
Latin America Outlook 2023

EU-LAC relations
at a time of
geopolitical
upheaval



IN-DEPTH ANALYSIS



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Latin America and the Caribbean (LAC) is a region that has become strategically important for all international actors, including China. Covering a selection of topics that have the potential to feature prominently in the Union's relations with LAC, this EPRS publication presents an overview of significant developments and events in the region.

New geopolitical circumstances and challenges have emerged that impact EU-LAC relations: Russia's war of aggression against Ukraine, the fight against climate change, the COVID-19 pandemic and the ongoing rise of China. In response, the European Commission announced in its 2023 work programme that it would be proposing a new agenda to reinvigorate relations with LAC.

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Executive summary

Latin America will be high on the European Union's agenda in 2023, with the EU-CELAC (Community of Latin American and Caribbean States) Summit at Heads of State and Government level due to take place in the second half of the year, under the Spanish Presidency of the Council of the European Union, eight years after the last fully-fledged bi-regional summit took place. The European Commission announced in its 2023 work programme that it will propose a new agenda to reinvigorate relations with Latin America and the Caribbean (LAC) and it is striving for full ratification of the modernised Association Agreements (AA) with Chile and Mexico; the future of the envisaged AA with Mercosur remains uncertain. The European Parliament could start the consent procedure for the AA with Chile this year.

Relations with one of the EU's two strategic partners in Latin America, Brazil, are expected to undergo a profound change following the inauguration of Luiz Inácio 'Lula' da Silva as its 39th President. Brazil is deeply polarised and divided, as became visible to the world on 8 January 2023 when thousands of supporters of far-right former President Jair Bolsonaro stormed the country's key federal institutions. Under its new President, Brazil, a G20 member and in 2023 a (non-permanent) member of the 15-country United Nations Security Council (UNSC), could become a more prominent global actor and an important ally for the EU in the fight against climate change and in defending a rules-based, multilateral order.

The political turmoil in the Andean region is continuing: following mass demonstrations, social unrest and political instability in Chile, Bolivia and Ecuador, it is now Peru that finds itself in a political crisis. Nevertheless, there is also good news from the Andean region, as further negotiations on a peace agreement between the Colombian government and the National Liberation Army (ELN) will take place in 2023.

The development of political and economic relations between Venezuela and its neighbouring countries is another issue to keep an eye on. Nicolás Maduro, whom the EU, the United States, the Organization of American States (OAS) and most other countries worldwide do not recognise as the legitimate President, will have been in power for a decade in March 2023. The Maduro regime and the opposition are returning to the negotiating table and Maduro might call for early elections next year.

Migration will remain a key topic in the region, with an expected new peak in numbers of displaced people in 2023. In recent years, millions of people in Latin America have left their countries, fleeing poverty, insecurity, violence, the effects of climate change, human rights violations and authoritarian regimes.

This year's outlook also focuses on the countries that will hold presidential elections in 2023: Paraguay (April), Guatemala (June) and Argentina (October).

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1. Background: EU-LAC relations

The **EU and LAC** are linked by a strategic partnership that was established at the first summit in Rio de Janeiro in 1999;¹ the last fully-fledged **EU-CELAC Summit** was held in Brussels almost eight years ago, in June 2015. The current basis for the EU's relations with LAC is the Joint Communication 'European Union, Latin America and the Caribbean: joining forces for a common future',² which was published in April 2019.

In addition to the EU-LAC strategic partnership, the EU has, on the sub-regional level, strategic partnerships with Brazil³ and Mexico,⁴ as well as a network of agreements with other countries in the region: the EU holds association, trade or political and cooperation agreements with 27 of the 33 LAC countries.⁵ The most recent ones date back 10 years: 2023 marks the **10th year of application of the EU Association Agreement with Central America⁶, and the Free Trade Agreement between the EU and the Andean Community⁷** (Colombia, Peru and Ecuador), which was the first 'region-to-region' agreement the EU had ever signed.⁸ The European Parliament gave its consent to the agreements after an intense scrutiny procedure in which – in the case of Colombia and Peru – it requested (prior to giving its consent) a transparent and binding road map on human, environmental and labour rights from both countries;⁹ in a [resolution](#) in 2019, the Parliament evaluated the implementation of the agreements after five years of application.¹⁰ Both regions, the EU and LAC, are striving to complement its network of agreements with each other: the modernisation of existing agreements – with Mexico and Chile – and of a new 'region-to-region' AA with Mercosur is under way.

