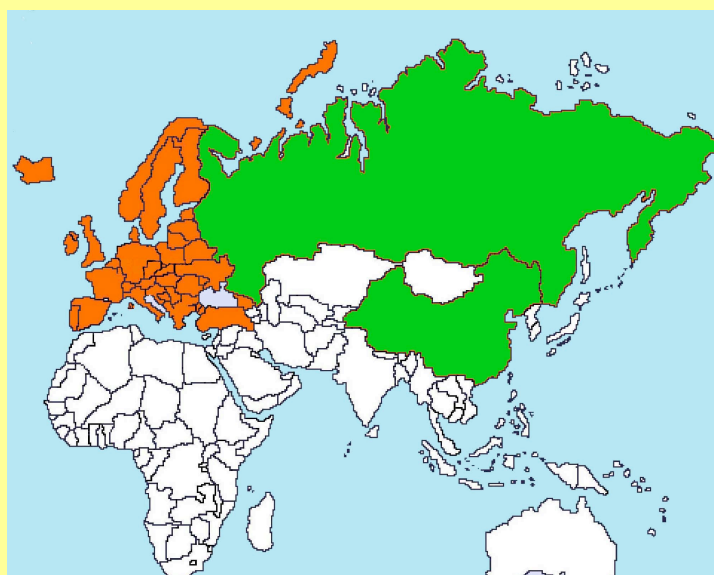
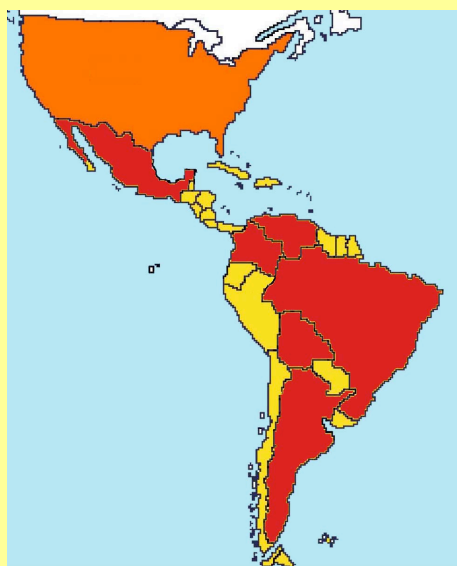


Latin America between the new and the old: relations to old and emerging powers



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List of Abbreviations

ATPDE	<i>Promoción de Comercio Andino y Erradicación de Drogas</i>	Andean Trade Promotion and Drug Eradication
BACRIM	<i>Bandas Criminales Emergentes</i>	Emerging Criminal Bands
BNDES	<i>Banco Nacional de Desarrollo</i>	National Development Bank
CAF	<i>Corporación Andina de Fomento</i>	Andean Development Bank
CAFTA-DR	<i>Acuerdo de Libre Comercio Centro América- República Dominicana</i>	Dominican Republic – Central America Free Trade Agreement
CAN	<i>Comunidad Andina de Naciones</i>	Andean Community of Nations
CAP	<i>Política Agraria Común</i>	Common Agricultural Policy
CARICOM	<i>Comunidad del Caribe</i>	Caribbean Community
CDS	<i>Consejo de Defensa Suramericano</i>	South American Defence Council
CELAC	<i>Comunidad de Estados Latinoamericanos y Caribeños</i>	Community of Latin American and Caribbean States
CEPAL	<i>Comisión Económica para América Latina y el Caribe</i>	United Nations Economic Commission for Latin America and the Caribbean
FARC	<i>Fuerzas Armadas Revolucionarias de Colombia</i>	Colombian Revolutionary Armed Forces.
FDI	<i>Inversión Extranjera Directa</i>	Foreign Direct Investment
FTA	<i>Acuerdo de Libre Comercio</i>	Free Trade Agreement
GSP	<i>Sistema Generalizado de Preferencias</i>	Generalised System of Preferences
HDI	<i>Índice de Desarrollo Humano</i>	Human Development Index
HRW	<i>Observatorio de Derechos Humanos</i>	Human Rights Watch
IADB	<i>Banco Interamericano de Desarrollo</i>	Inter American Development Bank
IBEX	<i>Índice Bursátil Español</i>	Spanish Exchange Index
IMF	<i>Fondo Monetario Internacional</i>	International Monetary Fund
ISI	<i>Industrialización por Substitución de Importaciones</i>	Industrialisation by Substitution of Imports
MERCOSUR	<i>Mercado Común del Sur</i>	Common Market of the South
MOU	<i>Memorando de Entendimiento</i>	Memorandum of Understanding
NAFTA	<i>Tratado de Libre Comercio de</i>	North American Free Trade

OAS	<i>América del Norte Organización de Estados Americanos</i>	Agreement Organisation of American States
PAN	<i>Partido de Acción Nacional</i>	National Action Party
PDVSA	<i>Petróleos de Venezuela Sociedad Anónima</i>	Venezuelan Oil Ltd.
PRD	<i>Partido de la Revolución Democrática</i>	Party of the Democratic Revolution
PRI	<i>Partido Revolucionario Institucional</i>	Institutional Revolutionary Party
PSUV	<i>Partido Socialista Unido de Venezuela</i>	Venezuela's United Socialist Party
PTA	<i>Acuerdo de Comercio Preferencial</i>	Preferential Trade Agreement
SELA	<i>Sistema Económico Latinoamericano</i>	Latin American Economy System
SICA	<i>Sistema de Integración Centroamericana</i>	Central American Integration System
SIDA		Swedish International Development Cooperation Agency
SIP	<i>Sociedad Interamericana de Prensa</i>	Inter-American Press Society
SUCRE	<i>Sistema Unitario de Compensación Regional</i>	Unitary System of Regional Compensation
UNASUR	<i>Unión de las Naciones del Sur</i>	Union of South American Nations
UNDP	<i>Programa de las Naciones Unidas para el Desarrollo</i>	United Nations Development Programme
UNGA	<i>Asamblea General de las Naciones Unidas</i>	United Nations General Assembly
UNSC	<i>Consejo de Seguridad de las Naciones Unidas</i>	United Nations Security Council

Introduction

The aim of this report¹ is to describe and discuss potential security, political, and socioeconomic developments in Latin America in the next 5 to 10 years (2017-2022) and ultimately to reflect on future policy implications for Sweden. This will be done by updating and reassessing earlier identified trends presented in past studies² and by identifying new trends emerging since 2009.

This study focuses on the countries of Brazil, Mexico, Colombia, Venezuela, Argentina and Bolivia, although trends will be handled in a holistic way. The researchers chose to put the emphasis on these countries because of their economic weight, their internal and external dynamics and their capacity to influence the international arena. In line with previous reports, a broad concept of security and development is used as an analytical tool. The interaction of elements such as the economy, violent conflicts, organised crime, social movements and environment are analysed in their interplay to serve the purposes laid out above.

The first part of the report provides a general picture of the integration efforts in the region and relations with the most representative external powers: the United States, the European Union (and Sweden in its extension), China and Russia. The second part will consist of a more detailed description of the internal situation in each country and their external relations. Finally, future scenarios in the region will be discussed followed by a general conclusion.

Earlier identified trends and focal issues

The mounting presence of China was flagged as an interesting trend to follow. The Chinese presence was seen as affecting trade patterns in the region and political alliances vis-à-vis the US and other Latin American countries. While for some, Chinese investments and cooperation represented an attractive alternative to the shackles of conditionalities imposed by Washington, others were crying neo-colonialism. The Chinese presence was expected to continue to grow and cause controversy.

The Colombian conflict was treated as a tangible threat to security in the region, as evidenced by the illegal Colombian incursion in Ecuadorian territory in 2008. The war on drugs was no longer confined to the Andean region as violence escalated in Mexico and spread to Central America. This became a serious security concern for the US, although no full-scale intervention in Colombia was expected. Migration was pinpointed as another issue of concern, particularly the illegal type. Latin American countries did not welcome tighter controls on migration, especially in the EU. Remittances remained crucial importance for families in sending countries and for the economies of these countries as a whole.

None of these issues were identified as direct threats to Sweden since they would be limited to the local or regional scope. However, some reflections were made that Sweden should consider spill over effects from violent or climate-related conflicts (e.g. increased migration flows), climate change, organised crime, trafficking and economic performance.

Latin American regional integration

Since the end of the Cold War, regional integration projects in Latin America have been seen as defensive efforts against pressures emanating from economic globalisation, with countries competing to lock in deregulation and attract foreign investment. Indeed, integration processes in the region have focused mostly on trade issues producing a variety of arrangements that reflect the different economic structures of the countries. Today there are four customs union projects at different stages of completion: MERCOSUR, the CAN, SICA and CARICOM. There are also a number of PTAs linking these integration schemes to each other and to the countries that are not full members of any of them³. PTAs are extremely varied: from the old-style “economic complementation agreements” that cover only trade in goods and which essentially consist of the reduction of tariffs (not their elimination) for a limited range of products, to FTAs that eliminate tariffs for most products and include services, investments, government procurement, competition and intellectual property⁴. Although intra-regional trade accounts for less than 20% of the total trade in Latin America (compared to two-thirds in the EU or 40% in Asia⁵), the IADB registered a 24% raise in this type of trade during 2011⁶ (although high commodity prices should be considered in such an increase). Moreover, Latin American-based multinationals (also known as *multilatinas*) are climbing up the ranks of the biggest companies in the world, such as Mexico’s Cemex and Brazil’s mining giant Vale⁷.

However, as we enter into an era when neo-liberalism is being contested (and this is reinforced by continuous crises in the US and the EU) and US hegemonic power seems to be in decline, regional integration efforts are now being analysed under a different light. Strengthened by a favourable economic situation and increasingly assertive about its priorities, Latin American countries are no longer seen as passive receivers of economic globalisation but rather as pro-active actors trying to redefine their position as a platform to play in global politics. Despite that economic rationalism still drives regional integration, cooperation today extends to the political and policy coordination in fields like security, infrastructure, finances and resource management -with or without the approval of Washington. As Riggiozzi argues, the region is capitalising on the current crisis of neo-liberalism to re-politicise and re-define understandings of regional community and governance⁸. Even when there is no single political and/or ideological entity in charge of such redefinition, there seems to be unity around the need to re-fund the nation state, to re-embed socially-responsive models of development and social justice, and to achieve distance from the US⁹.

Emerging from the convergence of already-existing structures such as MERCOSUR, CAN and including Chile through trade agreements, UNASUR has established itself since 2008 as a forum for political co-ordination autonomous of external powers. 2012 has been a key year for UNASUR, attaining consensus among

its members¹⁰ in at least three high-profile cases: 1) In June 2012, it issued a declaration condemning the political crisis in Paraguay¹¹ claiming that the impeachment of Lugo was against due process (a position also shared by MERCOSUR and ALBA) and proceeded to expel this country from the organisation until elections are held¹². This clearly differed from the stance taken by the OAS (and the US), which maintain that the impeachment was in line with constitutional procedures and thus should not entail this country's censorship¹³; 2) In August 2012, it issued a declaration (backed again by MERCOSUR and ALBA) condemning the memorandum from the UK threatening with an assault on the embassy of Ecuador in London to arrest Julian Assange after this country had granted him asylum¹⁴. The OAS on the other hand only granted partial support to Ecuador urging for a dialogue between these two countries, after the US and Canada moved to argue that this was a bilateral, not an international law issue; 3) UNASUR has also supported Argentina's claim to the Falkland Islands, calling the UK to implement the "decolonisation mandate" by the UN from 1965¹⁵.

UNASUR also aims to create a South American identity on defence matters¹⁶ embodied in the CDS, a cooperative defence arrangement to enhance multilateral military cooperation, to promote confidence and security-building measures and to foster defence industry exchange. The creation of the CDS is a response to the limitations of the Inter-American Defence system, whose institutions¹⁷ are perceived as a function of US national interests rather than as a function of South American interests¹⁸. Battaglino argues that material factors such as global asymmetries in the distribution of military power, the militarisation of the US agenda for the region, local concerns based on old territorial disputes and the rise of Brazil as a regional power have motivated the creation of the CDS. However, he acknowledges ideational changes in the region "linked to the redefinition of new regional consensus regarding how to deal with autonomous management of two highly politically sensitive areas of policy: development and defence"¹⁹. The fact that the CDS not only focuses on military strategies but also on non-military issues such as energy and infrastructure policies shows that the region is rewriting the rules of engagement and the meaning of security. As Rivarola puts it, South America is rapidly becoming "a political and economic entity with increasing international actorhood"²⁰.

The abovementioned should not be interpreted as if there is a single consensus ruling inter-American relations, united against the US and neo-liberalism. Latin America is at a complex interface between sub-regions defining and projecting different worldviews and models of trade and post-trade governance²¹. The creation of the Pacific Alliance by the governments of Chile, Peru, Colombia and Mexico²² in June 2012 is a case in point. Based on already-existing FTAs between the members, the Alliance seeks to further integrate with Asia-Pacific economies by progressively freeing the movement of goods, services, capital and even people (as of 1st November 2012, visas between countries that are members of the Alliance will be eliminated) in order to collectively achieve the scale that importers in China look for. These countries are among the fastest growing in the region (more than Brazil)

and their economies represent 35% of the Latin America's GDP. They have adopted a much more aggressive trade stance²³ in comparison to MERCOSUR, which has a common external tariff of 35% and forbids individual countries from negotiating bilateral trade agreements.

On the other hand, the ALBA²⁴ emanates from Hugo Chávez's social power diplomacy²⁵ and is inspired by principles of welfare cooperation and solidarity. It has a more confrontational line towards Washington and neo-liberalism and it strives for an alternative model of accumulation and development more than the other projects promoted in the region (i.e. endogenous development and communal organisation). But like UNASUR it tries to refashion the regional space and promote collective responsibility. ALBA is also trying to develop an alternative financial architecture by promoting the Bank of the South²⁶ and the SUCRE, which is a common monetary denominator for the payment of commercial transactions between ALBA countries. All these projects are at a very embryonic stage and they are largely dependent on Chávez's presence and sustained record-high oil prices. Nevertheless, Riggiozzi argues that the impact of many of the human development and capacity-building projects supported by this new philosophy could have an (at least ideational) impact beyond Chávez²⁷.

Chávez does not necessarily see the promotion of ALBA as a contradiction to the Brazilian-led development model embodied in UNASUR and MERCOSUR. Although Brasilia might not be too comfortable with sharing the spotlight, the recent entry of Venezuela into MERCOSUR not only represents a short-term benefit for Brazilian (and Argentinean) exporters, it also allows Brazil to identify MERCOSUR as a geographic union similar to the Pacific Alliance but on the Atlantic, stretching all the way from the Arctic region now to the Caribbean. According to some analysts, Brazil is concerned about the strength that the Pacific Alliance is gaining against the lacklustre pace of MERCOSUR expansion.

The role of Brazil is crucial for understanding regional integration. Brasilia has traditionally seen South America as its natural sphere of influence and as a platform to project its power for global leadership purposes. Most countries in the region are suspicious of the real interests of Brazil in South American integration and fear that Brazil will need fewer partners as it gains acknowledgement from global powers. These countries acquiesce to Brazilian leadership as long as the region as a whole, not just by Brazil, reaps the benefits. An example of this is the lack of support by Argentina for the Brazilian bid for a permanent seat at the UNSC. In addition, countries like Chile with a very strong trade tradition are wary of Brazil's protectionism. The recently created CELAC (that includes all countries in Latin America and the Caribbean except for the US and Canada) is not only yet another group that overlaps with many other organisations in the region, but also a move to draw in Mexico as a counterbalance to Brazil. The membership of Cuba in CELAC constitutes another challenge for the OAS, where US opposition has upheld the ostracism for island. With Brazil, Venezuela and republicans in the US Congress withholding and/or threatening to cut funding for the OAS, and in light of an

increasing actorhood from South American countries, it seems like the Pan-American ideals are slowly vanishing.

Latin America and external actors

Latin America and the US: Tensions continue

While Barack Obama softened the edges of certain controversial US policies (as discussed in the previous report) and has a more conciliatory and engaging rhetoric than Bush, his foreign policy towards Latin America is not much different from that of his predecessor²⁸, failing to reverse tensions caused in the region²⁹. Cuba, the war on drugs, immigration and trade constitute the biggest challenges for US engagement in Latin America.

Although Obama relaxed travel and remittance restrictions for Cuba³⁰, his administration's resolve to uphold the embargo and the exclusion of the island from regional meetings continues to be an alienating factor. All countries in Latin America (including traditional US allies like Mexico and Colombia) have repeatedly asked for the inclusion of Cuba in hemispheric discussions and have now moved to do that themselves through the creation of CELAC (see previous section, pp.1-3).

Washington's militaristic approach to the war on drugs and its evident failure is a strong source of criticism. The 2012 World Drug Report evidences that while drug cultivation and production declined significantly in Colombia between 2006 and 2010, cultivation and production has shifted towards neighbouring Bolivia and Peru³¹. Furthermore, as pressure mounts in Mexico through the Mérida Initiative³², Mexican drug cartels are finding refuge in poor and ill-equipped Central American countries³³ where local youth gangs ("*maras*") are eager to elevate their criminal status³⁴. The Plan Colombia has strained relationships between Colombia and its neighbours and human rights organisations are increasingly concerned about the support given to armies with dismal human rights records (i.e. numerous cases of torture and extrajudicial killings have been reported³⁵). Indigenous populations in the troubled Cauca region in Colombia have tried to fight state forces because they believe that military presence only worsens the violence³⁶.

A consensus on the need for a new paradigm for dealing with the drug problem, based more on health issues and human rights³⁷ than on militarisation, seems to be brewing. On 24th March 2012, Guatemala's President Otto Pérez hosted a meeting with other Central American presidents to discuss alternative solutions to the drug problem, placing legitimisation at the heart of the discussions. During the last Summit of the Americas in Cartagena, regional leaders agreed on a mandate to study drug policy alternatives. A few months later at the Annual UNGA meeting, the presidents of Colombia, Mexico and Guatemala explicitly questioned the wisdom behind the US approach. Some Latin American countries have already decriminalised possession in small amounts for personal consumption³⁸.

Obama also failed to deliver a promised immigration reform. In fact, his administration audited more employers suspected of hiring illegal immigrants during its first 20 months than Bush did during his whole term in office³⁹. Figures from Homeland Security show that immigration enforcement authorities detained and deported record numbers of illegal immigrants in 2011 (and are on track for similar figures this year) even as the number of migrants crossing the border illegally dropped to a 40-year low⁴⁰. US uproar over undocumented immigrants and the wall along the border continue to fuel a sense of alienation between Mexico and the US, weakening any community-like identity in North America⁴¹.

Obama also backpedalled from his promise of seeking trade justice, failing to renegotiate NAFTA and CAFTA-DR⁴². The FTA with Colombia finally entered into force in May 2012 after six years of negotiations, but the agreement with Panama is still pending. Trade in general is another source of friction: the US has voiced criticism about measures taken by Brazil and Argentina to protect their local industries, but these countries claim that their measures are in line with WTO mandates unlike US farm subsidies. Brazil has expressed its discontent with the expansive US monetary policy that is causing the *real* to appreciate artificially, generating a flood of imported US goods at very low prices.

The growing presence of China and increased ties with Russia and Iran further complicate hemispheric relations, particularly in the South⁴³. It is an argument throughout this report that Latin American countries are becoming increasingly assertive as they diversify their economic and diplomatic relations. Venezuela, Ecuador, Bolivia and Argentina have distanced themselves from the US, while Mexico, Chile, Peru and Colombia, although still considered allies, are turning even more towards the Asia-Pacific region (see previous section about the creation of the Pacific Alliance). Paradoxically, the democratic values that Washington has tirelessly promoted (at least rhetorically) in the region prevent it from intervening like it did in the past to pursue its interests⁴⁴. As suggested in the previous section, Washington no longer unilaterally dictates the terms of engagement with Latin America⁴⁵. In a growing multipolar order, the US is forced to accommodate and redefine its relations. So far it has found a middle path between (counterproductive) efforts to isolate countries that it has bad relations with and to increase engagement with the emerging powers of Brazil and Mexico⁴⁶, thus abandoning any efforts to formulate a Latin America-wide foreign policy.

