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The stability issue



Latin America is no longer defined by macroeconomic fragility—but by what it fails to do with its hard-won stability. Entering 2026, most economies have inflation back within or near central bank target ranges (Brazil -4–5%, Mexico -4%, Chile below 4%), currencies have avoided disorderly swings, and sovereign spreads—while still elevated—are far from crisis territory. Fiscal anchors, inflation-targeting regimes, and more credible central banks have done their job. The result is a region that can absorb global shocks—from higher-for-longer U.S. rates to geopolitical trade

fragmentation—without tipping into systemic instability. But this “new normal” of stability is not translating into dynamism: regional growth is hovering just above 2%, well below the -4–5% needed to converge with OECD income levels or materially reduce inequality.

The binding constraint is productivity, not macro risk. Total factor productivity in Latin America has been broadly stagnant for over a decade, and in some of the largest economies it has declined relative to the United States. Firms remain small, informal, and disconnected from global value chains; over 50% of workers in countries like Peru or Bolivia operate in informality, limiting scale, tax collection, and human capital accumulation. Infrastructure gaps remain acute—logistics costs in the region can be double those of OECD economies—while regulatory fragmentation continues to deter cross-border investment. Public debt, now averaging close to 60% of GDP, is not explosive but is sufficiently high to crowd out transformative spending, particularly in education, digital infrastructure, and energy systems.

Where the region does have a strategic advantage is in three areas that could materially shift its growth trajectory—if policy aligns. First, nearshoring: Mexico has already seen manufacturing FDI surge (over \$35 billion annually), and Central America and parts of the Andean region could follow if they address energy reliability, security, and permitting bottlenecks. Second, the energy transition: Latin America holds roughly 60% of global lithium reserves (notably in Chile and Argentina) and is a top copper supplier, yet value capture remains limited due to weak industrial policy coordination and slow project execution. Third, digitalization: mobile penetration exceeds 100% in several markets, but productivity gains are constrained by low enterprise digital adoption and gaps in advanced skills. The issue is not access—it is effective integration into production systems.

The demographic window is also narrowing. The working-age population is no longer expanding at the pace seen in the 2000s, meaning growth must come from doing more with the same—or fewer—workers. That shifts the policy frontier toward education quality, labor formalization, and capital deepening. Yet spending efficiency remains low: in many countries, increases in education budgets have not translated into improved learning outcomes, and capital expenditure execution rates are often below 70%.

The conclusion is increasingly hard to avoid: Latin America has solved the volatility problem but not the development equation. Stability has removed the downside risk; it has not created upside momentum. The next phase requires a different policy architecture—less focused on macro defense, more on microeconomic transformation: scaling firms, integrating markets, accelerating permitting, and aligning fiscal space with productivity-enhancing investment. Without that shift, the region risks remaining trapped in a low-growth equilibrium—stable, but strategically stagnant.

La Charla

This week Karim Lesina talks to [Brando Benifei](#), is a Member of the European Parliament and Chair of the European Parliament's Delegation for relations with the United States, playing a central role in shaping transatlantic dialogue at a time of rapid geopolitical and technological transformation. A leading voice on digital policy, industrial strategy, and international cooperation, he has been actively engaged in advancing EU-US alignment on key issues such as artificial intelligence, data governance, and the future of global digital standards. His work reflects a strong commitment to reinforcing the transatlantic partnership as a cornerstone for democratic resilience, innovation, and economic security.



In recent months, we have seen increasing tensions in EU-US relations. From your perspective, how would you characterize the current state of the transatlantic partnership, and what are the key priorities to strengthen it in 2026?

The transatlantic partnership remains essential, but it is operating under sharper political pressure and more frequent use of trade tools as leverage. EU digital enforcement is increasingly framed in Washington as a non-tariff barrier, and recent episodes have tested the limits of mutual respect and European regulatory autonomy. In 2026, priorities should be to restore symmetry and predictability in trade, keep parliamentary channels fully engaged, and work together constructively where we can.