In addition, the EU is the main source of foreign direct investment in LAC – which exceeds what EU companies have been investing in China, India, Japan and Russia altogether.¹¹

¹ See European Commission, Communication 'Follow-up to the first summit between Latin America, the Caribbean and the European Union', [COM\(2000\) 670 final](#), October 2000.

² See European Commission and European External Action Service (EEAS), Joint Communication 'European Union, Latin America and the Caribbean: joining forces for a common future', [JOIN\(2019\) 6 final](#), April 2019.

³ European Commission, Communication 'Towards an EU-Brazil Strategic Partnership', [COM\(2007\) 281 final](#), May 2007.

⁴ European Commission, Communication 'Towards an EU-Mexico Strategic Partnership', [COM\(2008\) 447 final](#), May 2008.

⁵ For an overview of EU trade relations with LAC sub-regional groupings and individual countries, see Annex to G. Grieger, [EU trade with Latin America and the Caribbean: Overview and figures](#), EPRS, European Parliament, December 2019.

⁶ The trade pillar of the EU-Central America Association Agreement has been provisionally applied since 1 August 2013 with Honduras, Nicaragua and Panama, since 1 October 2013 with Costa Rica and El Salvador, and since 1 December 2013 with Guatemala.

⁷ The EU's comprehensive trade agreement with Colombia and Peru has been provisionally applied with Peru since 1 March 2013 and with Colombia since 1 August 2013. On 1 January 2017, Ecuador joined the agreement.

⁸ [Agreement](#) establishing an Association between the European Union and its Member States, on the one hand, and Central America on the other, OJ L 346, 15.12.2012.

⁹ See European Parliament [resolution](#) of 13 June 2012 on the EU trade agreement with Colombia and Peru (2012/2628(RSP)).

¹⁰ See European Parliament [resolution](#) of 16 January 2019 on the implementation of the Trade Agreement between the European Union and Colombia and Peru (2018/2010(INI)).

¹¹ [Latin America and the Caribbean](#): Speech by High Representative/Vice-President Josep Borrell at the EP debate, 19 January 2021.

The Parliament adopted a [resolution](#) on the political relations between the EU and Latin America in September 2017 in which it identifies the LAC region as a strategic priority and opportunity for the EU's foreign policy.¹²

2. EU-LAC relations at a time of geopolitical upheaval

Since 2015, the year of the most recent EU-CELAC summit, and the adoption of the (current) **EU strategy towards Latin America** in 2019, the global political and economic landscape has changed profoundly. New geopolitical circumstances and challenges have emerged that also impact EU-LAC relations: Russia's war of aggression against Ukraine, the fight against climate change, the COVID-19 pandemic and the ongoing rise of China.

Russia's war of aggression against Ukraine will continue to affect the global political and economic landscape in 2023. The EU's objective of further strengthening relations with LAC is also to be seen in its intention to limit Russia's influence in Latin America, a region that can be a strategic ally in the EU's pursuit of its values and interests in **multilateral fora**.¹³

The LAC states – which, together with the EU Member States, represent nearly a third of the UN membership – voted by a vast majority in favour of the 2022 key **UN resolutions**, on the 'Aggression against Ukraine'¹⁴ (see Figure 1) and the 'Territorial integrity of Ukraine' (see Figure 2 below).¹⁵ Out of 33 countries in Latin America and the Caribbean, 28 voted in favour of the UN resolutions. Only five countries voted differently: in the vote on the 2 March resolution on the aggression against Ukraine,¹⁶ Bolivia, Cuba, El Salvador and Nicaragua abstained; Venezuela was absent. In the vote on the 12 October resolution on the territorial integrity of Ukraine,¹⁷ Bolivia, Cuba and Honduras abstained, while Nicaragua voted against the resolution and El Salvador and Venezuela were absent.

By way of comparison, of the 35 states that abstained in the March resolution, 17 were African countries; 28 out of the 54 African

Figure 1 – LAC vote in the UN resolution on the 'Aggression against Ukraine'



Source: [United Nations](#).