It must be noted however that the interdependence of the US and Latin America is still strong: around 25% of all US energy imports come from the region (and mainly from Venezuela), while 20% of everything that the region imports comes, in turn, from the US⁴⁷. Dependence on the US is significant throughout the corridor that runs from Mexico to Colombia. It is difficult to predict if Obama will continue to pay lip service to demands by Latin American countries for a more symmetrical relationship⁴⁸ or if there will be a rapprochement between the US and these countries.

Latin America and the EU: Declining influence?

Trade and investment dominate EU-Latin American relations. Although exchange levels dropped considerably following the 2008 financial crisis, these have now surpassed the pre-crisis peak⁴⁹ and the EU continues to be the region's second trading partner⁵⁰. The relationship between these two regions is still very North-South, in the sense that the EU exports mainly manufactured products, machinery and chemicals in exchange for commodities such as fuels and food products. The rocketing prices of these items have contributed to the EU deficit in its trade of goods balance worth €10.4bn. When it comes to trade of services and FDI however, the balance favours the EU. Nevertheless, the relations and policies of the EU to Latin America should be differentiated according to sub-regions and countries. MERCOSUR is the source of a large budget deficit for the EU while Mexico and Central America are sources of a surplus. Spain and the Netherlands are the largest investors and providers of services in the region. IBEX companies make 22% of their profits in Latin America and the tendency is one of growth⁵¹. The Spanish banks Santander and BBVA earn 50% and 68%, respectively, of their income in the region, mostly in Brazil and Mexico⁵².

An association agreement with Central America⁵³ gained force in June 2012⁵⁴, establishing mutual commitments to trade also to political dialogue and cooperation. Central America is rich in resources, biodiversity and is part of CAFTA-DR, serving as a springboard into the North American market. Experts warn for potential conflicts resulting from the promotion of bio-fuels in light of the agreement⁵⁵, as this could worsen deforestation, the planting of certain staples to the detriment of others (monocultures), hunger (as the price of corn rises because demand increases for conversion into ethanol) and violent conflicts due to competition between industrial operations and rural communities for access to strategic resources⁵⁶. Oil palm plantations, which tripled in size between 2003 and 2010, have given rise to violent conflict and land disputes especially in northern Guatemala, where hundreds of peasant farmers have been displaced and a number have been killed in clashes with the police⁵⁷.

The EU also signed bilateral FTAs with Colombia and Peru⁵⁸ as a result of divisions within CAN following the withdrawal of Venezuela from the organisation. The heterogeneity of the region complicates what Hettne and Söderbaum refer to as the EU's objective of projecting its normative power through the promotion of inter-regional relations⁵⁹. The entry of Venezuela into MERCOSUR is expected to increase polarisation and lead to the postponement of EU-MERCOSUR negotiations. A bilateral agreement with Brazil, a country that is very critical of the EU's agricultural trade policy, seems unlikely. In 2011, China became the second source of Latin American imports, displacing the EU to third place⁶⁰. The EU is expected to continue to lose its relative weight and not to be very attractive in quantitative terms for Latin American economies.

Securing access to natural resources had become a security priority for the EU, as discussed in the last report. As certain countries in the region are moving to

take control of strategic industries or are renationalising those that were privatised during the 1990s, resource appropriation becomes more insecure. In April 2012 Argentina expropriated Spain's YPF in a bid to get a tighter grip on a promising oil industry (see the section on Argentina, pp.32-35). Bolivia followed suit some weeks later by expropriating the electricity company TDC, which belonged to the Spanish group Red Electrica. Argentina has also renewed claims to the Falklands, where oil is thought to exist.

Relations between Argentina and the UK are tense, as Britain accuses the Southern country of imposing an "economic blockade" on the Falklands by turning away ships bearing the British flag⁶¹. Islanders will hold a referendum on their sovereignty in 2013, but if the presence of oil is confirmed the issue will unlikely be settled, as Argentina does not recognise islanders' right to a referendum. Relations between Ecuador and the UK turned sour after the UK threatened to break into Ecuador's embassy in London to arrest Julian Assange. As mentioned before, almost all regional organisations widely condemned this attitude. The imbroglio does not seem to have affected the reputation of Sweden in the region.

The crisis in Europe has caused a tightening of immigration policies in certain countries. Spain, which is the country in the Union with the highest unemployment rate and the largest receiver of Latin American migrants, has conducted numerous raids targeted at irregular migrants and has stepped up border patrolling. It has also established longer detention and ban periods for found illegal migrants as well as tougher sanctions for those employing them. NGOs have expressed concern about a recent reform denying irregular migrants access to health services (except for emergencies) for irregular migrants as of 1st September 2012⁶². In addition, during this year it was estimated that about 30,000 Bolivians had returned from Spain because of the crisis (see the section on Bolivia, pp.37-39). Since 2008 Mexico and Brazil have complained repeatedly about Spain's strict conditions for tourists. In April 2012, Brazil imposed reciprocal conditions for Spanish tourists⁶³ in retaliation⁶⁴.

Sweden

As a member of the EU, Sweden is an integral part of EU policies towards Latin America and vice versa. However, for the purposes of this report, bilateral relations between Sweden and Latin America and with specific countries are discussed. In the previous report, relations were divided into three major areas: political, economic and social (development assistance). Starting with the political area, Prime Minister Prime Minister Fredrik Reinfeldt paid his first official visit to Latin America in May 2011, when he visited Brazil and Chile. In Santiago he held an open lecture about the "new" Swedish model at the University Diego Portales. As mentioned in the previous report, Sweden was seen to be doing too little to promote the traditional welfare state model so admired by several left-oriented Latin American intellectuals and politicians. But this "new" model, quite different from the Social Democratic model, is based on deregulation, budget discipline and an

extensive overhaul of the welfare state⁶⁵ and is thus more appealing to countries like Chile, Colombia, Peru and Mexico than those in MERCOSUR or ALBA.

At the economic level, trade and investment constitute the most important aspects of the relationship. In Brazil Reinfeldt tried to promote the Saab Jas 39 Gripen as Sweden faces tough competition from France's Dassault and US Boeing for a \$4bn contract to overhaul the Brazilian Air Force (see the section on Brazil, pp.15-17). He also inaugurated a Centre for Research and Innovation partly funded by the government and by Saab. Sweden seems to be interested in furthering links with Chile, its third largest market in the region after Brazil and Mexico. Three MOUs on the areas of forestry, mining and urban planning were signed in October 2012 ahead of the EU-CELAC Summit to take place in Santiago in 2013⁶⁶.

Swedish exports to Latin America have not increased at the same rate as imports from that region, although Sweden still enjoys a comfortable trade surplus. While exports grew from \$28bn in 2001 to \$30bn in 2011, imports grew from approximately \$7bn in 2001 to \$16bn in 2011⁶⁷. Goods came mostly from Brazil, Venezuela (oil) and Chile, although Peruvian imports have increased by 24 times their value from 2001, amounting to \$2.2bn⁶⁸. When it comes to investment, Swedish FDI has been concentrated on Mexico and Brazil. In Mexico there are around 114 companies funded with Swedish capital, mostly in the manufacturing sector (42.1%) as expected⁶⁹. In Brazil there are more than 200 Swedish companies operating, most of them in São Paulo, yielding annual turnovers of around \$6.4bn⁷⁰. ABB, Ericsson, Electrolux, Astra Zeneca, Stora Enso, Atlas Copco, Volvo, SKF and Scania alone employ over 34,000 people. In 2005, Sweden became the tenth largest foreign direct investor in Brazil.

When it comes to the social area, Sweden has now phased out all existing regional development cooperation, beginning in 2010⁷¹. The only countries that still benefit from Swedish aid are Bolivia, Colombia, Nicaragua and Guatemala, although the amount of aid is declining (particularly for the Central American countries) and is insignificant (\$80m) compared to aid directed to Africa (\$1bn)⁷². This further weakens the image of Sweden as a generous donor inspired by solidarity and strengthens a more corporative image focused on economic interests. The scandals pertaining to Swedish national pension funds invested in companies that were accused of human rights violations and other unethical activities⁷³ made matters worse. In the case of the Colombian conflict, Sweden passed from being an important donor, a receiver of political refugees and an active actor in the first peace talks conducted in 2002 under the Pastrana administration to playing no role in the current peace process. Some analysts suggest that, if Sweden wants to increase its influence in Latin America, it should try to reframe its strategy from a more "Nordic" perspective, jumping on the bandwagon and pooling resources (economic and human) with other Scandinavian countries that have a more active presence in the region, such as Norway.

Latin America and China: New emerging global powers?

As predicted in the previous report, the Chinese presence in the region has continued to grow and is today even more relevant for governments, businesspeople and researchers. China is now the first trading partner of many countries in Latin America and is still regarded as a model of rapid and successful development. The expectations regarding Chinese investments are also on the rise. The reasons China is interested in the region are still the same as those observed in 2009: 1) to import primary products to strategically support sustained growth of in Chinese industry; 2) a promising market for Chinese goods; 3) political support for the international isolation of Taiwan and; 4) to secure strategic alliances for global leadership⁷⁴.

How these interests apply depends on the sub-regions. Interest in primary products like oil, minerals and food (mainly soy) and the export of Chinese products is more relevant in the Southern Cone. In the Andean region, which has significant quantities of minerals, oil and food products (fishmeal), political alliances are relevant. In Mexico, Central America and the Caribbean, China's main concern is to gain allies in its campaign to isolate Taiwan and to secure a better positioning close to the US market and political interest sphere.

Since Sino-Latin American relations really took off in 2004 after the visit of President Hu Jintao to several countries in the region, China has advanced in the region achieving observer status in the OAS and becoming a member of the IADB. FTAs have been signed with Chile, Peru and Costa Rica⁷⁵ and one with Colombia is currently being studied. But Beijing has given priority to four countries that it has signed "strategic partnership agreements"⁷⁶ with: Mexico, Venezuela, Brazil and Argentina. These countries were chosen not only for having strong economies but also for having a key geopolitical situation (i.e. Mexico) or for being key powerbrokers in the region (as leaders in regional organizations like UNASUR, ALBA or CAF with significant influence over other smaller countries⁷⁷).

In 2011, trade with the region represented 6% of all Chinese exports and 7% of all Latin American imports. Although this might seem modest, the growth rates of these values exceed those of all other partners, making Latin America the most dynamic partner for China⁷⁸. China is in turn a key partner for the region: Latin American exports to China jumped by 33.5% between 2006 and 2011 while imports grew by 23.3%. China has become the fourth market for Latin American products (8.9%), but together with other Asian economies it becomes the third market (17.3%) after the US (39.6%) and Latin America (18.5%). The EU lags behind with 13%. When it comes to imports, China on its own is already Latin America's third partner (13.8%), but together with other Asian economies it is the second (26.7%) after the US (30%). Latin America represents 20.3% of imports and the EU represents 13.6%. Nevertheless, the importance of China is not the same for all Latin American countries. In 2011, China was the first export market for Brazil, Chile and Peru, the second one for Argentina, Cuba, Uruguay and Venezuela, and the third for Mexico. Its importance for Central America is still minimal. These flows

show a clear trend that the EU is being replaced by China as the most important market for the region after the US⁷⁹. Certain projections estimate that China will displace the EU as the second market for Latin American exports in 2016, but this will ultimately depend on the economic performance of the US, the EU and China itself⁸⁰.

As already mentioned, China's imports are extremely concentrated on only a few products, most of them primary ones like fuels and minerals⁸¹. With regards to food products, 80% of Chinese fishmeal imports come from Chile and Peru. In addition, one third of Brazilian and Argentinean vegetable oil exports go to China. This strong predominance of primary products contrasts with Latin American exports to the US and intra-regional ones, where the distribution between raw materials and processed goods is more balanced⁸². Trade with China marks since 2009 the *re-primarization* of Latin American exports. For several countries in the region, access to FTAs with China is highly relevant since certain agro-industrial products as well as fish, sugar, drinks and tobacco face high import tariffs in the Asian country⁸³. The further expansion of trade will also depend on improvements made in physical infrastructure eastwards from the Latin American inlands, for example the Manta-Manaus-Belem corridor⁸⁴. Latin America constitutes a prosperous market for Chinese products through formal and informal channels (including smuggled products like pirated music and films⁸⁵). In 2011, China was among the top three suppliers to nearly all Latin American countries except for Central America. Imports are mostly high and low-end manufactured goods⁸⁶.

Latin America is extremely interested in China as a potential source of investments, credit and development cooperation (which has been severely affected by the crisis in Europe and the US). This is also a way to balance US hegemony⁸⁷. In the eyes of several Latin American governments, Chinese (and Asian partners in general) impose fewer conditions on credits and cooperation than Western partners. Regimes that are critical of the US see China as an alternative support. The high demand for raw materials, investments in projects abandoned by other Western investors (such as the Orinoco Oil Belt in Venezuela and the Tarapoa fields in Ecuador) and the provision of cheaper advanced technology (for example a telecommunications satellite operated jointly with Venezuela⁸⁸) are highly appreciated by Latin American countries⁸⁹.

However, the Chinese have not lived up to investment expectations up to 2012. By the end of 2010, Latin America received 14% of Chinese FDI (\$44bn) but 92% of this went to financial centres in the Caribbean: the Caiman and Virgin Islands. Although Chinese public enterprises are stepping up their investments, the amounts are still limited. In 2010, China was the third largest investor in the region with a share of 9%, after the US (17%) and the Netherlands (13%). But in 2011, the picture changed and China's share declined to 1%⁹⁰. Reflecting the character of imports, Chinese investment in 2010 concentrated on the extraction of raw materials, mostly oil and minerals. Synopex acquired 40% of Repsol's stocks in Brazil. There were also important investments in mining in Brazil and Peru that,

together with Argentina, received most of the productive investment. Ventures are increasing in Uruguay, in Ecuador, Venezuela, Guyana, Costa Rica and the Caribbean⁹¹. Most Chinese FDI is going to productive activities either in infrastructure, extractive industries or assembly activities in order to gain better access to the Latin American market⁹². But even low interest credits have some counterparts: in the Bahamas, for example, Chinese workers are given most of the construction jobs and general working conditions are bad. And concessionary loans or grants as the ones mentioned before are the exception rather than the rule in contrast to Africa, where China has become a significant donor⁹³

Furthermore, political interests go hand in hand with economic ones. This is especially the case for Central American and Caribbean countries that are not as attractive as markets but play an important role in China's endeavour to isolate Taiwan. Twelve of the twenty-three countries that have recognized Taiwan as the legitimate government of China are in Central America and the Caribbean⁹⁴. The only other Latin American country that recognizes Taiwan is Paraguay⁹⁵. Costa Rica recognized China in 2007 and was immediately granted preferential access to the Chinese market⁹⁶. Moreover, at the political level, China is part of the new BRICS constellation together with Brazil, thus forging a geostrategic alliance that challenges the traditional power balance in international politics.

Some Latin Americans regard China as an alternative and successful model of development. According to the Mexican Enrique Dussel, China is a good example of how to maintain the agricultural sector as a politically and economically strategic sector parallel to the industrialization process in contrast to the modernization and developmental models implemented in Latin America during the 20th century, where modernization meant only industrialization. The Chinese model also contemplates a much larger role for the State, in comparison to the neoliberal economic policies implemented in the region since the 1980s⁹⁷. But there is also serious criticism of this model, particularly concerning the nature of industrial production and labour conditions (i.e. the so-called "race to the bottom in wages"). Working conditions in export processing zones in Latin America have been strongly criticised by trade unions, human rights organisations and some left-wing parties. Whenever salaries are no longer considered profitable for the companies, these factories just close and move elsewhere: from 2000 to 2004 about 34% of these enterprises closed and transferred production back to China.

Some circles in Latin America are equally concerned about the region's trade deficit with this Asian country registered in 2011, caused mostly by Mexico and Central America⁹⁸. Otherwise trade exchanges are balanced and even show a surplus for Brazil, Chile, Venezuela and Peru⁹⁹. Manufactured goods from China are quickly replacing local industries and producers filed several anti-dumping complaints from 2008 to 2011 with the WTO. As a response, MERCOSUR decided to raise its common trade tariffs for certain industrial imports from outside the region by 35% in June 2012¹⁰⁰. China has thus been pressing Latin American governments

to grant it the “market economy” status within the WTO that would make such anti-dumping measures more difficult¹⁰¹.

What seems to be a re-primarisation of Latin American exports is igniting the same type of criticism once aimed at the North-South model of trade relations, which the ISI strategy fought against during the 1960s. The rising Chinese demand for raw materials contributes to a sharp increase in the prices of such materials, as in the case of Chilean copper¹⁰². This threatens to become a dangerous re-dependence relationship that is bound to increase the region’s vulnerability in the middle and long term. To conclude, Chinese (and Asian) presence in the region will increase and Europe is likely to be displaced as the second largest trade partner of Latin America within the next five years. How this would affect Latin American countries is less obvious, but it will also depend on regional and national policies toward China, on their balancing of advantages and costs in the short and long term.

Latin America and Russia: Potentialities not fully developed?

As noted in the 2009 report, Russia’s pragmatic interest in Latin America started in the Soviet era and has been a constant until today. This interest has both geopolitical and economic aspects, mixed in different proportions according to the sub-region or country concerned. Geopolitics has been paramount in the relationship with Cuba, the Caribbean, Central America and even with Mexico, but economic interests have been predominant in South America. The Soviet government was interested in developing fruitful trade relations with countries like Argentina and Uruguay and to some extent Brazil, as these countries offered the kind of primary products the Soviet economy needed. But these countries were not interested in buying Soviet goods so the relationship never prospered. Conventional Soviet arms and equipment were interesting however for some countries, like Peru, which placed important orders for Soviet military transports and arms as a result of a temporary boycott of American arms supplies to that country as a consequence of the Peruvian nationalists policies at the beginning of the 1970s.¹⁰³

During the 1990s, economic relations with Latin America were re-launched focusing particularly on Argentina, Brazil, and Mexico. These countries were regarded not only as a source of low-price food and other goods for the Russian market, but also as potential associates in mutually beneficial technological cooperation and as potential markets for arms. This led to the 1993 trade agreement worth about \$2bn between Russia and Brazil, which included important arms purchases by the South American country. This agreement was followed by a tour in 1994 of Vladimir Shumeyko, speaker of the Federation Council (Russia’s upper legislative chamber) through Argentina, Brazil, Chile, Ecuador, and Venezuela¹⁰⁴. Economic relations with Peru were restored later on but the relationship with Cuba proved to be more problematic.

As discussed in the previous report, friction between Russia and Cuba did not end until 2007 when new bilateral trade and economic agreements, covering the automobile, nickel and oil industries, as well as the supply of wheat to Cuba, were

signed¹⁰⁵. This reconciliation was sealed by the visit of President Medvedev at the end of his Latin American tour in November 2008, the first presidential visit after Putin in the year 2000¹⁰⁶. In February 2010, Lavrov visited Cuba to reaffirm Russia's interest in improving relations¹⁰⁷. However, trade exchanges between both countries amounted to only \$224m in 2011¹⁰⁸. This might explain the visit by Raul Castro to Moscow in July 2012, in an effort to expand economic relations (especially in the areas of energy, transport, telecommunications, space technology and pharmaceuticals) between the two countries. Contrary to previous times, Russia's interest in Cuba seems to be modest although some analysts are concerned about an alleged Russian ambition to restore its military alliance with the island¹⁰⁹.

On the whole, the economic presence of Russia in Latin America remains modest. In 2008, Russia's trade with Latin America accounted for only 1% of Latin America's external trade and there does not seem to have been any dramatic change since then¹¹⁰. According to SELA, the 2009 economic crisis seriously affected Russia's external transactions although they soon recovered. In 2010, Latin American exports to Russia were 138% higher than its imports from that country. During that year Latin American exports to Russia increased by 111% while imports increased by 98%, not reaching the levels attained in 2008. The countries that benefit the most from this unbalance are Brazil and Argentina and to some extent Ecuador and Chile. On the other hand, Colombia, Mexico and particularly Venezuela have had a negative balance of trade¹¹¹. When it comes to the FDI, Russia contributes with no more than 1% of all foreign investments to the region and it has not figured in the list of the top five investors in any country in Latin America up to 2008¹¹². Moreover, as in the case of China, most of Russian investments in the region are speculative and stay in the financial paradises in the Caribbean¹¹³.