How should Europe balance the need for strategic autonomy with the imperative to avoid escalation with the United States, particularly in technology and critical infrastructure sectors?

Strategic autonomy is about Europe having real choices, not about turning the United States into an adversary. We should reduce one sided dependencies in key technologies and infrastructure, invest in our own capabilities, diversify our supply chains, and be clear that security cannot be outsourced. At the same time, we need structured channels with Washington to manage tensions early and to cooperate on risks from other actors, so that diversification strengthens the alliance instead of weakening it.

Following your work on the AI Act, do you see a realistic path toward regulatory convergence between the EU and the US on AI and digital governance, or are we entering a phase of increasing divergence?

A single digital rulebook is unlikely soon. The EU has a horizontal framework while the US debate remains more fragmented, with recurring pushback against EU digital regulation from Big Tech. Several US states have adopted human-centric, risk-based rules on AI transparency and accountability that echo core elements of the AI Act, despite efforts by the federal administration and industry to curb state initiatives.

But there is still space for meaningful convergence at the federal level. Although we are not aligned on everything, there is growing overlap on protecting minors online and curbing harmful deepfakes, illustrated by the Take It Down Act, as well as on cybersecurity issues. Quiet regulator-to-regulator cooperation also continues on digital competition between EU and US regulators. The EU should work towards convergence and interoperability from these workable areas.

Following the Digital Summit LATAM discussions, do you believe the European Union is giving sufficient priority to its relationship with Latin America and the Caribbean? What concrete steps should be taken?

I believe the EU is moving in the right direction, but this partnership still lacks sufficient priority.

Latin America is not just an economic partner, but a key actor in shaping a human-centric and rules-based digital transformation. Brazil is a leading example, with an AI proposal aligned with the EU's risk-based approach, alongside similar developments in Peru, Chile, Colombia, Mexico and Argentina.

From my direct exchanges with Brazilian institutions and stakeholders, there is a clear convergence toward cooperative digital sovereignty—building domestic capacity while remaining open to shared standards.

The EU should now move from dialogue to action, focusing on:

- stronger institutional partnerships;
- regulatory convergence;
- and joint investment in infrastructure, innovation and skills.

How can the EU position itself as a credible long-term partner for investment in digital infrastructure and connectivity in Latin America and the Caribbean?

Credibility depends on delivering both investment and clear, predictable rules. The EU's strength lies in combining regulation with funding, but this must translate into concrete projects—scaling up investment in digital infrastructure, AI, cloud, semiconductors and skills, while working with partners such as Development Bank of Latin America and the Caribbean (CAF).

At the same time, the EU is rightly pushing for regulatory simplification through the AI and Data Omnibus to support competitiveness and reduce burdens, especially for SMEs. However, simplification must not weaken key safeguards. On both files, the objective is to improve coherence and provide clarity to industry while preserving the core principles of the European framework.

Do you see scope for a structured EU–US–Latin America trilateral agenda, particularly on digital standards, cybersecurity, and supply chains?

Yes. In a more fragmented global landscape, cooperation among democracies is essential, especially on AI and digital governance.

While parts of the US debate push toward deregulation, this should reinforce dialogue: clear and proportionate rules are not a barrier, but a condition for trust and innovation. Together with Latin America, the EU can help promote this approach by sharing best practices and building a level playing field based on common standards.

A trilateral agenda would be particularly valuable in:

- digital standards and AI governance;
- cybersecurity and resilience;
- and secure supply chains, especially in semiconductors and cloud.

In an increasingly fragmented global landscape, what institutional or political changes are still needed for the EU to act more decisively on the global stage?


The EU has the right foundations to act globally, but it needs greater speed, unity and strategic clarity. Three priorities stand out.


First, stronger internal coherence: as highlighted by Letta and Draghi, fragmentation in the single market remains a key weakness, making its completion essential.


Second, better alignment of regulation, industrial policy and investment, with a significant scale-up of resources—potentially through common financing instruments—to support strategic sectors like AI, cloud and semiconductors.