¹² European Parliament [resolution](#) of 13 September 2017 on EU political relations with Latin America (2017/2027(INI)).

¹³ S. Secieru, [The comeback kid: Russia in Latin America](#), European Union Institute for Security Studies, 26 November 2021.

¹⁴ UN General Assembly, [Aggression against Ukraine](#), Resolution adopted by the General Assembly, 2 March 2022.

¹⁵ UN General Assembly (11th emergency special session 2022), [Territorial integrity of Ukraine: defending the principles of the Charter of the United Nations](#), Resolution adopted by the General Assembly, 13 October 2022.

¹⁶ EEAS, [UN General Assembly demands Russian Federation withdraw all military forces from the territory of Ukraine](#), 2 March 2022.

¹⁷ UN News, [12 October 2022](#).

countries represented in the UN voted in favour of the resolution. In the October resolution, 19 out of 35 abstentions came from African countries; out of 54 countries in Africa, 26 countries voted in favour of the resolution.

Figure 2 – LAC vote in the UN resolution on the 'Territorial integrity of Ukraine'

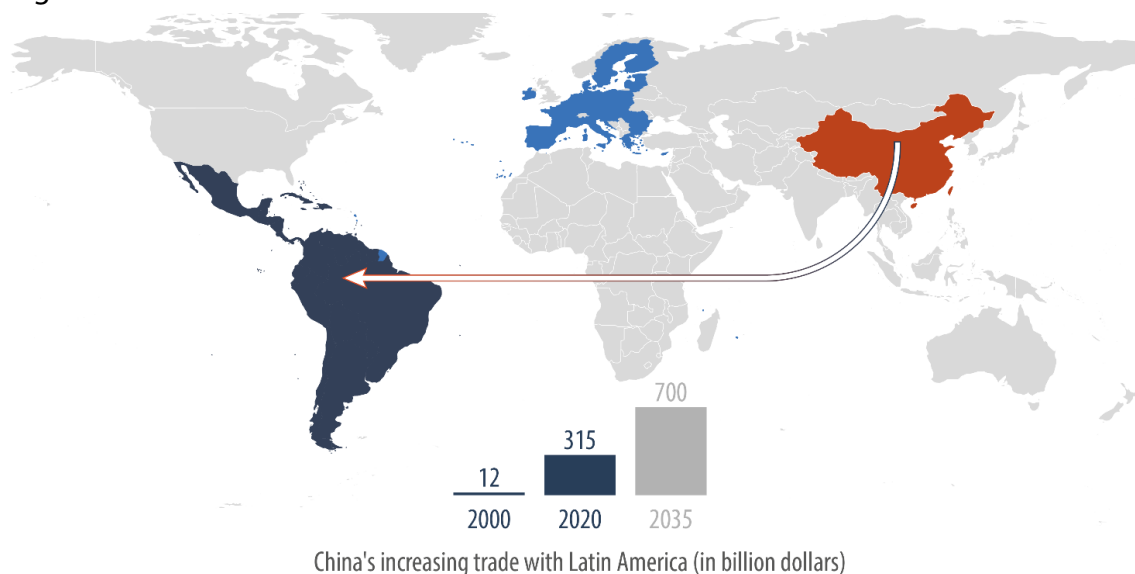


Source: [United Nations](#).

China's influence in Latin America is constantly increasing. According to the World Economic Forum, Latin America's bilateral trade in goods with China (see Figure 3) grew 26-fold from US\$12 billion in 2000 to US\$315 billion in 2020 and is expected to more than double by 2035, to over US\$700 billion.¹⁸

¹⁸ P. Zhang and T. Lacerda Prazeres, [China's trade with Latin America is bound to keep growing. Here's why that matters](#), World Economic Forum, 17 June 2021.

Figure 3 – China-LAC trade relations



Source: World Economic Forum.

China has already overtaken the EU and is Latin America's second biggest trading partner after the US.

Focusing on South America, the economic role of China is even stronger; there, China has overtaken the US and is currently South America's top trading partner.¹⁹ China keeps driving its economic ties with Latin America forward by complementing its network of trade agreements in the region. It has already signed free trade agreements with Peru, Costa Rica and Chile.²⁰ In addition, Uruguay is currently negotiating a free trade agreement with China, and Ecuador concluded technical negotiations on a trade deal with China in January 2023.²¹ The deal will be signed after completion of the respective processes of formalisation of the offers, translations, and legal review, and will be announced by the governments in due course.