Russia has shown interest in the development of relations with Venezuela, Brazil, Bolivia and other South American countries. Similar to China, this is a mutual rapprochement bowing to very pragmatic interests. Although these countries are led by governments to the left or that are critical of the US, what they seek is alternatives to US hegemony rather than ideological affinity. Russia, faithful to its traditional behaviour, is seeking allies and markets that can enhance its economic recovery and restoration of great power especially in view of the expansion of NATO in Eastern Europe and the growing presence of the US in Central Asia¹¹⁴. Russia is capitalising on its membership in BRICS to connect to Latin America via Brazil. The creation of a new development bank to finance projects in the "global South" was discussed during the BRICS last summit in New Delhi in March 2012¹¹⁵.

Venezuela continues to be a key associate of Russia in the region. The interest is mutual and is both economic and geopolitical, given Venezuela's strong anti-American stance and Russia's ambitions to enhance its power status. This explains the numerous high-level visits in both directions¹¹⁶. At the economic level collaboration focuses on the development of the Venezuelan oil and gas reserves. A joint venture between Venezuela's PDVSA and a Russian consortium composed of Lukoil, Gazprom, Rosneft and others was created for this purpose. This \$4bn

development (financed by Gazprombank) started to become fruitful through the extraction of oil in the Eastern state of Anzoategui¹¹⁷. The initiative includes the project to build a gas pipeline (*gasoducto*) that would link Venezuela with Brazil, Bolivia, Argentina and Uruguay, although this is still on paper¹¹⁸. At the geopolitical level, Russian arms sales to Venezuela and the joint manoeuvres of Russian bombers and naval fleet together with their Venezuelan counterparts are part of the package¹¹⁹. The large amount of military purchases Venezuela has made from Russia (which amount to \$5.4bn since 2004 plus a \$2bn credit since 2009) has alarmed not only the US but also neighbouring countries like Colombia, Chile and even Brazil¹²⁰. However, the trade balance between the two countries is unfavourable to Venezuela as it imports twice of what it exports from Russia. Therefore Caracas has expressed its interest in increasing its sales of agricultural products like bananas, cacao and flowers to Russia.

Another eager associate of Russia is Bolivia. Relations between these two countries follow the same dynamics as between Venezuela and Russia: a mutual pragmatic interest tainted by the anti-American stance of Mr. Morales' government (see the section on Bolivia, pp.37-39). The Russian relationship with Peru is, as discussed, already old and based merely on economic interests, although part of the exchange is still military equipment¹²¹. From the Peruvian side most of the exports consist of fruit, coffee, sugar, seafood and diverse minerals, but there is potential in the export of textiles that according to certain Russian sources could positively compete with the Chinese ones that currently dominate the Russian market. Trade levels are considerably low (\$59m in 2010 and \$79m in 2011) although they seem to be on the rise¹²².

As mentioned in the report, the priorities of Russia are still in the big Southern Cone countries and Mexico. Of these Brazil is the main country both at the economic and political levels, as evidenced by their membership in the BRICS grouping. The BRICS had its second summit in Brasilia during the Spring of 2010 and that summer President Lula Da Silva visited Moscow on a trip which also took him to Iran and other European countries. He signed numerous cooperation agreements in the areas of science, technology and military, characteristic of Brasilia's energetic foreign policy¹²³. Relations with Argentina seem to have intensified after Medvedev paid a visit to Buenos Aires in the context of his participation in the BRICS summit in 2010. Medvedev signed half a dozen cooperation agreements¹²⁴ and he announced Russia's willingness to help Argentina build a new nuclear plant - a sign that Argentina is eager to diminish its energy dependence on Venezuela and Bolivia¹²⁵. Interesting enough, Russian officials seized the moment to complain about Argentina's restrictions on the export of meat, something that shows the importance given by Russia to these imports¹²⁶. Although a priority for Russia, relations with Mexico have not really progressed in spite of the negotiations that date back to 2005 on joint investment plans for the production of natural gas¹²⁷. Even when Russia may be interested in cooperation in technological innovation, investments in this sector remain negligible. Moreover, though the trade exchange between both countries doubled from \$49.3m in 2004 to \$937m in 2008,

these levels are quite low in comparison to other partners in the region and, most importantly, the exchange is still extremely unbalanced in favour of Russia¹²⁸.

Russia, like China, wants to become a real alternative trade partner for Latin America and to be regarded as a source of technology in all areas but particularly in the areas of energy, transport, and arms. For Moscow, Latin America has enormous economic potential, both as a supplier of natural resources (especially food supplies) and as a destination for Russian goods, given the size of the Latin American market. Moscow is seizing the anti-American moment in the region to combine geopolitics with economic interests, in its aim to recover a major power status while presenting itself as a natural ally for emerging powers like those comprising BRICS. For Latin America, Russia is one of the alternatives offered by globalisation in general, and by the weakening of the traditional hegemonic powers that dominate the region, in particular. The countries that are most responsive to Russian advances are also seeking new alternative partners outside the traditional areas, but Russia is not the only country of interest. On the other hand, the slowly growing Russian presence in the region should not be regarded as contingent on the existence of leftist governments in Latin American or on the US-Russia relations, as in the past. Pragmatism and economic priorities are sufficiently important for this relationship to persist and even to progress, regardless of the types of government that arise in the region.

Brazil

Internal situation

The last couple of years have seen a decline in Brazil's economic growth. From growing by 7.5% in 2010, economic activity fell to 2.7% in 2011 and is expected to stay under 2% this year, below the forecasted 3.7% for Latin America¹²⁹. According to the IMF's chief economist, this decrease is due to slower growth and low demand rates in the developed world, severely affected by the global crisis. But for others, this is a sign that the economy is overheated and raises the question about the future of Brazil as a leading economy. It is worth noting however that the country's efforts to implement a development model based on industrialisation and technological innovation are likely to yield benefits in the mid and long-term. It is a priority for Brazil to promote the internationalisation and competitiveness of its firms using BNDES as a proxy. BNDES has become an international leader in funding research within renewable energy and biotechnology, investing \$5.3bn in clean technologies from 2010 to 2011 and in critical phases of biotechnology research¹³⁰. National policies today not only stipulate the fostering of science, technology and innovation, they also require a "full transfer of technology" when engaging with foreign partners like in the case of 2008's National Defence Policy¹³¹. The multimillion deal to overhaul the Brazilian Armed Forces (see pp.8), postponed until 2013 for budgetary reasons, seems to favour France's Dassault over US Boeing and Swedish Saab because of their technology restrictions¹³².

President Dilma Rousseff faces the dilemma of fostering growth with redistribution while avoiding overheating and high inflation rates. In light of Brazil's poor economic performance, Rousseff announced in August 2012 a \$60bn stimulus package to be spent mostly on infrastructure and railways, something that could improve some of the supply-side problems that have been holding down economic growth. She has also moved to cut down the high costs of doing business in the country ("*custo brasil*") after eliminating extremely high electricity taxes¹³³. But on the other hand, growth stimuli are causing inflation rates to rise steadily, getting dangerously close to the 6.5% ceiling set by the government.

Strong economic performance throughout the years has allowed Brazil to conduct commendable efforts to reduce poverty. Since 2003 almost 30 million Brazilians have been lifted out of poverty, a 36% decline¹³⁴. The middle class is expanding and today it represents 53% of the population. Although the GINI coefficient reached a historical low of 0.53 in 2010¹³⁵, Brazil is still one of the most unequal countries in the world: the richest 20% earns almost 59% of all household income while the poorest 20% only earns 3%¹³⁶. A 2010 census indicates that discrepancies between races are among the greatest, with the average salaries of "whites" and "Asians" nearly doubling the average salaries of "blacks", of those of "mixed race" and of "indigenous people"¹³⁷. The world-famous conditional cash transfer programme *bolsa familia*¹³⁸ now covers more than 13.3 million families and is said to have improved nutrition, health and enrolment levels at a cost of barely 0.5% of GDP¹³⁹. In June 2011, Rousseff launched the programme "Brazil without misery" targeted at the 16 million Brazilians (8% of the population) living in extreme poverty, particularly in the very impoverished North East region. In October 2012 she launched another programme called "Loving Brazil", targeted at families with children under the age of 6 that live in extreme poverty. Despite that these schemes have indeed improved social indicators, the quality of the services being provided is worth questioning.

Even when public workers have seen their salaries rise by 33% in real terms during the last nine years¹⁴⁰, over 400,000 of them staged a series of protests and strikes between the months of May and August 2012 demanding salary increases. The protests started with university professors and then spread to 30 different government dependencies including the Federal Police. Protesters had to settle for a 15.8% salary increase in the coming three years, although they had demanded a 40% rise. If inflation continues to grow, renewed protests could take place.

Rousseff also faces the dilemma between economic growth versus environmental protection. While she has received strong criticism for supporting the construction of hydro-electric dams in the Amazonas rainforest, she vetoed some of the most controversial clauses of the Forest Code – a congressional bill that loosened the nation's benchmark law protecting the rainforest¹⁴¹. The passing of such a code (despite being partially vetoed) evidences the clout of the agricultural lobby in Brazil and the unequal distribution of land: only 4% of landowners own more than 50% of the country's agricultural land¹⁴². Social conflict is a constant in

the Brazilian Amazon and can be largely associated with land access, use, and ownership. Some conflicts stem from the removal of aboriginal communities while others are the result of competing interests between artisanal miners (*garimpeiros*), the widespread landless people movement as well as legal and illegal logging operations¹⁴³. The global demand for food, fuels and minerals (such as iron ore) will play an important role in determining this fragile balance between development, environmental protection, security and justice.

Politically, the country has been shaken by the *mensalão* (or “big monthly stipend”) scandal, which erupted in 2005 when a politician claimed that the ruling Workers’ Party was buying votes in Congress. The cash allegedly came from fraudulent loans at state banks and padded advertising contracts arranged by state-owned firms¹⁴⁴. A trial to judge the culprits started in August 2012 in what has been coined as “the trial of the century”. By the time this report was written 25 of the 37 defendants have been found guilty, including Lula’s former Chief of Staff José Dirceu. The climax of the trial coincided with municipal elections this October 2012. The Workers’ Party feared punishment from voters, but it actually gained 72 new municipalities including the business-centre São Paulo¹⁴⁵. This trial could suggest that Brazil is taking positive steps towards eradicating the endemic corruption that plagues the country and Rousseff herself has fired six ministers on the grounds of unethical conduct or corruption. However, as the opposition argues, Rousseff still maintains Lula’s expensive political model of creating public posts for political allies in a huge coalition.

External Relations

Relations with the US are cordial but yet plagued by mistrust from both sides. In general terms, Brazilian foreign policy has been marked by the continuity of long-held beliefs in autonomy and universalist action¹⁴⁶ that sometimes play against or even frustrate US interests. Iran has been a thorny issue, with Brasilia largely endorsing Tehran’s right to develop its nuclear programme and intervening in the conflict with Western powers, gaining Washington’s harsh criticism¹⁴⁷. But Rousseff’s approach to Iran has been less flexible, to the point that it supported a Washington-led move to investigate claims of human rights abuses by sending a rapporteur into the country. Ahmadinejad’s last visit to the region did not include Brasilia and one of his top advisers was quoted as saying that Rousseff has “been striking against everything that Lula had accomplished”¹⁴⁸. Furthermore, Brazil dominates 65% of Latin American trade with Iran: In 2011, Brazilian exports to Iran represented \$2.6bn, while Iranian exports to Brazil amounted to \$35m¹⁴⁹. Arab countries absorb 11% of Brazil’s exports, something that could explain the latest tour by Foreign Minister Antonio Patriota in the Middle East and his claims that Brazil will adopt stronger leadership in peace efforts in that region.

As mentioned in previous reports, gaining recognition as a major international actor in light of its growing economic and political clout is a priority for Brazil (some of this was discussed in the section on regional integration, see pp.1-3). Although Washington seems to embrace the rise of China and India¹⁵⁰, this

does not seem to be the case for Brazil¹⁵¹. As a report by the Council on Foreign Relations puts it, “a formal endorsement from the US for Brazil would go far to overcome lingering suspicion within the Brazilian government that the US commitment to a mature relationship between equals is largely rhetoric”¹⁵².

Trade is another sensitive issue between these two countries. Brazil, which was granted the right to “cross-retaliate” illegal U.S. cotton subsidies by the WTO, is mulling over using such a right given the apparent lack of will by the US to comply with WTO policy. The latest US proposal (“Stax”) would, according to the Brazilian Ambassador speaking before the WTO, “leave Brazilian farmers worse off than they are now”¹⁵³. Brazil, mostly in response to staunch competition from China, announced on September 4th 2012 that it would raise tariffs for a total of a hundred products, causing the US Trade Minister to complain and state that the measure would “force commercial partners to respond with the same coin”. Patriota responded saying that US criticism is not only inappropriate (as the measures seem to be in line with MERCOSUR and WTO rules) but also incoherent, given that the US has benefited enormously from the expansion of the Brazilian market¹⁵⁴. Since US agricultural protectionism is widespread and unlikely to go away in the near future, further confrontation at the WTO between these two countries is expected¹⁵⁵.

Nevertheless, Brazilian pragmatism allows for a certain degree of cooperation with Washington. This is strongly related to how these two countries approach China carefully, balancing relationships that are both complementary and competitive. While China imports large quantities of natural resources and food from Brazil and has displaced the US as Brazil’s most important trading partner, it does not buy manufactured products like the US does and, as discussed in the China-Latin America section (see pp.9-12), it is actually a threat to some industrial sectors. The US has become an important market for Brazil, particularly for the aircraft maker Embraer. Ten bilateral agreements were signed between the countries during Obama’s visit to Brazil in March 2011, one specifically on aviation. Five more agreements were signed during Rousseff’s visit to Washington in April 2012. Furthermore, the US Congress has allowed the tax subsidy for American ethanol and the tariff for imported ethanol to expire and Obama has announced plans to ease requirements for Brazilians travelling to the US. The future of the US-Brazil relation is bound to continue to be a blend of cooperation and confrontation and will ultimately depend on how Washington accommodates an emerging multi-polar world order.

Cooperation with China dates back to Cold War times when both countries, conscious of their status as developing countries, exerted pressure on the reform process of multilateral institutions. Such cooperation remains today, now institutionalised under the BRICS grouping. Today Brazil is the region’s largest exporter to China and the second-largest customer for Chinese products (see section on China-Latin America relations, pp.9-12), meriting its recognition by the Asian country as a “strategic partner”¹⁵⁶. Brazil is still one of the few countries in the region that has a surplus with China, but a recent increase in Chinese imports has

provoked strong internal pressure (especially in the textile and toy sectors) for the imposition of safeguards or antidumping laws against the country¹⁵⁷.

Brazil is the most important market for the EU in Latin America. In 2007 it became one of the Union's "strategic partners" and is today its 9th trade partner. Brazil exports mostly raw materials to the EU and imports in turn manufactured products. However, the EU's aim to increase the use of bio-fuels by 2020 presents interesting opportunities for Brazil, being the second producer and leading exporter of bio-fuels in the world. For all EU's rhetoric and commitment to free trade and market economy, its protectionism embodied in the CAP is the main hindrance to a MERCOSUR-EU (or even Brazil-EU) agreement. An interesting trend to follow that could shape the form of EU-Brazil relations is that of reversing migration patterns. Brazil has registered a 50% increase in foreign residents on temporary work visas, currently amounting to 1.5m people, of which 330,000 come from Portugal and 60,000 from Spain¹⁵⁸.

Brazil-Russia relations have taken on a heightened dimension in recent years, especially under the framework of the BRICS grouping (see Russia-Latin America section pp.9-12). Cooperation has focused mostly on the areas of space technology, missile defence and military weapons transfer, in line with Brazil's defence policy. Brazil sent its first astronaut into space thanks to an agreement with Russia that put him aboard the Soyuz TMA-8. Furthermore, Brazil's oil and gas sector is increasingly capturing Russia's attention and this is expected to grow as Brazil continues to discover more oil and gas deposits. In October 2012, TNK-BP, Russia's third largest oil producer, signed an agreement with Brazil's HRT for gas extraction in the Amazonian basin of Salimões, where it has invested more than \$1bn¹⁵⁹.

Mexico

Internal situation

The PRI, the legendary party that had been in power for 70 years (1929-2000) made a spectacular comeback in July 2012. In many ways, the country the PRI left in the year 2000 has changed dramatically. The drug wars, criminality and costs (political and economic) have dominated the national scene especially since 2006. And to make things worse, the world financial crisis affected Mexico in a harder way than the rest of Latin America because of its closeness to the US. During 2009, economic decline was 7% of the GDP and although the recovery has been quite rapid and the growth during 2012 is expected to be 3.5% (higher than Brazil's 1.5%) the crisis is still largely felt by most of the population¹⁶⁰. Recent figures showed that about 29% (14.2 million people) of all the economically active population works in the informal economy. This figure is on the way to catching up with the figure for workers in the formal economy (15.2 millions)¹⁶¹.

The electoral victory of Enrique Peña Nieto with just over 38% of the vote, over the centre-left parties led by former Mexico City mayor Andrés Manuel López Obrador and congresswoman and former cabinet secretary Josefina Vázquez Mota, was expected although the vote fell far short of the massive victory most polls had predicted. The difference between the PRI candidate and the leftist candidate was about 7% (31.6 % for Lopez Obrador) in a record turnover of 63% of eligible voters¹⁶². The leftist coalition contested the results, alleged fraud and demanded a recount but the Federal Electoral Authority and the Federal Electoral Tribunal denied this. According to several observers, the problem was not so much the voter fraud as the “buying of votes”. PRI used old tactics giving or promising money or goods in exchange for votes, or threatening potential voters as to the consequences of a leftist victory. And apparently such tactics gained it several thousand votes although it is difficult to say that this was the main cause for its victory¹⁶³.

Even if the PRI carried away the presidential election, it failed to gain a majority in either house. Such a majority is necessary to succeed in implementing important reforms like the restructuring of the oil industry or fiscal reform. The labour reform adopting total flexibility for the signing and severing of labour contracts was already on its way to being approved by a relative majority in the Chamber of deputies at the beginning of October 2012¹⁶⁴. Possible coalitions may be agreed with the PAN but would be more difficult with the PRD that remains the third largest political force in both chambers. However, the PRD is being fractioned by several internal disputes and its presidential candidate has already left it to form a new political force around his electoral movement: MORENA (Movement of National Regeneration). Apart from this, the PRD is suffering other ruptures and a group of well-known politicians like Marcelo Ebrard (PRD’s governor of Mexico City), Cuauhtemoc Cárdenas (recurrent presidential candidate), Manuel Camacho and Juan Ramón de la Fuente are trying to form a “ social democratic” alternative outside the party.¹⁶⁵

Prior to the election, a new social movement developed unexpectedly and even threatened to modify the election results. This was the student movement “*Yo soy el 132*” that began by protesting mainly against the manipulation of the electoral campaign by the powerful mass media corporations (Televisa), but soon became a vigorous youth anti-PRI movement. These protests reinforced the mounting human rights movement, headed by poet Javier Sicilia, in reaction to increasing violence. This is only part of increasing waves of protests against the lack of security at the political, economic and social levels, particularly since the passing of the mentioned labour reform.

The rise in organized criminal violence, which is intimately tied to the weakness of state institutions, is a particularly serious problem. Human rights violations have increased as the war on drug-related criminality has intensified. Moreover, according to several human rights organizations and observers, a great part of this violence is provoked by the army and the different police forces in their “zeal” to combat narcotic-related criminality (see below regarding the Plan

Merida)¹⁶⁶. Although all sectors of the population have been affected, Mexican youth have been particularly hard hit.

Thus Peña Nieto will be inheriting a very fractioned country with an institutional crisis that may be far worse than in the past. Clientelism and corruption persist and some institutions, especially those in the criminal justice system, lack the kind of solid foundation that a modern democracy needs. A 2011 survey carried out by CIDENA in the seven states most affected by violence and criminality showed an increasing lack of credibility for most state institutions in Mexico, specially the legislative and judiciary powers¹⁶⁷. The different police forces and judges are highly mistrusted although the army and the naval forces still enjoy certain credibility. Even though the responses vary according to the state in question the findings show a general pessimism towards the economic situation in the country, a very low political literacy and the enormous power of the television monopolies (where an absolute majority of the citizens get their political information). In addition, the lack of credibility for state institutions is beneficial for other institutions like the Church (mostly the Catholic church but also some protestant branches) and the monopolized mass media¹⁶⁸.