Third, the EU must speak with one voice externally and move toward a more integrated, federal approach to governance, to act more decisively on the global stage.


Elsewhere in Latam


 **Delcy Rodríguez**—current President of Venezuela—had been under U.S. sanctions since 2018, but that changed this week when Washington lifted them, making her the only member of the governing elite removed from the list so far. The decision signals a clear U.S. intent to deepen engagement and normalize relations, a shift underscored by Donald Trump’s characterization of the two countries as “joint venture partners.” For the opposition, particularly María Corina Machado, this represents a significant setback, suggesting that both her political prospects and hopes for a near-term democratic transition are, at least for now, being sidelined.


 [Bank of Mexico Governor Victoria Rodríguez](#) said the central bank is “close to finishing” its rate-cut cycle after lowering the benchmark rate to 6.75%, even as inflation stays above target. This might be a clear signal to markets that Banxico now sees less room for further cuts because of geopolitical uncertainty and U.S.-linked risks.

 Mexican President Claudia Sheinbaum has appointed Robert Velasco as the country’s new foreign minister, replacing Juan Ramón de la Fuente, who resigned for health reasons. Velasco, currently subsecretary for North America, assumes the role as Mexico enters formal negotiations with the United States ahead of the July review of the USMCA trade agreement. At 38, he brings several years of experience in trilateral trade discussions with the U.S. and Canada.


 Cuba announced it will release 2,010 prisoners as a “humanitarian gesture” during Holy Week, following calls for dialogue from Pope Leo XIV and recent Vatican engagement. The move comes amid significant economic pressure from the US administration and is seen by analysts as a potential humanitarian quid pro quo. While the government denies holding political prisoners, activists claim over 1,200 remain detained for political reasons. Authorities said those to be released include Cubans and foreigners—such as elderly, women, and young detainees—selected based on conduct and time served, though no timeline or specific charges were disclosed.

 Brazilian renewable-energy companies are cutting jobs and pausing projects because grid restrictions have forced large curtailments of wind and solar output. At the same time, [Petrobras announced a 54.8% jet-fuel increase](#), though it is allowing distributors to spread most of that increase over installments. The mechanism limits the immediate April pass-through to 18%, softening the short-term blow for airlines.

 El Salvador’s central bank has introduced a new electronic payment system, “Pay,” aimed at expanding access to formal financial services for informal workers. The platform enables users to receive payments via QR codes and transfer money seamlessly, and will be offered free of charge, according to the central bank.

 In Uruguay, 2026 is effectively starting from a “cero a cero” baseline, with growth

expected to remain modest at around 1.8%–2.2%, reflecting subdued economic momentum and structural fiscal rigidities that continue to limit expansion. Export performance remains vulnerable to agricultural volatility—particularly soy and beef—while fiscal pressures persist, with deficits hovering near 4% of GDP.

 In **Paraguay**, by contrast, macro growth remains comparatively strong (around 3.7%–4.2%), but underlying vulnerabilities are emerging: fiscal deficits, though moderate, have widened in recent years due in part to the recognition of unpaid state obligations, while rising public debt—largely external and increasingly long-dated—adds a structural burden that will extend well into the coming decades

La Cita

“Mindfulness isn’t about getting anywhere else—it’s about being where you are.”

[John Kabat Zinn](#)

EI Evento

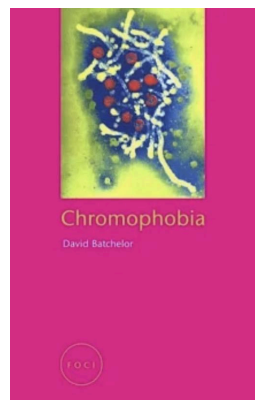


What: El Salvador Investment opportunities. A special dinner with Maria Luisa Hayem, Minister of Economy of El Salvador. CCLATAM Members Only, Don't hesitate to contact us in case you are interested.

Where: Miami

When: Saturday April 18, 2026, 7pm.

La Lectura



[Chromophobia David Batchelor](#), explores how western culture has historically feared or suppressed colors.



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