https://www.cepal.org/en/publications/80565-foreign-direct-investment-latin-america-and-caribbean-2024.
2. "The Regional Economic Outlook: Western Hemisphere," International Monetary Fund, October 25, 2024, https://www.imf.org/en/Publications/REO/WH/Issues/2024/10/25/regional-economic-outlook-western-hemisphere-october-2024.
3. ECLAC, "Foreign Direct Investment in Latin America and the Caribbean, 2024."
4. Table 1 categorizes countries into advanced economies and emerging and developing (E&D) economies based on their level of economic advancement, with E&D economies further subdivided by region. For each group, we report per capita FDI inflows for 2019–2023 and population-weighted average GOI scores, both overall and by each of the five index components.
5. ECLAC, "Foreign Direct Investment in Latin America and the Caribbean, 2024."
6. "World Bank Country Classifications by Income Level for 2024-2025," The World Bank Group, July 1, 2024, https://blogs.worldbank.org/en/opendata/world-bank-country-classifications-by-income-level-for-2024-2025.
7. Doing so provides an estimate of the statistical significance of the difference between each country's score and the average of the E&D economies, with scores above 1.96 indicating a statistically significant difference.
8. "The World Bank in Chile," The World Bank Group, accessed October 14, 2024, https://www.worldbank.org/en/country/chile/overview.
9. "The World Bank in Uruguay," The World Bank Group, accessed October 14, 2014, https://www.worldbank.org/en/country/uruguay.
10. "Databank | World Development Indicators," The World Bank Group, accessed November 13, 2024, https://databank.worldbank.org/source/world-development-indicators#.
11. "The World Bank in Chile"; see also "Databank | World Development Indicators," The World Bank Group.
12. "Colombia: A Leading Country in Climate Action," The World Bank Group, accessed December 17, 2024, https://www.worldbank.org/en/programs/lac-green-growth-leading-the-change-we-need/colombia.
13. We compare regional average capital inflows for the three years preceding 2020 (2017–2019) and following (2021–2023), omitting 2020 to minimize pandemic-related distortions and provide a clearer assessment of countries' resilience and recovery post-pandemic.

14. Oscar Contreras, Benjamin Smith, et al., *Global Opportunity Index 2021: Focus on Latin America* (Milken Institute, 2021), https://milkeninstitute.org/sites/default/files/reports-pdf/Global%20Opp%20Index-2021%20Latin%20America.pdf.

15. ECLAC, "Foreign Direct Investment in Latin America and the Caribbean, 2024."

16. Ibid.

17. Ibid.

18. Ibid.

19. *Taxing Wealth for Equity and Growth* (International Bank for Reconstruction and Development/ The World Bank Group, October 2024), https://www.worldbank.org/en/region/lac/publication/perspectivas-economicas-america-latina-caribe.

20. "Observatorio Demográfico de América Latina y el Caribe 2023. La Dinámica Demográfica de América Latina y su Impacto en la Fuerza de Trabajo," United Nations, May 2024, https://www.cepal.org/es/publicaciones/68798-observatorio-demografico-america-latina-caribe-2023-la-dinamica-demografica.

21. For a more complete discussion of the importance of women for Latin America's growth, see Maggie Switek and Leilani Jimenez, *Women Powering Growth: The Potential of Female Workers in Latin America* (Milken Institute, August 20, 2024), https://milkeninstitute.org/content-hub/research-and-reports/research-and-data-tools/women-powering-growth-potential-female-workers-latin-america. See also, "The Regional Economic Outlook," International Monetary Foundation, 2024.

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