Thus, despite the 3.5 % in economic growth the Mexican economy suffers from serious burdens. These range from the failed strategy to combat poverty to the prevalence of monopolies and oligopolies, the persistence of a structural and highly unfair income distribution, the lack of creative reforms in energy, education, credit and other areas necessary to promote more sustainable patterns of growth with equity¹⁶⁹. It is true that the rapid recovery after 2009 has contributed to a broadening of the middle sectors that have benefited from price-controlled consumer goods and a relative growth in access to credit, especially for housing. Moreover, according to official figures unemployment rates were only 4.8% in 2012. However, the growth of informal employment (29%) noticed before and sub-employment (9%) reveals a failure in the reduction of poverty or in the creation of alternatives within the formal sectors of the economy and this hits rural communities particularly hard¹⁷⁰.

Another serious problem Mexico has to deal with is the poor quality of education. Even if general education reaches most sectors of the population the quality has remained far below that of other countries with similar development levels. The politisation of education by several stakeholders (regional and local authorities, trade union leaders, among others) has hampered any improvements and this is a severe setback to Mexico's economic strategies.

The newly elected president has stressed the need to pass structural reforms to activate the economy, like implementing already existing legislation against monopolistic practice, a fiscal reform (which the present administration failed to do), the opening up the oil sector to private investments¹⁷¹, an increase in productivity in agriculture and a doubling of the investment in infrastructure¹⁷². The implementation of such measures may be problematic. The oil industry reform would require a two-thirds vote in Congress something the PRI like the Calderon

administration may have problems in attaining. Private monopoly interests are intimately linked to politicians from all parties and corruption is still enormously widespread, something that would block any intention to limit the power of these monopolies. As to agricultural productivity, this is closely linked to the need for enormous investments in agriculture, something that up to now and since NAFTA was signed has only benefited agro-industry interests leaving most peasants increasingly impoverished with few options, like becoming rural workers for agro-industries or migrants to the US. The record of past PRI administrations on this issue is not encouraging and private interests have never been attracted to this type of investments.

External Relations

Peña Nieto seems to endorse an active international trade policy aimed at increasing Mexico's trade with Asia, South America, and other markets¹⁷³. His government is likely to continue Calderon's efforts to take an active role in the negotiations for a Trans-Pacific Partnership (TPP).¹⁷⁴ The proposed TPP would likely enhance the links Mexico already has with the United States and Canada under NAFTA, at the same time boosting the country's trade ties with other fast-growing economies.

Economics seem to be Mexico's priorities in the international arena. Mexico has always struggled to find a balance in its external relations has always failed. The strive for independence from (and mistrust of) the US, for economic diversification and Third world initiatives, that dominated Mexican foreign policy up to the 1980s was replaced by a pragmatic re-alignment with the US following the sour experience of the debt crisis at the beginning of that decade. Since then, Mexico has become more and more dependent on its relations with its neighbour to the North for economic survival. In 2010 Mexico exported about 80% of all its exports to the US and imported about 49% from its Northern neighbour¹⁷⁵. This helped Mexico to recover from the 1980s crisis but re-orientated its development towards a maquiladora dependency where national industries were replaced by assembling factories belonging to transnational companies. From having been the most industrialized country in Latin America Mexico became a "maquiladora" producer whose main relative advantage was cheap labour and geographic proximity to the US. This has had several consequences. Mexico has become more confident on the international stage, and more competitive as well as better trained regarding international trade negotiations. However, dependence on the US has also meant an increasing vulnerability to any possible economic crisis that affects the American economy, like the one in 2009. Since the year 2000 this vulnerability has been recognized and a policy of looking for alternative economic alliances has succeeded in attracting European and most recently Chinese and other Asian interests and investments, but such diversification is still very far from granting Mexico more independence and self-confidence. This is reflected in a balance of trade that is continuously unbalanced against Mexico with most of its external partners other except the US.

Asia, and China in particular, seems to present a very attractive opportunity for Mexico. China has become Mexico's second partner regarding its imports (15.4% of all its imports) and the fourth regarding its exports (1.4% of all its exports)¹⁷⁶. As with the rest of Latin America there is the problem of the competition of Chinese products with local manufactures. Moreover, this competition includes *maquiladora* production given the lower costs of labour in China and other Asian low-cost countries. However, as wages are rising in China and oil prices, patent protection and security concerns have made geography more important again, Mexico has been able to compete much more effectively in *maquiladora* exports. Moreover, there is a growing awareness that in other industries, where Mexico has comparative advantages, it may not only be able to hold its own against China, but actually expand its ambitions and conquer Asian markets. Mexico is, after all, a Pacific country, ready to confirm this identity as its endeavour to join the TPP has demonstrated¹⁷⁷.

As for Europe, the Mexican expectations for intensified economic links after the signature of the 2000 Association and Free trade agreement have not been fulfilled. For the EU in 2011, Mexico still represented only 1.6% of its general exports and about 1% of its imports. For Mexico, trade with the EU in 2011 represented 10.8% of its total imports and about 5.8% of its exports (not far from the 8% and 3%, respectively, for the year 2000) with a persistent negative balance for Mexico¹⁷⁸. As to investments the EU's (mostly Spain and the Netherlands) share of FDI in Mexico in 2011 was about 22% compared with 55% from the US¹⁷⁹. This contrasts with the fact that in 2011 the EU was still the major investor in Latin America (with a share of 40% of all FDI) surpassing by far the FDI coming from the US (18%)¹⁸⁰. Most of the European FDI went to the financial (banks) and manufacturing sectors destined to exports largely contributing to a distorted pattern of development that abandons agriculture and reinforces the banking monopolies. The latter may even endanger the Mexican bank system because of possible contagion from the crisis-stricken Spanish banks¹⁸¹.

Second to economic dependency Mexican security is also increasingly dependent on American good will to fight its war on narcotics-related criminality. One of the main issues is the frustration on the part of Mexican authorities that US authorities are not doing enough to stop the import of arms from the Southern states (notably Texas) that is constantly fuelling the fire capacity of the narcotics-related criminal groups. One example is the failure of operation "Fast and Furious"¹⁸². By far the drug war is one of the main concerns in the US-Mexico relationship. The US deploys more than 30,000 officers to patrol a 3,099 km border while in comparison Mexico has about 125 officers to guard its Southern border from where a great part of the narcotics trade and illegal migrants bound for the US pass. More than ever the Mexican territory has become a security concern for the US, narcotics, migration and oil reserves are the main reasons for this securitisation.

The Plan Merida between Mexico and the US, initiated in 2006 in response to this situation (crafted as a copy of Plan Colombia) was to respond to this

securitization level. The main aim of the plan was to equip Mexico by transferring sophisticated military equipment, by training and by sharing intelligence. The Mexican government demanded and accepted this plan because its own security apparatus had been overwhelmed by the magnitude of the threat. Up to March 2010, only 46% of all the resources approved had been transferred and of this only 9% had been expended. Even key equipment like Caza planes had not been delivered by 2011. And the overall effectiveness of the plan is limited as it excludes the local and state police forces. Thus, the human rights violations (provoked by both the criminal groups and security forces) have increased dramatically. By 2012 the figure of Mexican casualties in this war amounted to 60,000 according to several sources¹⁸³.

To date, Mexico has been evolving gradually, opening its political system, its economy and its international relations in an unsteady way. Indeed, this may be part of the legacy of seven decades of rule by a single party that developed a consensus-based approach to politics. The PRI system was always a confederation of multiple interests and all change was negotiated ahead-of-time among key stakeholders and this seems to have survived the demise of the one-party dominant system. Even with a different party in power over the past decade, all change took place gradually and after extensive negotiations among key interest groups. This is a formula for stability and national consensus (a formula that prevented coups and civil wars in Mexico for decades) but also a recipe for hindering changes and protecting underperforming institutions.

The challenges the new government faces, as we have seen, are various and quite formidable. Looking for a more balanced relationship with its neighbour to the North while delivering peace and growth to its population in times of crisis and global uncertainties are not easy tasks for Mexico. Increased repression and violations of human rights is a possibility but that would be unsustainable in the long term and several social movements seem ready to resist and challenge the government. Democratization, redistribution and an end to violence still seem far away, but in the long term appear as the only sustainable solution to the conflicts and the problems we see today.

Colombia

Internal situation

All eyes are on Colombia since President Juan Manuel Santos announced in August 2012 that his government is going to start negotiations with the FARC with the ultimate goal of achieving a “stable and longstanding peace”¹⁸⁴. The talks kicked-started in Hurdal, Norway, on October 16th and will continue in Havana, Cuba, with the governments of these two countries as mediators, and Venezuela and Chile as observers. Iván Márquez’s (FARC’s chief negotiator) harsh words towards the Colombian State at the meeting in Hurdal damped initial enthusiasm about peace prospects, but many believe that this process has higher odds at succeeding than previous efforts. One of the reasons for believing this is that the strong military

offensive conducted during Álvaro Uribe's term has decimated FARC ranks. Top FARC commanders "Mono Jojoy" and "Alfonso Cano" were eliminated and leader Rodrigo Granda and drug baron Daniel "Loco" Barrera were captured in Venezuela as a result of increasing cooperation between these two countries since relations were normalised in 2010 after Santos' election¹⁸⁵. Furthermore, from 20,000 militants in 2002, the figure is now down to 9,000¹⁸⁶.

This does not mean that the FARC are powerless, especially not financially. The most important reason to feel hopeful about is the fact that the underlying causes of the conflict have been included in the negotiations' agenda: namely long-due agrarian reform and guarantees for political participation¹⁸⁷. As Márquez said in Hurdal, long-lasting peace will not be achieved if the issue of social inequality is not addressed. While Colombia is now the third largest economy in Latin America, it is also the third most unequal country in the world. Land tenure is a key issue, as 52% of the land is owned by a merely 1% of the population¹⁸⁸. The points to be covered during the negotiations are: 1) access to and use of land; 2) guarantees for political participation; 3) a final and definitive end to violence; 4) drugs, substitution of illegal crops, treatment of the drug issue as a social and health problems; 5) restitution to victims and the search for "truth"¹⁸⁹.

This approach reveals a more multidimensional understanding of security in line with theoretical discussions included in previous reports¹⁹⁰. This probably stems from the decline in US hegemony in the region combined with a strong economic position that gives Colombia a greater room for manoeuvre in carrying out policies tailored to its own interests. There are however some thorny issues on the way. One has to do with the issue of reintegrating of the rebels into civilian life and future participation in politics, which in turn brings up the tricky issue of amnesty and guarantees. 78% of the general public is against granting amnesty to the rebels and some rebels are liable for crimes against humanity penalised by international law¹⁹¹. In addition, the negative precedent set during Uribe's administration with a failure to demobilise AUC militants and their deportation to the US in spite of government promises that this would not happen makes rebels suspicious. Moreover, there is the question about what to do with the right-wing paramilitary, especially those that still sit in jail. This will depend on how much "truth" and justice the government is willing to yield¹⁹². Furthermore, dismantling the drug business is *sine qua non* for the success of the peace process, but this depends largely upon how the region, the US and Europe (the biggest consumers of the drugs produced in the region) engage with this issue. Some of the AUC militants demobilised only in name and then joined the BACRIM, powerful criminal organisations that have no political aim and discourse but whose interests are the high profits from the drug business. These bands are dangerously spreading to Central America.

The first point to be discussed in Havana will be land reform, a very critical point because FARC questions the state model and the economic system that is being promoted by the Colombian government. Santos took some steps in the right

direction by passing an ambitious Law of Victims and Land Restitution that seeks to redress millions of displaced families, but it is yet to be seen what and how much can be achieved. FARC wants to discuss agricultural and mining development and the presence of multinationals and foreign investment in Colombia, something that is not part of the agenda and that the government refuses to debate. Nevertheless, there is a lot of sense behind FARC claims to include these issues: the issue of social inequality and poverty cannot be overstated more. The booming of mining in Colombia and the rising levels of violence in connection with this activity is a case in point. A government development plan that puts significant weight on mining and resource extraction, together with rising gold and mineral prices motivate armed groups (among them BACRIM) to incursion in this business. Traditional miners (who often operate without licenses) are forced to pay extortion money to these groups. In 2011, 40% of the 56 tonnes of gold produced in Colombia was extracted from unlicensed mines¹⁹³. The business per se is not illegal, but the acquisition of lands is often done by forced displacements. Researchers have reported an increase in violence and human rights violations in certain resource-rich municipalities¹⁹⁴. This development model based on resource extraction (either by Colombian companies or by foreign companies) has sparked social protests by trade unions, environmental, peasant and indigenous movements¹⁹⁵ that are also demanding to become part of the peace negotiations.

Economically speaking, as security in urban areas has increased, investments are flourishing, to the point that by mid-2011 they had reached 28% of the GDP—more than investments in Brazil and Chile¹⁹⁶. Growth remains steady over 4% and inflation is relatively low. It remains to be seen what the concrete effects of the FTAs with the US and the EU will be. Nearly 80% of Colombian production was already tariff-free in light of preferences provided under the Andean Trade Promotion and Drug Eradication Act¹⁹⁷, something that begs the question of who benefits the most from the trade agreement. Many already speculate that highly subsidized US agricultural exports as well as top-quality beef and poultry would flood Colombia, threatening to compound the issue of coca growing and mining. Furthermore, the investment chapter in the agreement allows foreign corporations to challenge environmental regulations and seek monetary damages in compensation for the alleged cost of compliance, which could severely affect the environmental situation and thus further social conflict.

External Relations

As suggested in previous sections, US-Colombian relations are undergoing a transformation as for most countries on the continent. The “special relationship” cultivated under the Bush era only caused Colombia to be alienated and isolated from most of its neighbours. The deep asymmetries of this relationship have caused resentments both in the region and in Colombia. The challenge for Colombia is to balance its alliance with the US to make it more symmetrical and less threatening for its regional positioning¹⁹⁸. Santos declared that normalising and improving relations with its Latin American counterparts would be a priority for his administration. As discussed before, this has yielded positive results particularly in

the case of bilateral relations with Venezuela, in sharp contrast to the situation with Uribe's administration. Colombia's highest court declared that the agreement granting US access to more military bases in the country was unconstitutional and Santos does not seem to be willing to fight this decision¹⁹⁹. The question of how to deal with the drug problem is a dividing issue (see the US-Latin America section, pp.4-6), as Colombia and other Latin American countries are pressing for a new paradigm, different from the thus far unsuccessful militaristic approach led by the US²⁰⁰.

The status of the bilateral US-Colombian relation could be described as one of "change within continuity". Continuity because the US will remain to be an important partner for Colombia, as their closeness is grounded on deep historical ties. The US is the number one receptor of Colombian migrants, taking up to 35% of all Colombians that emigrate. Remittances have also become essential at the micro level for the support of many families in Colombia²⁰¹. But Colombia is pushing for change, striving for more symmetrical relations that will allow it to pursue its foreign policy objectives of reintegration into the Latin American region, diversification of external relations and decreasing dependency. Security will continue to be a key aspect of the relationship, but the ongoing paradigm shift in dealing with the Colombian conflict will inevitably affect the way in which this cooperation will take form²⁰².

An FTA signed with the EU in June 2012 awaits for Congressional ratification²⁰³. So far, 23% of Colombian exports have benefited from the EU's GSP, but an FTA that gains force will mean almost full tariff-free access to the European market -and vice versa. Colombia's main exports to the EU are fuel and minerals (47%) as well as agricultural and animal products (33%). These represent about 0.4% of the total EU imports. The EU on the other hand exports mostly manufactured products that represent 0.3% of total exports. Colombia is not a major trading partner for the EU (it ranks 41st) but Europe has a trade deficit with this country that could be compensated by this FTA.

Sino-Colombian relations have been limited in comparison to bilateral relations with Colombia's Andean region. This is due to: 1) Colombia has not been a major exporter of the primary products that China seeks; 2) years of violent conflict have impeded the development of the country's Pacific coast infrastructure; 3) Colombia's strategic relationship with the U.S. has to some extent hindered contact²⁰⁴. But as Colombia is improving its security situation, reviving its petroleum and export-oriented agricultural sectors and becoming a growing market, relations with Asia are flourishing. This fits in with the government's policy of asserting the country as a global actor through the pursuit of trade links. Relations started to take off slowly in 2005 when Uribe paid a visit to China. Metals dominate Colombian exports to the Asian country: In 2006 nickel accounted for 48% of the nation's total exports. China is also interested in the country's coal (in spite of being a coal producer itself) and uranium deposits. With regard to oil and gas, Ellis claims that China is more interested in helping Colombia extract gas that is

later exported to Venezuela to maintain pressure in the mature oil fields controlled by China²⁰⁵. Colombia could also serve as a shortcut for transporting Venezuelan oil to the Pacific, cutting onerous transport costs. Oil deposits in Colombia are only potential, but China is moving forward cautiously investing in some ventures. Exports of Colombian agricultural products to China have been very restricted due to the Chinese strict phytosanitary requirements and stark competition from Asian neighbours. China on the other hand has been more successful in exporting high-end products like cars, motorcycles, consumer electronics and telecommunications to Colombia. Exports of low-end products have caused resentment among some local producers in Colombia, such as the case of textile producers that lobbied for the imposition of a 95% tariff on Chinese products.

In May 2012, Santos was in China where he announced that an FTA between these two countries is being studied. Colombia has also signed an FTA with South Korea, which is yet to gain force. In order to fully tap these flourishing relations, Colombia has been working to improve its infrastructure along the Pacific coast, neglected by years of a one-sided orientations towards the Atlantic. With money from China's Development Bank and its Railways Corporation, Colombia is making major upgrades in the port of Buenaventura, including the installation of multiple new loading cranes, the expansion of the docks, and the dredging of the port's access channel to allow for larger, deep-draft commercial vessels²⁰⁶. There have been talks with China to build a dry canal that would connect the Atlantic coast with the Pacific by a railway, but this is only on paper at the moment and some even doubt its feasibility.

Venezuela

Internal situation

Hugo Chávez was re-elected for a third term in office on October 7th 2012, obtaining 54% of the vote against his rival Henrique Capriles who received 45%. This victory was expected, as Chávez is still a very popular and charismatic character. But it is also true that the race was unbalanced, with Chávez tightening his grip on the state's machinery and resources for campaigning purposes²⁰⁷. The election was the best performance by the opposition in a presidential election since Chávez came to power in 1999²⁰⁸. The challenge is now to rouse supporters that have expressed their disappointment and sense of hopelessness ahead of the regional elections in December 2012. The opposition has achieved unity in twenty-one of the twenty-three states, but future divisions are not discarded. Capriles' bid to be re-elected as governor of Miranda has raised some eyebrows since someone else was elected in the primaries in February 2012 to represent the opposition (although this person has expressed support for this move).

Cracks in government ranks are also visible. Chávez handpicked his candidates²⁰⁹ for governor mostly from loyalists within his cabinet and the military ranks, in many cases ignoring candidates proposed by other leftist parties allied

with him. In at least four states, leftist parties entered their own candidates to run against those chosen by Chávez, which could divide the vote on the left²¹⁰. This has prompted extremely rare public criticism from Chávez allies²¹¹, who hope for a more democratic process²¹². Since Chávez's health status is uncertain, forces within the government are struggling to take the leadership role in case of a "succession"²¹³. The recent appointment of Nicolás Maduro as the new vice president profiles him as a Chávez pick. If Chávez happens to die during the first four years in power elections will be held, but if this happens in the last two years of the term, the vice president will take over.

The massive deployment of public resources for social programmes²¹⁴ has brought about a significant improvement in basic social indicators. The proportion of households living in poverty fell from over 49% in 1998 to 29% in 2009 and those in extreme poverty from 20% in 1998 to 9% in 2008. According to UNDP, Venezuela's HDI has jumped from 0.66 in 2000 to 0.74 in 2011 climbing up seven places in the world rank²¹⁵ and the GINI coefficient has reached a historical low of 0.39 – way below Brazil's 0.52²¹⁶. If there is something that Chávez has really succeeded in putting the focus on social issues, to the point that no future government is likely to dare to go back to the old vice of ruling for the elite. But as Corrales and Penfold point out, not all social outcomes are crystal-clear: Clientelism has governed the assignment of many disbursements and programmes are conceived as short-term assistance instead of as components of a structural vision for reducing poverty by improving both access to and the quality of social services²¹⁷. The quality and sustainability of most social programmes is questionable²¹⁸.