Against this background, in 2022 the European External Action Service (EEAS) prepared the **EU-LAC 'Road 2023'** road map to upgrade the EU's relations with the region.²² The EEAS did not publish the road map, but it was presented to the Council and also to members of the European Parliament in a meeting of the Committee on Foreign Affairs (AFET) on 12 September 2022.²³ One of the objectives is to build strategic autonomy with LAC and to cooperate on shared priorities such as the green transition of the economies, digital transformation and social cohesion. The European Commission announced in its **2023 work programme** that it will propose a new agenda to reinvigorate relations with LAC and to push for full ratification of the modernised agreements with Chile and Mexico;²⁴ the

¹⁹ D. Roy, [China's Growing Influence in Latin America](#), Council on Foreign Relations (CFR) background note, 12 April 2022.

²⁰ W. Raza and H. Grohs, [Trade aspects of China's presence in Latin America and the Caribbean](#), Briefing requested by the INTA Committee of the European Parliament, November 2022.

²¹ F. Vázquez, ['Ecuador and China Conclude Free Trade Agreement Negotiations'](#), *The Diplomat*, 5 January 2023.

²² ["Road 2023": paving the way towards a European Union-Latin America stronger partnership](#), EEAS, 31 October 2022.

²³ [AFET-DLAT Committee Meeting](#), European Parliament, 12 September 2022.

²⁴ European Commission, Communication 'Commission work programme 2023 – A Union standing firm and united', [COM\(2022\) 548 final](#), 18 October 2022.

envisaged AA with Mercosur was not specifically mentioned. The Commission's adoption of the new agenda towards LAC is planned for the second quarter of 2023.²⁵

The new impetus with which the EU wants to revive relations with LAC is also underlined by a series of trips to Latin America by high-ranking EU representatives.²⁶ High Representative/Vice-President (HR/VP) Josep Borrell participated in the third CELAC-EU Foreign Ministers' Meeting in Buenos Aires on 27 October 2022 (the first formal EU-CELAC Ministerial since July 2018).²⁷ On 25 January 2023, President Charles Michel addressed the seventh CELAC Summit in Buenos Aires on behalf of the European Union.²⁸

Numerous events and activities have been agreed and are outlined in the CELAC-UE Bi-Regional Roadmap 2022-2023.²⁹ The initiatives aim to pave the way for the **EU-CELAC Summit** at Heads of State and Government level that will take place in Brussels on 17-18 July 2023, under the **Spanish Presidency** of the Council of the European Union.³⁰

Three international agreements with Latin American countries will keep the EU busy in 2023:

- **EU-Chile Advanced Framework Agreement.**³¹ On 9 December 2022, HR/VP Josep Borrell and Commission Vice-President Valdis Dombrovskis, on behalf of the EU, and Chilean Minister of Foreign Affairs Antonia Urrejola, on behalf of the Republic of Chile, announced the conclusion of the negotiations to modernise the 2002 EU-Chile AA.³² The agreement is currently undergoing legal scrubbing, after which it will be translated and can be signed by the Council and the Chilean counterparts. According to the Commission, the signature could take place by the end of 2023.³³ Following the signature, it will be submitted to the European Parliament for consent. While the EU-Chile Advanced Framework Agreement will constitute a single, comprehensive agreement (to be ratified at EU and Member State level in order to enter into force), its trade part will be copy-pasted into an interim free trade agreement (iFTA) that will only need to be ratified at EU level (i.e. by the Council, with the Parliament's consent) in order to enter into force.³⁴ During an exchange of views with the Commission in a meeting of the Committee on International Trade (INTA) on 24 January, members called on the Commission to speed-up the procedure (legal scrubbing and translation) so that the Parliament could decide on its consent before the European elections.

²⁵ European Commission, '[A New Agenda for EU relations with Latin America and the Caribbean](#)', call for evidence, 12 January-9 February 2023.

²⁶ [Latin America: HR/VP Borrell to visit Uruguay and Argentina and co-chair CELAC-EU Ministerial Meeting](#), EEAS, 21 October 2022.