The economy continues to be very volatile but this is not different from the past. What is new is the precarious situation of the fiscal and external balance of the country. Although the economy has been recovering strongly and steadily since 2010 and Venezuela has cashed in over \$1tr from the biggest oil bonanza in history, the country has the highest fiscal deficit in the region: 20% of the country's GDP by the end of 2012²¹⁹. Indebtedness, calculated at 52% of the country's GDP²²⁰, is certainly manageable but it is growing at an astonishingly high rate²²¹. This precarious fiscal situation is extremely sensitive to fluctuations in oil prices²²² and all economists agree that it is not sustainable in the long-term. Many agree that Chávez will be forced to devalue the *bolívar* by 50 to 70% sooner or later and cut down on public spending²²³, but others point out that uncertainties about his health and the need to consolidate "the revolution" could mean that Chávez has greater incentives to delay any adjustments²²⁴. Chávez is pragmatic enough to adjust, Venezuela could experience a recession in 2013 ranging from -1% to -3.5% of its GDP²²⁵.

To compound things, the productivity of PDVSA has declined²²⁶ while internal energy consumption is on the rise²²⁷ to the point that Venezuela is importing fuel from the US²²⁸. As Corrales and Penfold explain, "(p)oliticizing PDVSA, using its revenues to fuel electoral coalitions, and giving it a central welfare

role has led to a monumental decline in oil-sector investments and company productivity”²²⁹. There have been a number of oil spills, and recently, an explosion in one of the biggest refinery complexes in the world, Amuay, left over 40 dead and 80 injured. This same refinery saw its operations come to a halt for several days in 2011 because of two power outages in one week. In 2011 inflation amounted to 27.6%. As the government tries to keep inflation low by imposing price controls on over 100 food products, basic items like milk, eggs, cheese, coffee, flour, cooking oil, chicken, beef and toilet paper are scarce²³⁰ as the artificial prices are not profitable for producers or retailers. Since 2010 the government has stepped up expropriations of farms, food manufacturers and distributors in a bid to achieve what state “hegemony” over the food supply -and also to harass pro-opposition businessmen²³¹. In January 2012 the food industry reached its lowest production level since 2007, experiencing a 7% decrease²³². Around 70% of Venezuela’s food is imported.

Government services are extremely inefficient and corruption is rampant. FONDEN, a parallel development fund that has received over \$100bn since its establishment in 2005, has financed expensive government-led projects that have never come to completion. The fund is not subject to any accountability and is used at the President’s discretion²³³. The most embarrassing scandal for the government was the discovery of at least 30,000 tonnes of rotting food that the government had imported and never distributed. Lack of investment and maintenance has affected the infrastructure: Power cuts have been common since 2010 and collapsing bridges and roads are not unusual. The concentration of power in the hands of the executive is also an issue of concern. The declarations by former *chavista* colonel and judge Aponte Aponte (who has fled the country and is now in the U.S.), gave insight into how justice is used for political purposes²³⁴ and a report by HRW expresses concern about how the accumulation of power in the executive has allowed the government to intimidate, censor and prosecute critics and perceived opponents²³⁵. Venezuela has now retired from the Inter-American Court of Human Rights, reducing the venues available for victims to raise their cases.

Another major problem is insecurity: In 2011 80% of Venezuelans declared that this was their main concern – from 20% in 2004²³⁶. A report from 2009 by the National Statistics Institute²³⁷ puts the murder rate at 75 persons in 100,000, something that makes Venezuela one of the most dangerous places in the world. Several factors can explain the violence: a recently developed narcotics culture, poverty, the collapse of the judicial system, discontinuity in government politics, polarisation, among others. It is worth noting that a good number of crimes are not even reported because of impunity and lack of trust in security forces. As a consequence, the privatisation of security is increasing and gated communities are flourishing across the country, negatively affecting an already fragile social cohesion.

External Relations

Bilateral relations with the US have not improved and a number of diplomatic spats have left the embassies of both governments under the leadership of chargé d'affaires²³⁸. There was an initial positive attitude towards Obama's administration, but Chávez retook his incendiary anti-American rhetoric after it became obvious that Obama was just paying lip service to demands by Latin American countries for more symmetrical relations. The most challenging aspects of the relationship are Venezuela's relations with Iran, something that is valid for many other countries in the region. In May 2011 the US imposed sanctions on PDVSA²³⁹ for delivering at least three cargoes of reformat (a blending component for gasoline) to Tehran between December 2010 and March 2010, allegedly in violation of US sanctions against Iran. Although the sanctions are mostly symbolic since they do not affect the sales of Citgo (PDVSA's subsidiary in the US) and Venezuela does not really seek financing or government contracts in the US, these moves are certainly taken as hostile and perhaps even a violation of international law²⁴⁰. In spite of Chávez incendiary critique of capitalism, the US continues to be Venezuela's first commercial partner. Venezuela imports 24% of all goods from the US and sells 49% of its exports to this country. In turn, Venezuela is the US's fifth largest export market in Latin America and the fourth supplier of oil²⁴¹. The number of Venezuelans that emigrate to the US continues to grow and is now at 215,000.

EU-Venezuelan ties are more cordial. Ángel Carro, chief of the MERCOSUR foreign relations unit in the EU visited Caracas in March 2012 to discuss increasing cooperation between these two entities. How the EU could help Venezuela with its agricultural and food sector was discussed, and the parties agreed to meet in Brussels to continue the negotiations at a date yet to be announced²⁴². A month later however, the EU decided to ban the Venezuelan state-run airline *Conviasa* due to alleged security concerns, consequently generating strong criticism from the government. In terms of trade the EU is Venezuela's third trading partner after the US and China. The country exports mostly oil and imports manufactured products and chemicals from the EU²⁴³. For the EU however, exchange with Venezuela only represents 0,3% of its total trade. Spain is the EU country of most relevance, reporting a trade surplus worth €500,000 in 2012²⁴⁴. Some of the Spanish companies operating in Venezuela are Repsol, BBVA, Telefónica and Mapfre. They have reaped enormous profits in Venezuela²⁴⁵, proving that doing business in this country is lucrative as long as one is on the government's good side. Other important EU investors are the Netherlands and France.

There seems to be a natural complementarity between China's growing energy needs and Venezuela's aim to establish itself as an oil producer independent of the US. Being the country with the largest proven oil reserves, it is not strange that Venezuela is the country in Latin America that has received one the largest amounts of Chinese investment²⁴⁶. Oil shipments to China amount to 640,000 barrels a day (although approximately 220,000 of these barrels go to servicing the astounding \$43bn debt with China) and Chávez has promised to ramp up exports to 1 million by 2015. Some fear that this could potentially threaten US imports of

Venezuelan oil, but some analysts argue that onerous transport costs and refining costs (due to the extra-heavy character of the Venezuelan oil) are unlikely to switch dependence from the North American market²⁴⁷. Chinese oil companies and Chinese-financed corporations have been given preferential access to new oil and gas projects in Venezuela²⁴⁸ but as Ellis argues, the Venezuelan government does not have the resources to realise even a fraction of what it promises (for example the Junin-4 bloc project announced in 2010 has still not gotten off the ground). There is a growing disjunction between what is promised, what is actually done and what is technically possible²⁴⁹. Most importantly, the new regulatory framework imposed on foreign companies operating in the Orinoco Oil Belt²⁵⁰ give the Chinese stronger incentives to focus resources on the operation of mature wells instead of developing the greater potential of reserves in the Orinoco²⁵¹. Chinese investment has not only focused on oil but has extended to other areas such as developing commercial infrastructure, mining, agricultural production, civil aviation and the military.

More than ideology, Venezuela relations with China are part of the country's efforts to "soft balance" US hegemony in the region²⁵². This relationship is one of "asymmetrical interdependence", whereby China is more important to Venezuela than vice versa²⁵³. Links with Russia should also be analysed within this logic, but the growing trade imbalance in Russia's favour is becoming worrying (see the section on Russia-Latin America, pp.9-12). Russian investments in the Venezuelan oil and gas sector face the same challenges as the ones described above for the Chinese. Iran has signed 70 joint venture deals with Venezuela valued at up to \$17bn in the fields of energy, construction, fisheries and assembling plants. But in this case, as with most of the big projects, these deals have not left the drawing board. Ahmadinejad visited Venezuela for the second time in six months in June 2012. Bragging about the fruits of increased cooperation with Tehran, Chávez revealed the jointly developed non-tripulated plane *Arpia 001* (which was in reality a replica of a Mohajer 2, an Iranian device to collect intelligence) by the state-owned Venezuelan Military Industries Company (CAVIM) and Iran's Aviation Industries Organization (AIO). Some claim that there have been talks about installing a launching base for long-range missiles (Scud C, 500km range, and Shahab 3, up to 1.500km) but Venezuelan flatly denies this²⁵⁴. Moreover, the Iranian Parchin Chemical Industries, in cooperation with the Venezuela Petrochemicals (Pequiven) has established an explosives factory in Morón state. Parchin is said to be part of the Iranian missile programme and is under the control of the guards of the revolution. This situation is becoming increasingly worrying for Washington, which has accused the Venezuelan government of fostering ties with Hezbollah and of using the bilateral Iran-Venezuela Development Bank for money laundering to circumvent UN sanctions.

Argentina

Internal situation

Argentina has seriously benefited from the boom in commodity prices, reporting some of the highest growth rates in the world since the end of its domestic crisis in 2002. Its economy grew by 7.8% on average between 2003-2011²⁵⁵. The government has carried out a strategy focused on stimulating demand by increasing public spending (from 14% of GDP in 2002 to almost 38% in 2012²⁵⁶) and boosting the local industry by keeping the value of the *peso* low and by imposing taxes on imports and exports. But a contraction in the aggregated demand of industrialised countries and of key trading partners such as China and Brazil, together with a drought that severely affected soybean crops, is translating into significantly lower growth rates. CEPAL forecasted that growth would fall: from 8.9% in 2011 to 2% in 2012²⁵⁷. The IMF's forecast is slightly more positive: 2.6%²⁵⁸.

Inflation is high, the question is how high. The official figure is 10% but all private economists put it at 25%²⁵⁹. The fact that the government has negotiated salary increases around the 25% level is considered by some as a tacit acknowledgement of the true cost of living in Argentina. Wealthy Argentines have been trying to protect their money by buying dollars and placing their savings abroad²⁶⁰. In 2011 alone, capital flight amounted to \$23bn²⁶¹. The government implemented foreign-exchange controls at the end of 2011 and managed to limit capital flight to \$2.3bn during the first quarter of 2012. But Argentines continue to buy dollars through the mechanism known as the “blue-chip swap”, whereby people buy securities in *pesos* in the local market and then sell them abroad in dollars. The problem with this is that the demand for dollars continues to be so high that the implicit exchange rate from these transactions is soaring: In July it reached Ps.6.78/\$1, compared to the official rate of Ps4.15/\$1²⁶².

Enjoying a more comfortable fiscal position, Néstor Kirchner and afterwards Cristina Fernández have implemented changes in the social protection system to increase horizontal coverage. Like in many other Latin American countries, conditional cash transfer programmes have been implemented to fight extreme poverty and inequality. The best-known programme in Argentina is the “Universal Child Allocation” (UCA), which provides a monthly stipend related to the parents' income to millions of poor families under the conditions that children attend school and are vaccinated. The UCA was introduced in 2009 and is said to cover over 3.5m children under the age of 18²⁶³. One study estimated that in 2009 more than 700,000 poor children moved out of poverty, which is a reduction of poverty incidence by 22%, of extreme poverty by 42% and of inequality by 20%²⁶⁴. According to UNDP, Argentina has climbed up four steps in the ranks of human development with an HDI index of 0.797 – above the average of Latin America's HDI of 0.706 and even Brazil's²⁶⁵. Such achievements and other popular social policies like subsidies for transport and utility prices allowed Fernández to obtain a landslide victory in the October 2011 presidential race.

But such social policies are costly. An example of this is Argentina's soaring energy imports. While the country was a net energy exporter in 2003, today it imports 15% of what it consumes. Subsidised energy prices, 70-80% below the Latin American average, have fuelled consumption and discouraged investment. Blaming YPF for the fall in oil and gas output due to the lack of investment²⁶⁶, Fernández nationalised this company owned by Spain's energy giant Repsol. She also nationalised ten pension funds in 2008 (infamous for their low returns and exorbitant commissions) and the country's flagship airline *Aerolíneas Argentinas*. While some argue that these moves spring from a national sentiment against the market policies carried out in the 90's (embodied today in the nationalist youth organisation "*La Cámpora*", led by Fernández' son Máximo) others suggest that this has more to do with securing a comfortable fiscal position that would allow the government to maintain this development model while still honouring its debts to international creditors. The government has also resorted to taxing exports, printing money and withdrawing Central Bank reserves to fill state coffers²⁶⁷.

High inflation has increased social unrest as people are calling for tax cuts and salary increases. Protests started in June 2012 and in October the most powerful trade unions from government and the opposition alike came together threatening with a national strike²⁶⁸. This coincided with demonstrations by thousands of coast guards employees and military police after their pay was cut by 30-60%. Although the government explained that the cuts were "the result of a disastrous administrative action"²⁶⁹ which it promised to undo, it rejected the protesters' demands for a salary increase. On September 13th, thousands of citizens took to the streets to stage *pot bangings* to complain about inflation, capital controls, insecurity, a decline in public services and the perception that Fernández has had fewer and fewer checks on her power since she was re-elected last October. There have been talks about a constitutional reform that would allow Fernández to run for a third term in 2015, but she has not confirmed her bid. According to Buenos Aires-based pollster Management & Fit, Fernández's popularity has plummeted, from 64% last October (when she was re-elected) to 35% in September 2012²⁷⁰.

On the other hand, political forces across the country seem deeply divided. Fernández has alienated large chunks of the amorphous Peronist movement that she represents, sidelining many of her late husband's allies and giving preference instead to *La Cámpora*. This movement and its prodigy Axel Kicillof have generated tensions within Peronism, exacerbating existing discrepancies between different factions within this movement²⁷¹. Furthermore, the union movement is divided between those who are with the opposition and those who are with the government but who do not necessarily support Fernández. This is the case for the influential union leader Hugo Moyano who, from being a key ally of Mr. Kirchner, has turned against Fernández and is mobilising workers to protest. The opposition is also atomised, although the Mayor of Buenos Aires Mauricio Macri aspires to become its leader. If Fernández is to succeed in changing the Constitution in order to be re-elected, her coalition needs to obtain 2/3 of the votes in the upcoming legislative elections in mid-2013. If she fails however, she has no apparent heir: The Vice

President Amado Boudou is her favourite but he is also hamstrung by corruption charges, while her son Máximo is politically inexperienced.

Tensions are building between the government and the media, as certain media groups are increasingly fulfilling the role of a political opposition. The *Clarín Group*, which owns 240 cable systems, 10 radio stations, four television channels and its flagship daily newspaper has been identified as the government's main detractor. Although the group contested before the Constitutional Court the antimonopoly clauses of a Media Law enacted in 2009 (which limits the number of licences a company may have), Fernández has stated that the Group has until 7th December 2012 to come in line with the provisions of the law, something that might entail the closure of some channels and/or radio stations. Even though the government is strict about the implementation of the Media Law on *Clarín*, it does not demand the same for other media conglomerates such as the *Uno Group*. According to the SIP, journalism in Argentina is being exercised under a hostile environment²⁷². Fernández critics argue that the government has been using the tax agency to harass the opposition and the *Clarín* group²⁷³.

Expectations for a remarkably good soybean crop in early 2013, improved growth prospects and an easier debt-repayment schedule will provide a more favourable outlook for Fernández in 2013. Both CELAC and the IMF forecast higher growth rates: 3.5% and 3.1% respectively²⁷⁴. This would allow Fernández to raise salaries and maintain subsidies to offset social unrest and to improve her relations with disgruntled Peronists. Although many analysts have been predicting Argentina's imminent collapse for years, Fernández has beaten the odds before and she shows no sign of reversing course. But she will need more than a modest rebound if she is to prolong her grip on power beyond 2015.

External Relations

Argentinean-US relations are cold, as thorny issues such as finances and trade confront the two countries. Contact between them is almost limited to encounters in multilateral settings like UN conferences and G20 summits. In March 2012 President Obama suspended Argentina from the GSP on the grounds of Argentina's failure to pay \$300m in compensation awards in two disputes concerning US investors²⁷⁵. The trade preferences under the GSP waived more than \$17m in duties on Argentine goods like grape wine, prepared beef, sugar confections and olive oil. The resolution is part of a larger US effort to pressure Argentina to pay debts and other obligations a decade after it defaulted, but the Argentine government strongly maintains its position that paying the fines demanded by U.S. investors is "unconstitutional"²⁷⁶. Pressure by capital funds reached a high point on 3rd October 2012 when Ghanaian courts seized the Argentinean frigate *Libertad* at the request of NML Capital, a subsidiary of U.S. hedge fund Elliot Capital Management, one of Argentina's former creditors²⁷⁷. The fund has obtained judgements in New York and London awarding it more than \$1.6bn from Argentina²⁷⁸ and is demanding the country to post a court bond of at least \$10m to release the ship, otherwise the vessel will be sold²⁷⁹. Argentina has reacted

furiously to the seizure, calling the fund “unscrupulous” and a “vulture”, and appealed against the injunction saying that the ship is protected by diplomatic immunity. IMF chief Christine Lagarde also reprehended Argentina about the soundness of its growth and inflation figures. In September 2012 she said that the Fund had given Argentina a “yellow card” (using a football metaphor) and threatened to pull the red one if the country failed to provide, within three months, what the Fund deems as “reliable”²⁸⁰. The penalties could range from denying the country access to loans, to removing its right to vote and finally, expulsion. Fernández, who was in New York for the Annual UNGA meeting, said that her country would not be subject to pressures and even less threats, and pointed at Lagarde’s statements as evidence that “rich countries do not want partners or friends; they just want employees and subordinates”²⁸¹.

Argentina has also faced formal complaints from the US, the EU and Japan before the WTO about its import licensing rules. According to the plaintiffs, licenses labelled “automatic” in Argentina suffer long delays and “effectively restrict” all imports since its procedures were tightened in February 2012²⁸². The European complaint came in retaliation for the expropriation of Repsol’s subsidiary YPF (see previous section), together with a short ban on bio-diesel imports. Fernández has in turn complained about EU import duties and highlighted the double morale of developed countries’ trade policies by saying that “it’s as if this is considered legal protectionism when it is done by developed countries and populist protectionism when it is done by emerging countries”²⁸³. But Argentina’s relations with Western capital (and vice versa) are pragmatic, as evidenced by the government’s latest attempts to secure capital for the development of the oil industry after the nationalisation of YPF. Public and privately-owned oil giants are fighting for a piece of Argentina’s unconventional shale gas reserves, believed to be the third largest in the world with 774tr cubic feet, trailing only after the U.S. and China. During her last trip to the US in September 2012, Ms. Fernández met with ExxonMobil’s CEO Rex Tillerson to discuss investment plans. YPF has also entered a memorandum of understanding with Chevron to explore and develop Argentina’s field *Vaca Muerta* in southern Patagonia. Southern neighbours Venezuela and Brazil are also exploring options in this field through their state-owned companies PDVSA and Petrobras respectively. Even Mexican tycoon Carlos Slim has purchased an 8.4% stake on YPF. Investors do not seem to mind Repsol’s threats that it will file suits against those who enter into business with YPF. The Spanish company has filed several lawsuits demanding compensation for its stake, but the Argentinean government has said that it would calculate the value of the company itself after taking into account environmental damage allegedly caused by the company.

As discussed in the EU-Latin America section (pp.6-9), Argentina’s renewed claim to the Falklands has made relations with the UK sour. The islands are located at a strategic “chokepoint” between the Atlantic and Pacific Oceans that could eventually become more habitable in light of climate change. In addition, potential energy reserves in the Falklands would help to reduce collective European dependence on unstable suppliers. The significance of this issue goes beyond the

bilateral UK-Argentina relation; it takes on a regional EU-UNASUR dimension since 1) the Falklands are now part of the European Common Foreign and Security Policy, and 2) all UNASUR members back Argentinean sovereignty claims²⁸⁴.

After benefiting enormously from Chinese demand for high-priced commodities such as soy and vegetable oils (which represent 46% and 35% of Argentine exports to China) Argentina currently faces a \$4.4bn trade deficit with China²⁸⁵. Argentina is also increasingly worried about Chinese competition in the areas of iron and steel, chemicals, textiles, shoes, house electronics and tires (see the section on China-Latin America, pp.6-9). Recent discoveries of unconventional shale gas reserves have attracted Chinese attention, but this area is still largely untapped. China has also cooperated with Argentina in the development of nuclear energy for peaceful purposes and it recently announced its intention to build a fourth nuclear plant²⁸⁶. There is a geopolitical dimension to Sino-Argentine relations, not only because it balances US hegemony in the region but also because China supports Argentine claims to the Falklands and Argentina in turn supports the “one China policy” and abstains from condemning the country for human rights violations²⁸⁷. The challenge for Argentina, as for many other Latin American countries, is to find a formula that reconciles the interests of its agricultural sector, which is eager to expand its sales to China, with those of its industrial sector, which is keen for more state protection against Chinese competition²⁸⁸.

Relations with Russia are extensively covered in the Russia-Latin America section (see pp.9-12). What is interesting to note is that Argentina seems to be on the way to normalising relations with Iran, virtually frozen since the 1994 attacks²⁸⁹. Argentine exports to Iran have soared in recent years, amounting to \$1.5bn, making Iran the biggest buyer of Argentine corn²⁹⁰. During the last UNGA meeting in New York in September 2012, the governments of both countries agreed to initiate formal talks in the UN headquarters in Geneva about the attack “until they both find a mutually agreed solution to all matters”²⁹¹. As argued throughout this report, this should be understood as part of larger Argentine (and Latin American) efforts to diversify its external relations and *soft balance* US hegemony.

Bolivia

Internal situation

Under the MAS period in power, many social reforms have taken place. By 2011 Bolivia was already part of the group of countries included in Medium Human Development, according to HDI indicators²⁹². According to official figures poverty has decreased from 63% in 2002 to 59% in 2008 while rural extreme poverty also diminished by 10 points during that period (World Bank 2012)²⁹³. From the 1970s life expectancy increased from 45 to 65 years and alphabetization indexes passed from 63 to 91% while the middle sector of the population increased from 30-36% from 1999 to 2007²⁹⁴. These advances have to do with a trend of modernization that began in the 1970s and have been reinforced since 2006 by the conditional and

unconditional cash transfer programmes that the MAS government has carried out (Bono Juancito Pinto, Renta Dignidad and Bono Juana Azurduy). Since 2005 land redistribution and legalization has affected 46 mill hectares, 5 times as much as in the period 1996-2005²⁹⁵. At the same time the World Bank has been assisting Bolivia in several rural projects to help improve infrastructure, training and productivity²⁹⁶.

Linked to these efforts the MAS government has elaborated a new paradigm: “*Vivir Bien*” welfare based on equality, solidarity and reciprocity, and respect for differences. This paradigm focuses on the shared satisfaction of human needs beyond the material and the economic to include affectivity, recognition, equality and social prestige in order to break the cycle of the reproduction of inequality²⁹⁷. Nevertheless, inequality in 2007 was still such that the 20% of the richest population had 60% of the household income while 20% poorest had only 2% of such income, thus making Bolivia the most unequal country in Latin America²⁹⁸. Moreover, social and gender equality indicators are far below average in comparison to the rest of Latin America²⁹⁹. And this inequality closely follows the patterns of class, ethnicity, urbanization and education.

In a survey of perceptions carried out in 2010 most of the population accepts that the MAS government has given more opportunities to previously excluded groups, like indigenous populations, women or the poor in general to participate and gain access to public sector positions. But the survey points out, as well, some kind of social polarization: While some are satisfied with an increase in justice, equality and inclusion others underline the exclusion of the middle class, an increase in corruption and authoritarianism³⁰⁰.

Economic growth had an averaged 5% per year from 2006 to 2011 in spite of the frictions and problems with the US (see below). Moreover, thanks to an overall debt relief, gross public debt declined from 94% of the GDP in 2003 to 40% in 2011. Government income increased to 20% of the GNP due to nationalised industries oil and gas, and the high prices of these minerals in the global market. Morales accomplished a fiscal reform decreasing fiscal pressure at six points (the fiscal balance became positive in 2006). Thus, the government increased public investment from 6.3 to 10.5% in 3 years, with a particular focus on the improvement of infrastructure (public investment in 2010 was four times greater than before 2006) badly needed to reduce transport costs³⁰¹. However, private investment rates remain low and the public investment projects in extractive industries are behind schedule. Moreover, the public sector suffers from weak governance with serious consequences in policy implementation. Thus, the development of rural areas is still lagging because of the poor infrastructure as mentioned above. And the social benefits from rural-urban migration that improved social indexes in earlier periods show signs of stagnation. Regarding education, the most spectacular improvement, in the 1990s took place in the broadening of elementary education but this did not go any further and the quality of the average basic education remains poor. Moreover remittances that had played until recently a

very import role in Bolivia's economy (from 2008 to 2011 they represented \$1bn, three times the aid Bolivia gets and twice the FDI) were threatened by the world financial crisis beginning 2009³⁰². By January 2012 these remittances had declined by about 9% in comparison to January 2011, as 30,000 Bolivian citizens had been forced to move back home, especially from Spain³⁰³. This migrant labour returned to an economy where seven out of ten people employed are in the informal sector. Another potential problem for Bolivia is its total dependence on the export of raw materials, which makes economic development extremely vulnerable in the middle and long run. Moreover, this raw material exploitation also brings to light many social and environmental conflicts like the one in TIPNIS as discussed below.

This conflict has to do with an infrastructure project, the construction of a highway (mostly financed by Brazil) across two regions (Beni and Chapare in Cochabamba), which specially affects the TIPNIS ("Territorio Indígena del Parque Nacional Isiboro Sécure") natural reserve, its fauna and its inhabitants. This is a typical confrontation of conflicting interests: on the one hand the *cocaleros*, about 20,000 families, migrants to the area since several decades back, and the local inhabitants, no more than 15,000 persons. The latter, partly gathered in the TCO: "Tierra Comunitaria de origen" feel threatened by a model of exploitation of natural resources and crops that is favoured by the current government's economic strategies. Moreover, the issue of the local people's referendum, previously ignored by the government is also at stake. Several marches up to La Paz and police repression have infected the conflict, forcing president Morales to retreat only to come back with a renewal of the project. This conflict is only one of the signs that the multinational project of the MAS is being questioned by some of its previous supporters.

In 2011 a total of 884 conflicts were registered³⁰⁴. Apart from the issue of self-government demands ("autonomías") stretching from the Eastern to the Western part of the country, urban conflicts, organized by middle income sectors like teachers, transport workers, students, public employees, shop keepers, and even policemen have been widespread³⁰⁵. So even if the MAS government has had several political victories (the drafting and approval of a new constitution, the attainment of an absolute majority in the General Assembly in 2009, the removal of most opposition governors and control of the judiciary power, the Supreme court) the increased social unrest witnesses frustrated social expectations³⁰⁶. The MAS appears divided. Many groups see the vice president as representing the pragmatic line that favours capitalist extractivist strategies allied to Brazilian and other foreign capital groups at the expense of others. The "radicals" favour concessions to the TIPNIS resistance group and new models of development.

External Relations

Bolivia with the Morales government has been one of the champions of the new integration efforts in Latin America that exclude the US. Bolivia became an enthusiastic member of ALBA in 2006 and approved the creation of a regional currency, the SUCRE, in October 2009. As a member of UNASUR the Morales

government benefitted from mediation to stop a military coup that threatened to overthrow it in September 2008. Closer links to Brazil and Argentina have also pushed Bolivia to apply to become a full member of MERCOSUR following the path of Venezuela, thus leaving behind its original membership in the CAN (see below).

Bolivia's closest economic and political partners are its neighbours. At the political level one of the most infected issues is Bolivia's access to the Pacific Ocean, lost since the War of the Pacific (1879-1884). The issue is problematic because it also involves Peruvian territory³⁰⁷. Bolivia is asking for a multilateral solution but Chile remains totally reluctant to negotiate the issue, and Peru's position is ambivalent³⁰⁸.

However, Chile remains Bolivia's second trade partner. Brazil is the first as well as its most important gas market. This gives Bolivia some leverage since Brazil is dependent on Bolivia's provisions. Brazil is also Bolivia's first source of foreign investment: Petrobras is the major player in Bolivia's gas industry, and as we have seen the main financier in the building of the highway that is to pass through TIPNIS. Argentina is also an important market for Bolivian gas and a close political ally. This close relationship to Argentina and Brazil has enhanced Bolivia's active role in UNASUR and its ambition to become a full member of MERCOSUR. The country's relationship with Peru has not been so cordial even if Peru is Bolivia's sixth trade partner after the EU. They oppose each other on the access to the sea controversy, their differences regarding the EU association agreement (see below) and their rivalry as gas producers. Regarding Venezuela, aid to Bolivia has increased substantially, with Caracas offering important technical support to the re-nationalized Bolivian oil company and military aid and training. Venezuela has also mediated closer relations between Bolivia, Russia, China and Iran. However, Bolivia-Venezuela's trade relations are far less important than the ones with the neighbours already mentioned. Venezuela was Bolivia's 10th trade partner in 2010.³⁰⁹

Relations between Bolivia and the US have not improved since the eviction of the Bolivian ambassador from the US in September 2008 and the suspension of the ATPDEA that had given trade preference to Bolivian products in exchange for anti-drug cooperation. Although the reason given by the US for this suspension was that the latter had not been sufficiently effective, a report by the UN shows that coca production had only increased by 5% in Bolivia in 2008, compared to 27% in Colombia during the same year³¹⁰. This suspension hit many Bolivian exporters hard. Tensions seem to continue, as the speech by Morales in the UN in 2012 seems to show.³¹¹ And these tensions are due to continue because of Bolivia's increased relations with Venezuela, Cuba, Iran and Russia and because of the US reluctance to extradite former president Gonzálo Sanchez de Losada to face criminal charges of corruption in Bolivia³¹².

The relations between China and Bolivia have evolved mostly around investments in mineral and energy cooperation as well as in the area of trade. In August 2011 Morales visited China to promote a series of "mega-projects" to diversify Bolivia's economy that included investments in mining projects pertaining

to iron ore and lithium. Agreements on exploratory studies for joint ventures as well as loans from the Chinese Development Bank have been signed.³¹³ Other Asian countries like South Korea and Japan have also shown an interest in such investments.³¹⁴ As regards trade in 2011 China was Bolivia's eight partner for exports (4% of Bolivia's total exports) and its third partner regarding its imports (12% of all its imports) with a widening trade deficit for Bolivia.³¹⁵ And, as with other Latin American countries Chinese goods (legal and smuggled) damage local manufacturing industries like the textile and shoe industries.³¹⁶ Finally, at the environmental summit in Rio in Jan 2012 Bolivia shared the Chinese position against binding concessions regarded as a "ploy by richer nations to maintain their dominance over poor countries", threatening poverty relief.³¹⁷

Iran has become a recent but close political ally. It is clear that Bolivia is experiencing a position of alienation similar to Iran as pertain to its relations with the West, and as in the case of Venezuela, symbolic actions (like the repeated state visits between both countries) acquire an "ideological" significance. But the concrete content of this relationship remain poor. Figures for loans-credits-investments varied from \$287m to \$1bn (joint venture deals) for the promotion of mineral and gas.³¹⁸ According to certain sources the Regional Defence School of the ALBA has received seed money for its establishment, and Ahmad Vahidi (Iran's defence minister), presided over the facility's formal inauguration in May 2012.³¹⁹ As regards the rumours of Bolivia providing uranium to Iranian nuclear plants, Morales has maintained that Iran has the right to peaceful nuclear energy but denies such contributions.³²⁰ Finally, according to Bolivia's official figures, trade between both countries seems quite negligible.³²¹

In the 2009 report we mentioned the frustrated negotiation of an association agreement (that would include a free trade agreement) and the Andean countries. As we had noticed, the multilateral negotiations that had started in 2007 broke in 2008 as Bolivia refused to compromise on certain issues like intellectual property rights. The negotiations continued on a bilateral basis and an FTA was finally signed with Colombia and Peru in June 2012.³²² The EU remains an important cooperation aid partner for Bolivia with an aid program currently budgeted at €243 million over 6 years. A significant part of this aid programme is to support the Bolivian government in its fight against cocaine production and trafficking.³²³ Trade relations between Bolivia and the EU are extremely insignificant for the EU and decreasing in importance, and are unbalanced for Bolivia; 7.3% of all its imports and 5.5% of all its exports in 2011³²⁴. As to investments, Bolivia remains an important receiver of EU FDI: Germany, France and Great Britain had major investments in oil and gas but also in other mining sectors as well as energy projects, health services and consumer goods.

Finally, Bolivia's relations with Russia have rapidly evolved after taking off in February 2009, with the signature of several agreements with Moscow pertaining to energy, defence and drugs. Through these agreements, Gazprom is taking active part in the exploitation of Bolivian gas and there are sales of multipurpose helicopters to

be based in Cochabamba.³²⁵ In 2010 Morales expressed his desire for a “Russian comeback to the region” and announced the visit of several of his ministers to Moscow to expand relations between both countries, to attract more Russian investments in the energy sectors, and to confirm the possibility of a credit of \$100m to equip and modernize the Bolivian armed forces.³²⁶

Thus we can see that Bolivian is trying to follow in Venezuelan footsteps in its relations with the world: anti-US rhetoric, the consolidation of regional projects and a search for diversification of anti-Western models, while remaining attached to a capitalist extractive logic of development.

General reflections

As the world is experiencing a global power shift and we move towards a multipolar world order, Latin America is at a convoluted interface whereby sub-regions are defining and projecting different post-hegemonic development and governance models. We have identified a struggle between a model based on industrialisation and a strong state, embodied in MERCOSUR and led by Brasilia, and a model based on free trade and liberal principles, embodied in the newly created Pacific Alliance comprised of Mexico, Chile, Colombia and Peru. ALBA was also discussed as an alternative development model inspired by Chávez’s “21st Century Socialism”, but the survival of this model depends largely on Chávez and oil prices.

There are no consensus ruling inter-American relations nor there is a bloc united against the US neo-liberalism. There is however consensus around the need to refund the state, to re-embed socially responsive economies and to resist US hegemony. As regional governance is progressively carried out by the region and for the region, we can see the re-emergence of a collective Latin American image. South America, in particular, is becoming a political and economic entity with increasing international actorhood. Numerous initiatives that exclude the US and resisting its influence seem to point out that the Pan-American ideal is slowly vanishing and its associate institution, the OAS, is being replaced by new truly regional but not Pan-American institutions.

The US is and will continue to be important, particularly for Mexico and countries in Central America where US economic, political and security presence are crucial. But Washington no longer unilaterally dictates the terms of engagement with the region. Latin American countries are increasingly assertive about their needs and priorities. The US’ militaristic approach, especially when it comes to the so-called war on drugs, is in question and the region demands a change in paradigm. Latin America is striving for more symmetrical relations with the US and other external powers. How the US chooses to deal with the issue of Cuba, migration and trade will be factors that determine the future of US-Latin American relations.

Europe’s economic and political presence in Latin America is diminishing and the current crisis only makes matters worse. Declining development cooperation from Sweden further weakens Sweden’s image as a generous donor inspired by

solidarity, and strengthens a more corporative image focused on economic interests. This means that the “traditional” welfare state model that inspired so many left-oriented Latin American intellectuals and politicians could lose its clout.

The Chinese presence continues to grow and this is bound to hold true in the future. Beijing has become an alternative partner, and for some a successful development model. But relations with China are not symmetrical either, nor are they entirely beneficial for the region. We have discussed the issues of re-primarisation of Latin American economies and the displacement of local industries that face tough Chinese competition. Beyond economic interests, China has geopolitical interests concerning the Taiwan issue and in soft balancing the US. It must be noted however that China’s investments (and that of other popular new partners like Russia and Iran) are still modest and some of its potential is still unrealised.

Russia’s approach to the region, as we have seen, is very pragmatic and aimed at both geopolitical and economic gains. However, the countries most involved with such emerging power are conscious of this, and have their own agenda that may or not coincide with the Russian one. This is bound to avoid any open security provocations towards the US.

Brazil and Mexico are the two obvious regional leaders. Mexico, which may look for a new re-insertion into the region, is facing a strong economic recovery but unbalances in the social, political and economic areas are bound to persist. Levels of violence both in Mexico and Central America are worrying. Brazil has indeed made impressive achievements in improving social justice, but there remains much to be done. This applies to all the countries in the region and is particularly important for Colombia and the ongoing peace process. We have discussed reasons to be hopeful about this renewed attempt at peace, but we have also highlighted some of the serious challenges that need to be tackled in order for peace to be truly sustainable. Colombia no longer worships that “special relationship” with Washington and prioritises instead its re-insertion into the region (and into the world), mainly through trade links.

On the other hand Venezuela and Bolivia, that follow a more radical line, have also conquered important social challenges, but the fragility of their reforms must be borne in mind. Clientelism, poor government services, the questionable quality of social programmes, rampant corruption, contradictory outcomes and aversion to criticism threaten sustainable social gains. Despite the many similarities between the political processes in Venezuela and Bolivia, there are differences: In the former the push comes from “above” (the State) while in the latter it comes from “below” (pressure from social movements). In this sense it is worth asking what would happen in Venezuela if Chávez dies, as he does not seem to have an equally charismatic successor.

Many countries in the region face the dilemma of stimulating growth to generate redistribution while avoiding overheating and sky-high inflation rates.

This is highly relevant for Brazil, Argentina and even Venezuela. There is also the dilemma between promoting economic growth and protecting the environment. We have identified a worrying trend between growing resource extraction positively correlated to increased social conflicts.

Scenarios in the next 5-10 years

Worst case scenario

Prolonged low growth rates, or even a recession in the US and/or Europe, together with a slow down in China, translates into decreasing export levels in Latin America and lower prices for key export commodities in this scenario. Lower prices for key export commodities would affect South American countries the most. Countries in the region fail to diversify their economies and re-primarisation worsens, making Latin American countries even more vulnerable to swings in the external environment. Global warming that produces serious environmental imbalances and extreme weather events that affect crops could ultimately lead to higher food prices and hunger.

Declining exports at lower prices could affect growth figures in the region, making it difficult for most governments to continue with redistribution policies. A recession in the US would spoil Mexico's economic recovery and the war on drugs, which still demands an increasing amount of resources and strains the general economy. At the regional level, previous gains in social justice could become setbacks. Left-oriented regimes could fall or lose considerable social support, either because of contradictions caused internal dynamics or because they have failed to deliver sustainable social outcomes for most of the population. The situation in the US and Europe encourages returning migrants, putting pressure on local resources. Land grabbing for the promotion of mining or agricultural businesses (including crops destined for bio-fuel production) could worsen and affect the provision of primary goods for internal consumption, thus creating growing unease among the population. A new wave of social movements could emerge as a reaction to this, affecting general stability.

In the cases of Mexico and Central America social unrests also has to do with increasing levels of violence, unleashed by both criminal gangs and security forces. Peace negotiations in Colombia could fail and violence could worsen. This situation could negatively influences citizens' confidence in state institutions, leading to either a rise in authoritarian regimes or repeated episodes of political instability. The US could continue or even increase its militaristic approach towards the region. If a harder line is taken, this could lead to more sanctions on Bolivia and Venezuela as a way of pressuring these regimes to restrict their relationship with Iran.

Moderate case scenario

The global economic scenario is not as dire in this case. Latin American countries would be allowed to deliver the minimum necessary social outcomes to

prevent conflict and unrest. Poverty alleviation strategies in Brazil and Venezuela would continue to be successful but they would not necessarily eliminate criminality and violence, as social inequality would remain significant. In Mexico, the PRI government could succeed in halting the wave of violence by making concessions to the criminal groups, although repression could still occur along with widespread corruption. In Colombia, peace talks could be fruitful up to a point: the paramilitary may not be included in the peace agreements and, together with BACRIM could perpetuate violence.

Global warming could generate environmental imbalances and extreme weather events that could lead to the displacement of populations and greater pressure on resources, although no full-blown conflicts. Migration could continue although not in the same rate as in former decades. A shift in migration patterns towards the Pacific area should not be disregarded. Stricter immigration policies in receiving countries could cause friction. Obama's policies towards the region are business as usual, that is to say hegemony without much compromise. The Chinese presence could continue to grow but Latin American countries could manage to secure some sort of cooperation (perhaps joint ventures) to increase the added value of their exports, thus diminishing dependence and vulnerability.