²⁷ Council of the EU, [CELAC-EU 3rd Foreign Ministers Meeting – Co-Chairs' Communiqué](#), Press release, 27 October 2022.

²⁸ European Council, [Speech by President Charles Michel at the CELAC summit in Buenos Aires](#), 25 January 2023.

²⁹ [CELAC-UE Bi-Regional Roadmap 2022-2023](#), 27 October 2022.

³⁰ [Joint press release by Charles Michel and Ralph Gonsalves on January 24, 2023 at the CELAC Summit in Buenos Aires](#), European Council, Press release, 24 January 2023.

³¹ European Commission, [Factsheet on EU-Chile Advanced Framework Agreement](#), 9 December 2022.

³² European Commission, [Remarks by Executive Vice-President Dombrovskis and High Representative/Vice-President Borrell at Press Point on the Finalisation of Modernised EU-Chile Association Agreement](#), 9 December 2022.

³³ [Meeting](#) of the Committee on International Trade (INTA), 24 January 2023.

³⁴ G. Grieger, [International Agreements in Progress: Modernisation of the trade pillar of the EU-Chile Association Agreement](#), EPRS, European Parliament, 20 January 2023.

- **EU-Mexico Economic Partnership, Political Coordination and Co-operation Agreement** ('Global Agreement' or 'GA'), which entered into force in 2000.³⁵ On 28 April 2020, the EU and Mexico concluded their negotiations for a modernised agreement. The parties had already reached an 'agreement in principle' on 21 April 2018 following two years of talks, but final agreement on some technical details of the chapter on public procurement was still pending. As a mixed agreement, it requires approval at both EU and Member State level. However, the European Commission has proposed to the Mexican authorities to complement the modernised GA with an iFTA, containing those parts of the GA's trade pillar that fall within the EU's exclusive competence (and would therefore require ratification at EU level only).³⁶ The iFTA would expire when the modernised GA enters into force; mirroring the architecture of the recently concluded agreement with Chile. Final confirmation by the Mexican government of the proposed legal architecture is pending; therefore, it remains unclear whether a timeline that would allow for a consent procedure by the Parliament in this legislative term will be feasible for the modernised EU-Mexico GA.
- A question mark also remains regarding the future of the envisaged **EU-Mercosur Association Agreement**. On 28 June 2019, an 'agreement in principle'³⁷ was reached on the trade pillar³⁸ as part of a wider AA including political dialogue and cooperation;³⁹ the latter part was agreed upon in June 2018. Since the conclusion of negotiations, the Commission and the four founding member countries of Mercosur – Argentina, Brazil, Paraguay and Uruguay – have been finalising certain technical aspects of the agreement as well as undertaking a legal revision of the text. The agreement met resistance from several EU Member States – notably, France. The European Parliament emphasised in a resolution of 7 October 2020 on the implementation of the common commercial policy that the EU-Mercosur agreement cannot be ratified as it stands.⁴⁰ Executive Vice-President Dombrovskis replied on behalf of the European Commission on 22 August 2022 – to a question for written answer on the state of play on the agreement by MEP Benoît Lutgen (EPP)⁴¹ – that the Commission and the EEAS have been working on an additional instrument to accompany the agreement, aimed at addressing concerns about sustainability and the potential environmental effects of the agreement, notably on deforestation.⁴² Negotiations with Mercosur on this instrument have not yet started. Brazil's new President, Luiz Inácio Lula da Silva, said that he was in favour of the agreement but that he wanted to renegotiate some areas of the deal in favour of Brazil's industrial development.⁴³ The reopening of negotiations could be time-consuming; consequently, it is unlikely that the ratification procedure could start in the current

³⁵ [Economic Partnership, Political Coordination and Cooperation Agreement](#) between the European Community and its Member States, of the one part, and the United Mexican States, of the other part, OJ L 276/45, 28 October 2000.

³⁶ N. Kiš, '[Mexico, EU at odds over amended trade deal](#)', *Brussels Morning*, 9 January 2023.

³⁷ European Commission, [EU-Mercosur: Text of the agreement](#).

³⁸ J. Hagemeyer, A. Maurer, B. Rudloff, P. Stoll, S. Woolcock, A. Costa Vieira, K. Mensah and K. Sidło, [Trade aspects of the EU-Mercosur Association Agreement](#), Study requested by the INTA Committee of the European Parliament, 30 November 2021.