Best case scenario

In this scenario there would be sustained economic growth and diversification of Latin American economies, both in terms of output (items being exported and produced would have a higher added value) and in terms of partners. Reliance on commodity exports to China would decrease as a result. An increase in investments in agriculture destined for internal consumption would enhance national food security, would improve living standards in rural societies and would diminish the need to migrate to the cities. The region could achieve spectacular reductions in poverty, inequality and even corruption. Consequently, the state institutions could gain legitimacy and there would be a sound political stability.

Peace negotiations in Colombia could be successful and the former guerillas (including the paramilitaries) would be fully reintegrated into society and the political scene. A more social approach to the war against drugs would yield positive results and violence would decrease. BACRIM would thus have fewer incentives to continue with their criminal activities. Serious efforts to cope with global warming and its consequences would be fruitful. Governments would find the right balance between promoting economic growth and social development, and protecting the environment and local cultures.

Obama takes a serious rapprochement towards Latin America, allowing for more symmetrical relations. His approach would be less militaristic; he would lift the embargo on Cuba and engages in a positive immigration reform. There would be more symmetrical relations in the negotiations on investment rules for European and US capital.

¹ This report has been commissioned by the Swedish Armed Forces. Its focus and limitations are thus defined by the agreed Terms of Reference.

² 2009, "Latin America and the Regional Powers – a synthesis study"; 2008, "Alternative developments in the Andean region 2018-2028"; 2007a, "Alternative developments in Central America and the Caribbean 2017-2027"; 2007b, "Brazil and Mexico: The regional powers of Latin America. An analysis of alternative developments 2017-2027"; 2006, "Latinamerika 2017-2027: en analys av framtida konfliktmönster och regionalt samarbete".

³ Mexico, Chile, Cuba, Panama and the Dominican Republic

⁴ Rosales and Herreros, 2011

⁵ Idem

⁶ IADB, 2011

⁷ Cemex has become one of the world's largest cement producers through its aggressive acquisitions strategy that reached its peak in 2007 when it paid \$14.2 billion for Australia's Rinker Group, the Houston-based Southdown for \$2.8bn and UK-based RMC Group for \$5.8bn. Vale's acquisition in 2006 of Canada's second-largest mining company, Inco, for \$19bn turned Vale into the world's second-largest mining company with operations in six countries (see Oxford Analytica, 2010).

⁸ Riggiozzi, 2010:2

⁹ Idem

¹⁰ Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela

¹¹ Paraguay's Senate has voted to impeach left-wing President Fernando Lugo over his handling of clashes between farmers and police last week in which at least 17 people died, forcing him to step down. Mr. Lugo's lawyers had said the proceedings went against due process and Mr. impe, but said he would accept the decision (see BBC, 2012a)

¹² UNASUR, 2012a

¹³ OAS, 2012

¹⁴ UNASUR, 2012b

¹⁵ MercoPress, 2012a

¹⁶ Other two aims are: consolidate South America as a zone of peace and to generate consensus to strengthen regional cooperation (see CDS, n.d.)

¹⁷ The Inter-American Defence Board (IADB), which depends on the OAS, and the Inter-American Treaty of Reciprocal Assistance (IATRA).

¹⁸ Battaglino, 2012:82

¹⁹ Ibid:84

²⁰ Rivarola, 2011

²¹ Riggiozzi, 2010

²² With Panama and Costa Rica acting as observers.

²³ Chile, Peru and Mexico have also joined negotiations for the Trans-Pacific Partnership (TPP), an area of free trade involving Asia-Pacific economies including the US. These countries are also members of the Asia-Pacific Economic Co-operation organisation (APEC) a talking shop of 21 countries that Colombia also wants to join. All the Pacific Alliance countries have trade agreements with each other except for Mexico and Peru, which are on the process of negotiating one.

²⁴ Members are: Antigua & Barbuda, Bolivia, Cuba, Dominica, Ecuador, Nicaragua, St. Vincent & Grenadines, Venezuela.

²⁵ This means deploying substantive investments abroad, putatively to promote development and alleviate poverty but in fact to further a different agenda: Mr. Chávez so-called 21st century socialism (see Corrales and Penfold, 2011:104-109)

²⁶ The concept was first raised by Venezuelan President Hugo Chávez, though it is not an initiative limited to ALBA members. The Bank was created in 2009 by Brazil, Argentina, Paraguay, Uruguay, Ecuador,

Bolivia and Venezuela with a start capital of \$20bn for the implementation of social programmes and infrastructure projects

²⁷ Riggiozzi, 2012:26-29

²⁸ Delgado-Ramos & Romano, 2011; Perez-Rocha, 2011; Vanderbush, 2011; Livingstone, 2012

²⁹ Erikson, 2010

³⁰ Shipani, 2011

³¹ UNODC, 2012. This contrasts with the trend registered by UNOCD between 2001-2007. See section on Bolivia

³² A \$1.6bn military aid package to help fighting drug trafficking and organised crime in Mexico and Central America. 84% of the funds have been addressed to Mexico.

³³ Particularly Guatemala, Honduras, El Salvador.

³⁴ The Economist, 2011

³⁵ HRW, 2011

³⁶ BBC News, 2012b

³⁷ Although they are divided about legalisation: Costa Rica supports Guatemala, but Honduras and El Salvador are less likely to accommodate

³⁸ In Argentina, for instance, the Supreme Court ruled in 2009 that it is unconstitutional to punish someone for possessing drugs for personal consumption. Mexico decriminalized personal use that same year, although only for minute quantities. Colombia's Constitutional Court in June upheld an earlier law that decriminalized personal consumption of marijuana and cocaine, while lawmakers in Brazil are debating whether to make possessing small quantities a noncriminal offense.

³⁹ Vanderbush, 2011

⁴⁰ Preston, 2012

⁴¹ Clarkson, 2008

⁴² Erikson, 2010; Perez-Rocha, 2011

⁴³ Erikson, 2010; Pham, 2010

⁴⁴ Erikson, 2010

⁴⁵ Sweig, 2009; Pham, 2010

⁴⁶ Erikson, 2010

⁴⁷ Pham, 2010

⁴⁸ Allison, 2012

⁴⁹ Latin American exports to EU decreased by almost 26% in 2009. These totalled over €100m in 2011 against €95m in 2008. EU exports to Latin America fell in turn by almost 20% in 2009. Today they total €96m against €76m in 2008 (see EUROSTAT, 2012a).

⁵⁰ Idem

⁵¹ Llorente, 2012

⁵² Idem

⁵³ Costa Rica, Honduras, Nicaragua, El Salvador, Guatemala, Panama.

⁵⁴ EC, 2012a

⁵⁵ As part of the Renewable Energy Directive adopted in 2008, it is one of the targets of the EU to increase the use of bio-fuels by 10% by 2020

⁵⁶ Valladares, 2012

⁵⁷ Idem

⁵⁸ EC, 2012b

⁵⁹ Hettne and Söderbaum, 2005

⁶⁰ Imports from the EU in 2011 totalled \$137.5bn (from \$82.3bn in 2006) while imports from China amounted to \$139.7bn (from \$49 in 2006) (see CEPAL, 2012a:27)

⁶¹ BBC News, 2012b

⁶² EFE, 2012a

⁶³ Spain (and other countries in the Schengen area) require: An invitation letter from a legal resident of the country issued by a prefecture in Spain and certified by the Spanish Consulate in the country of origin of the invitee, proof of income, employment and return ticket to the country of origin. Brazil is requesting the same.

⁶⁴ El Mundo, 2012

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- ⁶⁵ The Economist, 2012b
- ⁶⁶ Regeringskansliet, 2012
- ⁶⁷ See www.scb.se
- ⁶⁸ Idem
- ⁶⁹ Being a part of NAFTA, Mexico functions naturally as a springboard to the US market.
- ⁷⁰ SWEDCHAM, n.d.
- ⁷¹ See www.sida.se/Svenska/Lander--regioner/Latinamerika/Regionalt-samarbete/
- ⁷² Aid to Bolivia declined by 33% from 2009 to 2012, to Colombia by 30%, to Guatemala by 53% and to Nicaragua by 96% (see www.openaid.se/countries)
- ⁷³ SWEDWATCH, 2011
- ⁷⁴ Ellis 2009:9-14
- ⁷⁵ CEPAL, 2012b:45
- ⁷⁶ These types of agreements include, besides preferential treatment, mechanisms for coordination and conflict resolution, both in the economic area and in related issues (see Rhys 2010:814)
- ⁷⁷ Ellis, 2009:17
- ⁷⁸ CEPAL, 2012b:26
- ⁷⁹ CEPAL, 2012b:26-28
- ⁸⁰ Ibid:28
- ⁸¹ Mainly minerals like iron ore, copper, wood, tin, oil and seeds (2/3 of all exports to China), manufactures based on primary products (processed mineral products and agro-industry) and finally “other manufactures”, machine parts, micro-electronics, etc (7%).
- ⁸² Latin American exports to the US are 24,4% primary products, about 30% processed goods of middle technology and 20% manufactures based in primary products (processed mineral products and agro-industry). As to the export within Latin America: 23% are primary products and 30% processed goods of middle technology (see CEPAL 2012b:33-35)
- ⁸³ CEPAL 2012b: 33-36
- ⁸⁴ Ellis 2009:272
- ⁸⁵ Ibid:9-14
- ⁸⁶ From digital machines to cars, car parts, ships, aluminium products, suitcases, cloths, etc. that in many cases threaten local production.
- ⁸⁷ Ellis 2009:24
- ⁸⁸ For example, regarding the old Manta air base previously leased to the US Ecuador is negotiating a lease and cooperation agreement with China and the Hong Kong based enterprise Hutchinson Port Holdings (who also controls both entrances of the Panama Canal). This would be part of the greater plans to construct railways from the Manta air base and port to Manaus in Brazil and possibly high ways connecting with other neighbouring countries (www.canadafreepress.com May 1, 2009)
- ⁸⁹ Ibid:29-30
- ⁹⁰ 18% US, 21% Netherlands and 14% Spain (see CEPAL 2012a: 46-47)
- ⁹¹ Uruguay after the Chinese prime minister visit in June 2012 started negotiations for a Chinese investment in the projected port of Rocha. Ecuador received in August 2010 a credit of \$100m to finance several development and infrastructure projects. Venezuela also received funds for the modernization of its main port Puerto Cabello. So did Guyana, Costa Rica and the Caribbean. For small countries like the ones in the Caribbean such investments are enormously significant: for example there was a donation of \$35m to build a stadium in Bahamas, a power station and a cricket arena in Antigua and Barbuda or fiber optical cables between Jamaica, Cuba and Venezuela. And also credits to Guyana and to Bahamas for a new port, for other infrastructure projects and the construction of a tourist macro-project Baha Mar worth \$2.6bn or the acquisition of 3 sugar plantations in Jamaica
- ⁹² Rhys 2010: 813
- ⁹³ Ibid
- ⁹⁴ Panama, Nicaragua, El Salvador, Honduras, Guatemala, Belize, Dominican Republic, Haiti, St. Kitts and Nevis
- ⁹⁵ Ellis 2009:14-15
- ⁹⁶ Ibid:24
- ⁹⁷ Dussel 2008:60-62

⁹⁸ Mexico has the biggest deficit of a Latin American country with China: while Mexico sells 2 % of its total exports to China it imports 15 % of all its imports (see CEPAL 2012b: 31)

⁹⁹ Ibid

¹⁰⁰ La Capital, 2012

¹⁰¹ This status has been granted to China by Argentina, Brazil, Chile, Peru and Venezuela (see Rhys, 2010:816)

¹⁰² The 2005 trade agreement between China and Chile not only contributed to a trade superavit for Chile during that year, but also to an increase of 28.9% of copper prices (see CEPAL, 2010).

¹⁰³ Domínguez, 1991

¹⁰⁴ Cuba, Peru and Nicaragua became interesting countries for Moscow mostly in the sense of recovering long standing loans granted by the Soviet state. Nicaragua's debt to the former Soviet Union was eventually cancelled in April 1996 (\$3.4bn) (see Ibid and US Library of Congress, n.d)

¹⁰⁵ BBC News, 2008

¹⁰⁶ Medvedev held 90-minute talks with President Raul Castro behind closed doors that focused on ways to boost bilateral contacts. Previously to the visit there was an official announcement of a Russian loan of \$335m to Cuba for the purchase of Russian goods (see Miller Llana and Weir, 2008). That compares with \$300m in trade for all of 2007.

¹⁰⁷ Infolatam, 2010b

¹⁰⁸ Infolatam/Efe, 2012e

¹⁰⁹ See the discussion of renewed military negotiations to that effect in Blank, 2010:13

¹¹⁰ SELA, 2009b

¹¹¹ SELA, 2011:34-35

¹¹² As to investments Russia contributes with no more than 1% of all FDI to Latin America and does not figure in the list of the first larger 5 investors of any country in Latin America up to 2008 (CEPAL, 2008:66-72). Moreover, as in the case of China, most of Russian investments to the region are speculative and stay in the financial paradises in the Caribbean (SELA, 2009b; SELA, 2011)

¹¹³ SELA, 2011:33

¹¹⁴ Within the geopolitical interests Russia pushes in Latin America it seem there have been pressures upon Nicaragua, Venezuela and Ecuador to recognize Abkhazia and South Ossetia in the Caucasus. (Blank 2009:6)

¹¹⁵ Infolatam, 2012

¹¹⁶ Chavez' eight visits to Russia and Russian presidential or prime minister visits to Caracas (see Infolatam, 2010c; Infolatam, 2010d)

¹¹⁷ These projects amount to \$20bn (see Fox News, 2012)

¹¹⁸ However, there are serious doubts this is going to materialize as Russian economic capabilities to do it have been seriously questioned since 2009 (see: Blank, 2009:2)

¹¹⁹ These amount to more than \$4bn (see BBC News, 2008). The Russian arms sales from 2005-2010 seem to amount to \$5bn that include 100 tanks T-42 and T-90, 24 fight planes Sukhoi, several helicopters Mi-17, 1 million Kalashnikov AK 10 rifles 3 and an advanced anti-missile system S-300.

¹²⁰ However, there seem to be serious problems as to the quality of the Russian weapons (see Blank, 2009:12,15)

¹²¹ By the 1980s Peru had become the Soviet's most important customer of Soviet arms in Latin America. The cumulated debt was also renegotiated in favourable terms for Peru who started paying in traditional export items (see Domínguez, 1995)

¹²² Zugaza, 2012

¹²³ Infolatam, 2010e

¹²⁴ Covering areas like nuclear energy for peaceful uses, sport, trains, mining and geologic research, hydrocarbon explorations offshore, forests, space technology, education, culture and even military equipment (Argentina bought some Russian helicopters)

¹²⁵ Such hydrocarbon explorations offshore started since the end of 2009 (see Blank, 2009:12)

¹²⁶ Argentina is Russia's main supplier of meat whose export volume in 2009 was of \$323m (see Infolatam, 2010f)

¹²⁷ During 2004 president Fox travelled to Russia and was host to the first visit of President Putin to Latin America.

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- ¹²⁸ In 2008 Mexico exported \$116m and imported \$821m (see SELA, 2009a)
- ¹²⁹ CEPAL, 2012:50
- ¹³⁰ Mazzucato, 2012
- ¹³¹ Ministry of Defence, 2008:31
- ¹³² Two incidents are in the minds of Brazilians: one from 2006 when Washington vetoed the sale of Embraer's Super Tucano military aircraft to Venezuela (at odds with the U.S.) because the planes contained U.S. technology and another from 2009 when Washington again blocked Embraer from selling commercial jets to Venezuela because they contained U.S. communication systems (see Winter, 2012).
- ¹³³ The Economist, 2012c
- ¹³⁴ Infolatam/Efe, 2012a
- ¹³⁵ BBC News, 2011a
- ¹³⁶ Index Mundi, 2009
- ¹³⁷ Leahy, 2011
- ¹³⁸ That provides a monthly stipend to poor mothers on the condition that school-age children enroll in school and maintain good attendance records and that they get vaccinated.
- ¹³⁹ Kingstone, 2011:115
- ¹⁴⁰ Barrucho, 2012
- ¹⁴¹ About 20% of Brazil's Amazon rainforest has been destroyed but since 2008 the government has stepped up efforts, using satellite images to track the destruction and sending environmental police into areas where deforestation was taking up the quickest pace (see Watts, 2012)
- ¹⁴² Wright and Wolford, 2003
- ¹⁴³ Alvares da Silva, Costa and Veiga, 2011
- ¹⁴⁴ The Economist, 2012d
- ¹⁴⁵ The Economist, 2012e
- ¹⁴⁶ Gomes Saraiva, 2011
- ¹⁴⁷ In 2010 former President Lula Da Silva tried to broker together with Turkey a deal with Iran to swap enriched uranium and ease tensions. Brazil's stance on the issue of nuclear energy further aggravates frictions with the US. The country refuses to sign an additional protocol to the NPT that imposes even more intrusive inspections of enrichment facilities than the original one, something that Washington considers to be a deterrent of global efforts to stop proliferation.
- ¹⁴⁸ Romero, 2012
- ¹⁴⁹ Latinvex, 2012
- ¹⁵⁰ The US supports India's bid for a permanent seat in the UNSC, mostly because India serves as a container of Pakistan
- ¹⁵¹ Rothkopf, 2011
- ¹⁵² Bodman, Wolfensohn and Sweig, 2011
- ¹⁵³ McClanahan, 2012
- ¹⁵⁴ US exports to Brazil have almost doubled in the last four years, jumping from \$19bn. in 2007 to \$34bn. in 2011 (see Infolatam/Efe, 2012b)
- ¹⁵⁵ Hakim, 2011
- ¹⁵⁶ Ellis, 2009
- ¹⁵⁷ Altemani de Oliveira, 2010
- ¹⁵⁸ Boudreaux and Prada, 2012
- ¹⁵⁹ Infolatam/Efe, 2012c
- ¹⁶⁰ Evans, 2012
- ¹⁶¹ Cruz Vargas, 2012
- ¹⁶² Ribando Seelke, 2012
- ¹⁶³ BBC Mundo, 2012; El Nacional, 2012
- ¹⁶⁴ Reuters, 2012a
- ¹⁶⁵ Prados, 2012
- ¹⁶⁶ Armijo Canto, 2011
- ¹⁶⁷ Survey: 7,416 persons in Chihuahua, DF, Guerrero, Nuevo León, Jalisco y Michoacán, Estado de México (see Benitez Manaut et al., 2011)

¹⁶⁸ The states in the North of the country are less critical than the ones in the South and specially the federal district (Mexico City). This survey also shows an increasing de-politization and individualism while social solidarity and political tolerance is decreasing (see Ibid)

¹⁶⁹ Monopolies range from the state owned oil industry to telecommunications (where two television stations and one telephone company dominate), and dozens of other key products. While Mexico has become increasingly competitive in global trade with several companies that are among the most successful abroad, its domestic market remains highly protected in many sectors. Moreover, while credit for housing has expanded, overall credit access by individuals and businesses in Mexico remains far below that of Brazil, China or India. This has limited the expansion of small and medium businesses, and of investment generally. Even the use of remittances (\$23-27bn per year) is lacking a strategy that would help to stimulate local and regional development specially among rural communities (see Selee, 2012)

¹⁷⁰ Cruz Vargas, 2012

¹⁷¹ This would follow the Brazilian example. In the 1990s, Petrobras increased private involvement in exploration, production, and refining; implemented reforms to boost its competitiveness; and then gradually opened itself up to private minority ownership.

¹⁷² Ribando Seelke, 2012

¹⁷³ The firsts trips of the newly elected president have been to both South America and to Europe (see: Infolatam/Efe, 2012f; 25 de sept, 2012 and 10 oct. 2012.

¹⁷⁴ On June 18, 2012, President Obama revealed that the nine countries involved in the negotiations of the proposed Trans-Pacific Partnership (TPP) had extended an invitation to Mexico to join negotiations for the proposed regional free trade agreement. Mexico would be the third Latin American country involved. Currently the countries involved in the negotiations include the United States, Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam.

¹⁷⁵ EUROSTAT, 2012b

¹⁷⁶ Idem

¹⁷⁷ Selee, 2012

¹⁷⁸ EUROSTAT, 2012b

¹⁷⁹ Comisión Nacional de Inversiones Extranjeras, 2011

¹⁸⁰ Cruz Vargas, 2012

¹⁸¹ BBVA-Bancomer and Santander-Serfin both Spanish banks are two of the four largest bank groups in Mexico. Their profits and banking practices have been criticized by Standard & Poor and the IMF (see Aguirre Reveles and Perez Rocha, 2007:12-14)

¹⁸² This was a controversial initiative of the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) operation Project Gunrunner in which agents knowingly allowed guns to be trafficked across the border to Mexico in order to identify other members of a trafficking network is only one example of the increasing frustration of Mexican authorities. This operation permitted round 2000 firearms to “walk in” through the Mexican border without producing any arrests in the American territory. The Mexican newspaper Excelsior reported that President Calderon “bitterly brought up Operation Fast and Furious,” in its talks with the US government. The lack of clarity from U.S. leaders investigating the Fast and Furious fiasco has not only strained the U.S./Mexico relationship, but insiders say it is shifting America’s strong alliance with Mexico toward “frenemy” status (see Dvorak, 2012)

¹⁸³ Armijo Canto, 2011

¹⁸⁴ Wallace, 2012

¹⁸⁵ Semana, 2012

¹⁸⁶ The Economist, 2012f

¹⁸⁷ Cells, 2012

¹⁸⁸ Harman, 2012

¹⁸⁹ Wallace, 2012

¹⁹⁰ See 2008’s report “Alternative Developments in the Andean Region, 2018-2028”.

¹⁹¹ The Economist, 2012g

¹⁹² Duzan, 2012

¹⁹³ The Economist, 2012h

¹⁹⁴ Mejia, 2012

¹⁹⁵ For example, the Achagua tribe saw its sacred cemetery destroyed by the construction of an oil pipeline of state-owned Ecopetrol and Pacific Rubiales.

¹⁹⁶ Department of State, 2012a

¹⁹⁷ The Economist, 2012i

¹⁹⁸ Londoño, 2011; Rojas, 2012; Shifter, 2010

¹⁹⁹ Associated Press, 2010

²⁰⁰ Hakim, 2012a

²⁰¹ Londoño, 2011

²⁰² There is agreement both within the US Congress and within Mr. Santos' administration that a higher emphasis on social issues and human rights is necessary. Nowadays 40% of Plan Colombia's budget is ring-fenced for just this.

²⁰³ However, the EU is conditioning its passing on Colombia's compliance with labour rights (including freedom of workers to unionise) and environmental regulations. This requires Colombia to guarantee "labour inspections that could lead to strict penalties for the mistreatment of others".

²⁰⁴ Ellis, 2009:157-168

²⁰⁵ Ibid:160

²⁰⁶ Ibid:163

²⁰⁷ The government spared no expense to ramp up support, launching bulky cash transfer programmes months before the elections to the point that public spending grew by 30% the first three quarters of 2012. Mr. Chávez squeezed the large state apparatus for campaigning purposes and securing voters participation filling the airwaves with advertisements while Mr. Capriles had to settle with three minutes established by law. Literally picking up followers (or potential followers, identified by using lists of Mission beneficiaries) to take them to polling stations and even provide them with food and drinks during waiting time

²⁰⁸ In the last presidential election the opposition's unity candidate Manuel Rosales only obtained 36% of the vote.

²⁰⁹ Unlike the opposition that selected its candidates based on primary elections results carried out in February 2012.

²¹⁰ Vásquez, Bravo Balabú and Rivera, 2012

²¹¹ Neuman, 2012

²¹² In an article posted on a radical pro-government site Venezuela Analysis, it can be read: "when he (Chávez) founded the PSUV, he said that this party should be the political organisation that drives the revolution (...) In our opinion this form of choosing candidates doesn't strengthen the party nor the revolution, but on the contrary, it weakens it. (...) it's (PSUV) become a machine to make propaganda for one candidate or another, leaving behind the objectives in which it was founded by comrade Chávez" (see Lucha de Clases, 2012)

²¹³ For a long while chavismo has been divided between the military statement led by the not-so-popular General Diosdado Cabello and the civilians led by Nicolás Maduro. Under his time as foreign minister, Mr. Maduro was key in building close ties with Iran, Syria and Libya before the death of Col. el-Qaddafi as well as in engineering the recent inclusion of Venezuela in MERCOSUR.

²¹⁴ Estimated at \$300bn during Mr. Chávez' administration, made possible by the size of the oil windfall

²¹⁵ UNDP, 2011:132

²¹⁶ Plummer, 2012

²¹⁷ Corrales and Penfold, 2011:84-85

²¹⁸ Idem

²¹⁹ Arreaza and Grisanti, 2012

²²⁰ Idem

²²¹ Besides the \$20.2bn contemplated in the original indebtedness law for 2012 and the recently approved complementary indebtedness law for additional \$7bn, the government has been issuing debt via other government agencies: the Simon Bolivar Fund for Reconstruction has issued \$5.7bn for housing projects; the National Development Fund (FONDEN) \$1.6bn; PDVSA has placed bonds for \$348m (Idem; Vyas, 2012)

²²² Arreaza and Grisanti, 2012

²²³ Arreaza and Grisanti, 2012; Vyas, 2012

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- ²²⁴ Arreaza and Grisanti, 2012
- ²²⁵ Vyas, 2012
- ²²⁶ According to BP's annual statistical review, Venezuela produced 3.48m bpd in 1998 against 2.7 barrels in 2011.
- ²²⁷ On the other hand, domestic oil demand is soaring: 23% in the first half of 2012
- ²²⁸ Data released by the US Department of Energy reveals that Venezuela purchased gasoline made in the US consistently from December 2011 to August 2012, except for March. The US dispatched 34,000 barrels a day to Venezuela. The purchase of by-products have also increased by 84% (see Tovar, 2012; Vyas and González, 2012)
- ²²⁹ Corrales and Penfold, 2011:85
- ²³⁰ Citizens make long queues for hours at the government-run supermarkets Mercal when the word is out that a certain product is being supplied, and there are regulations as to how much of a certain item one can buy
- ²³¹ The Economist, 2010
- ²³² Salmerón, 2012
- ²³³ Corrales and Penfold, 2011:57-58
- ²³⁴ Former chavista judge Aponte Aponte has publicly declared that senior officials "from the President down" gave him and other judges instructions about sensitive cases and that they were told not to release political prisoners (see The Economist, 2012j)
- ²³⁵ HRW, 2012
- ²³⁶ Martínez, 2011
- ²³⁷ The government has not published insecurity figures since 2006 except for this INE report (see INE, 2010)
- ²³⁸ Since US Ambassador Patrick Duddy was expelled in 2008, both Embassies have been under the lead of Chargé d'Affaires after Mr. Chávez rejected the nomination of Larry Palmer because of his declarations about the alleged links between FARC and the Venezuelan government and the US retaliated by revoking the visa of Ambassador Bernardo Álvarez (see Toothaker, 2010). Another diplomatic spat includes the declaration of Venezuelan Consul in Miami Livia Acosta Noguera as "persona non grata" based on claims that she was discussing cyber-attacks on the U.S. while she was based in Mexico in 2008 (see BBC News, 2012c)
- ²³⁹ The sanctions ban PDVSA from competing for US government contracts, securing financing from the Export-Import Bank and obtaining export licenses.
- ²⁴⁰ El Universal, 2011
- ²⁴¹ Department of State, 2012b
- ²⁴² El Universal, 2012
- ²⁴³ EUROSTAT, 2012c
- ²⁴⁴ Mercado de dinero Venezuela, 2011
- ²⁴⁵ Telefónica alone made over €1.8bn in profits, two times the value of total EU exports to Venezuela. BBVA has also seen its profits rise in Venezuela, reporting a 60% increase in 2011. There are important agreements between the two governments that favour several Spanish companies: Navantia with the construction of 8 buques, Essentium with the construction of thousands of housing projects, CAF consortium with the renovation of one of Caracas' oldest metro lines, Iberdrola and Elecnor with the improvements made in the electrical sector (see Idem).
- ²⁴⁶ Pham, 2011
- ²⁴⁷ Ellis, 2009:107-115; Corrales, 2010:126-127
- ²⁴⁸ Corrales, 2010
- ²⁴⁹ Ellis, 2009:107-122
- ²⁵⁰ Under the new system, all oil extracted by Chinese companies in Orinoco must be sold to PDVSA which, at its discretion, may resell it to customers such as refineries in China. By contrast, oil extracted from non-Orinoco areas (such as CNPC in Intercampo or Zulia) can be exported directly to China.
- ²⁵¹ Ellis, 2009:114
- ²⁵² Corrales and Penfold, 2011:102
- ²⁵³ Corrales, 2010:127
- ²⁵⁴ Arostegui, 2011

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- ²⁵⁵ Webber, 2012
- ²⁵⁶ The Heritage Foundation, 2012:88
- ²⁵⁷ CEPAL, 2012
- ²⁵⁸ IMF, 2012:78
- ²⁵⁹ Many question the way the National Statistics Authority (INDEC) defines the basic basket of products that is used to calculate inflation (see Turner, 2012).
- ²⁶⁰ BBC News, 2011b
- ²⁶¹ Dávila and Martínez, 2012
- ²⁶² MercoPress, 2012b
- ²⁶³ Ministerio de Trabajo, Empleo y Seguridad Social, 2011
- ²⁶⁴ Roca, 2010
- ²⁶⁵ UNDP, 2011:131
- ²⁶⁶ Oil output is down by 32% since its peak in 1998 and gas by 10% since 2004. Producers receive just \$42 per barrel for exports and around \$70 in the domestic market, whereas the world-market price is over \$120 (see The Economist, 2012k)
- ²⁶⁷ The Economist, 2012k
- ²⁶⁸ Argentina's Workers Union (CTA for its Spanish acronym), the second largest in the country, protested on the 9th of October in front of the government buildings and threatened to call on a national strike if the government failed to listen to their demands. The same day, the public trade union also called on a national strike and joined CTA, together with the "opposition wing" of the General Confederation of Workers (CGT) the country's most powerful union, as well as some unions from the transport and agricultural sector (see Infolatam, 2012c)
- ²⁶⁹ Aljazeera, 2012
- ²⁷⁰ Reuters, 2012b
- ²⁷¹ Relations with the Governor of Buenos Aires Province Daniel Scioli (former Vice President during Nestor Kirchner's administration) are tense after Ms. Fernández delayed the transfer of \$250m, making the province unable to pay its staff. Governor of Córdoba Province José Manuel de la Sota (Peronist, though not pro-Kirchner) has challenged Ms. Fernández and complaint before the Supreme Court of Justice that the central government owes the province more than \$212m in transfers. De la Sota has been clear about his presidential aspirations.
- ²⁷² Infolatam, 2012d
- ²⁷³ In 2009 Clarín ran a story on irregularities in public farm subsidies. Some hours after the story was published, 200 tax agents showed up at the newspaper's headquarters and conducted an extensive research, though it was never accused of evasion (see The Economist, 2012l)
- ²⁷⁴ CELAC, 2012; IMF, 2012
- ²⁷⁵ The issue dates from 2005, when the World Bank's International Centre for the Settlement of Investment Disputes (ICSID) ordered Argentina to pay the US company, CMS Gas Transmission, \$133.2m plus interest, for actions it took that damaged the Michigan firm's investment in infrastructure. The following year, ICSID ordered Argentina to pay Houston-based water company Azurix \$165.2m, plus interest, in a separate dispute. Buenos Aires challenged both cases but the ICSID refused to annul the awards (see BBC News, 2012d)
- ²⁷⁶ MercoPress, 2012c
- ²⁷⁷ BBC News, 2012e
- ²⁷⁸ Reuters, 2012b
- ²⁷⁹ The Economist, 2012m
- ²⁸⁰ BBC News, 2012f
- ²⁸¹ Idem
- ²⁸² Miles, 2012
- ²⁸³ Idem
- ²⁸⁴ UNASUR, 2012c
- ²⁸⁵ La Nación, 2012
- ²⁸⁶ Infolatam, 2012e
- ²⁸⁷ Domínguez, 2006; Olivia, 2010
- ²⁸⁸ Olivia, 2010

²⁸⁹ Argentine authorities secured Interpol arrest warrants for five Iranians in connection with a 1994 attack on a Buenos Aires Jewish centre that killed 85 people.

²⁹⁰ Charbonneau, 2011

²⁹¹ MercoPress, 2012d

²⁹² Its income-inequality index has declined from 0.539 to 0.530 from 2005 to 2011 (GNI- adjusted HDI: 0.437)

²⁹³ Still, according to the 2010 UNDP National report, in 2008 59% of the population was under poverty lines and 33% under extreme poverty even when it diminished from 61% to 38% respectively in 2005 (UNDP, 2010: 26).

²⁹⁴ However, about 33% of these middle sectors remain very vulnerable and unstable due to structural conditions (limits in their access to good educational alternatives), low salaries and conjunctural conditions (economic cycles) (see UNDP, 2010:33)

²⁹⁵ UNDP, 2010:40

²⁹⁶ These projects are: Land for Agricultural Development Project, the Second Participatory Rural Investment Project and the Emergency Recovery and Disaster Management Project (see: <http://www.worldbank.org/projects/P106449/emergency-recovery-disaster-management?lang=en>; <http://www.worldbank.org/projects/P101298/second-participatory-rural-investment?lang=en>; <http://www.worldbank.org/projects/P087925/bolivia-land-agricultural-development-project?lang=en>)

²⁹⁷ UNDP, 2010:23

²⁹⁸ The HDI Bolivia progressed from 0.649 in 2005 (occupying 113th place out of 177) to 0.663 in 2011 (occupying 108th place out of 185). The change is drastic compared to figures from 2000: 0.612. Bolivia is today considered within the group of Medium Human Development countries. In income index it declined from 0.539 in 2005 to 0.530 in 2011 (GNI- adjusted HDI: 0.437). (see UNDP, 2010:27)

²⁹⁹ See <http://www.worldbank.org/en/country/bolivia>

³⁰⁰ UNDP, 2010: 26-28

³⁰¹ Moreno, 2009; <http://www.worldbank.org/en/country/bolivia>

³⁰² There were about 200-300,000 Bolivian migrants in Spain. The total disappearance of the remittances would affect up to 43% the average income of all households that receive them (see UNDP, 2010:35; Vásquez, 2012)

³⁰³ Also the Central Bank in Bolivia has announced that they expect a 129 million fall of these remittances during 2012 (see ANF, 2012; El Diario, 2012)

³⁰⁴ Fundación Milenio, 2012

³⁰⁵ These conflicts have also been social in the sense of the confrontation of local elites (in Santa Cruz) to underprivileged groups in those zones. Other conflicts are confronting different indigenous and peasant groups for or against the MAS government and trade union miners against mining cooperatives.

³⁰⁶ Fundación Milenio, 2012

³⁰⁷ The disputed northernmost areas of Chile actually belonged to Peru prior to 1879, a 1929 treaty gives Peru an effective right of veto over any further territorial changes. An agreement between president Banzer and president Pinochet was near at the end of the 1980s but was opposed by Peru. Information obtained from Chilean diplomatic sources. See also <http://www.boliviainfoforum.org.uk/inside-page.asp?page=33§ion=3>

³⁰⁸ However, the the Boliviamar agreement between Bolivia and Peru was re-launched, promising Bolivia the possibility of a 99-year lease on land close to the Peruvian port of Ilo (see Infolatam, 2012f).

³⁰⁹ EUROSTAT, 2012d. See also <http://www.boliviainfoforum.org.uk/inside-page.asp?page=33§ion=3>

³¹⁰ UNODC, 2008. Also: since 2006 US citizens are required to apply for visum to enter Bolivia in reciprocity to US requirements for Bolivian citizens.

³¹¹ Morales called the US a terrorist nation arguing that the US had no moral legitimacy to de-certificate any country as it's not really stopping drug consumption and criminality in its own territory.

³¹² Infolatam, 2012f

³¹³ To this end in August 2011, the Bolivian president signed an agreement with the CITIC group, a Chinese investment company to explore the potential for the exploitation of the lithium reserves in Salar de Coipasa. If the study is satisfactory for the Chinese investors they will submit a proposal to establish a joint venture for lithium extraction. Bolivia has been very clear as to its requirement of potential investors to commit to manufacture lithium batteries in Bolivia rather than simply extraction of the mineral to export it.

Also regarding mining in 2010 the China Development Bank gave a \$15 billion loan to the Bolivian government to develop El Mutun iron-ore deposit. As to cooperation in other issues, in August 2011 an agreement to construct a Bolivian satellite by China was signed. The cost, \$300m would be mostly financed by a loan given by the China's Development Bank (\$250m) while Bolivia would pay €45m. In relation to this a group of Bolivian scientists are to be chosen to be trained in China in order to operate the satellite (see EFE, 2012b; Brown, 2011)

³¹⁴ At the end of July 2011 the Bolivian government agreed to a joint venture with the Korean state owned enterprise Resources Corp (KORES) following a Memorandum of Understanding with the South Korean government in 2010. Japanese enterprises have also negotiated concessions to develop these resources as well as the construction of a geothermal power plant (see Brown, 2011)

³¹⁵ CEPAL, 2012b:31

³¹⁶ But trade with Asia increases if we add other Asian markets to 17% of its exports and 24% of its imports (see CEPAL, 2012b:32). Also: Bolivia imported \$21m worth of footwear last year compared to \$15m in 2010, according to government figures (see Associated Press, 2012a). Chinese textile imports, worth \$8.7m in 2010, nearly doubled to \$17m in 2011, according to the National Institute of Statistics. Last year, Bolivia bought \$937m in goods from China and sold \$330m. Bolivian exports to China consisted of minerals (among which tin) and raw materials like lumber and leather.

³¹⁷ Landberg and Morales, 2012

³¹⁸ These are joint projects Venezuela-Iran through their joint oil company: Beniroug, hydrocarbon, hydroelectric dam construction, lithium and for development aid: farming, cement production (together with Venezuela), industrial machinery, textiles, and food industry projects, health projects. However, according to certain sources, Iran's investment in Bolivia is much less than \$10m (see Arostegui, 2011)

³¹⁹ Latin American officials now estimate that between 50 and 300 "trainers" from Iran's Revolutionary Guards, are present in Bolivia. And during his most recent visit to Bolivia the Iranian president promised assistance in the training of counter-drug police officers (see Associated Press, 2012b). However, Iranian Defence Minister Vahidi was expelled from the country after Cristina Fernández complained about his visit, given that he is accused of taking part in the 1994 attack against the Jewish centre. This shows that the priority for Bolivia is its neighbours.

³²⁰ According to certain sources Lithium can be used as an alternative or as an enhancer to uranium, a key component needed to develop nuclear weapons. In particular, lithium-6 is an internationally controlled substance because of its "booster" role in smaller, highly efficient thermonuclear devices. Bolivian Mining Minister Luis Alberto Echazu responded to the Israeli allegations by claiming that Bolivia does not even produce uranium, let alone export it (see Jorisch, 2011; Arostegui, 2011)

³²¹ According to the Bolivian National Institute of Statistics (INE), the export of Bolivian products to Iran in the year 2011 was little more than \$200,000, not reaching even 0.0022% of the total exported by Bolivia to the world. On the imports side, the result is similar: Iran only represents 0.0021% of purchases by Bolivia to the world. In the first quarter of 2012, the country does not register sales to Iran. The kind of products demanded by each country does not make them attractive to each other (see <http://bolivianthoughts.com/2012/06/20/bolivia-iran-a-practically-non-existent-commercial-relationship/>)

³²² Ecuador has also suspended its participation in the negotiations (see <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/andean/>)

³²³ In spite of the fact that one of the biggest givers, Spain is in crisis and it has recently signaled, with the official visit of the Queen in October 2012 that it intends to continue with its cooperation projects (€32.7m in 2012 vs €42.3m in 2011) within governability, water, sanitation, education, health, food sovereignty, culture and development (see Infolatam/Efe, 2012d)

³²⁴ Nevertheless in 2010 the EU was Bolivia's 6th import partner and 3rd export partner (after Brazil and the US) (see EUROSTAT, 2012d)

³²⁵ People's Daily, 2009

³²⁶ Such a transaction would amount to at least \$300m. In 2010 Morales announced his intention to buy at least 8 planes from Russia, one of them for presidential uses and the other for commercial transport. The planes for commercial use would go to the commercial lines of Boa and TAM. The project is to build also a maintenance centre for these type of planes that would also serve Ecuador and Peru who are also interested in acquiring more Russian planes (see Infolatam, 2010g)

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