³⁹ A. Malamud, [Assessing the political dialogue and cooperation pillar of the EU-Mercosur Association Agreement: towards a bi-regional strategic partnership?](#), In-depth analysis requested by the AFET Committee of the European Parliament, January 2022.

⁴⁰ European Parliament [resolution](#) of 7 October 2020 on the implementation of the common commercial policy – annual report 2018 (2019/2197(INI)).

⁴¹ [Answer](#) given by Executive Vice-President Dombrovskis on behalf of the European Commission, 22 August 2022.

⁴² M. Gracia, [Is this the last chance for the EU-MERCOSUR Agreement?](#), TradeExperettes blog post.

⁴³ [Brazil, Lula: "Reviewing the EU-Mercosur agreement to defend our industry"](#), AgenziaNova, 23 August 2022.

legislative period. It also seems that the Commission is not expecting ratification soon, as the objective of ratifying the EU-Mercosur AA was not mentioned in the 2023 Commission work programme.

3. Issues to watch in Latin America in 2023

3.1. Brazil is back

On 30 October 2022, former President Luiz Inácio da Silva (known mononymously as 'Lula') of the left-wing Workers' Party was elected President with 50.9 % of the vote in the second round of the Brazilian elections. Far-right incumbent Jair Bolsonaro received 49.1 % and became the first Brazilian President not to be re-elected since the return of the country to democracy in 1985. Lula, on the other hand, is the first President to be elected for a third term, after holding the Presidency from 2003 to 2010.

Only a week after Lula was sworn in on 1 January 2023, [thousands of far-right extremists and supporters](#) of Jair Bolsonaro stormed and vandalised the National Congress, Supreme Court and Alvorada Palace (the official residence of the President of Brazil) in Brasília, calling for military intervention to overthrow President Lula.⁴⁴ The storming of the Brazilian democratic institutions on 8 January was living proof that the 'Bolsonarismo'⁴⁵ ideology remains very much alive⁴⁶ and that the country is deeply divided and polarised. On top of the country's division, Lula will have to deal with economic, social and environmental challenges. Economic growth is slowing down: [GDP](#) is projected to fall from 2.8 % in 2022 to 1.2 % in 2023, and to 1.4 % in 2024. One of the most urgent problems in the country is food insecurity: the share of Brazilians who do not get enough to eat has risen from 6 % in 2019 to 16 % now.⁴⁷ Another key challenge is the protection of the Amazon and the fight against illegal deforestation, as well as the situation of indigenous and environmental defenders.

The European Parliament strongly condemned the increasing violence, attacks, killings and harassment against human rights and environmental defenders, indigenous peoples, minorities and journalists in a resolution in July 2022.⁴⁸ MEPs called on the Brazilian authorities to take immediate action to prevent human rights violations and protect environmental and indigenous defenders, and to implement international recommendations to ensure protection for these defenders.

Regionally and globally, Brazil is expected to play a much more vital role after four years of international isolation. Already before his inauguration, Lula attended the Sharm el-Sheikh Climate Change Conference (COP 27) and brought new hope for the fight against climate change by promising to restore the Amazon rainforest.⁴⁹ In his first appearance on the international stage, Lula stressed that climate change would have the highest priority for his government and that he would do whatever it takes to have zero deforestation.

⁴⁴ A. Delivorias and E. Lazarou, [Brazilian democracy in the aftermath of 8 January](#), EPRS, European Parliament, 16 February 2023.

⁴⁵ 'The enduring threat of Jair Bolsonaro', *The Economist*, 15 October 2022.

⁴⁶ P. Schechter and J. Cortiñas, [What Does the Future Hold for Latin America in 2023?](#), Brink News, 3 January 2023.

⁴⁷ 'Brazil's new president faces a fiscal crunch and a fickle Congress', *The Economist*, 31 December 2022.

⁴⁸ European Parliament [resolution](#) of 7 July 2022 on the situation of indigenous and environmental defenders in Brazil, including the killing of Dom Phillips and Bruno Pereira (2022/2752(RSP)).

⁴⁹ G. Rannard, [COP27: Brazil is back on the world stage. Lula tells climate summit](#), BBC News, 16 November 2022.

According to Mauro Vieira, Brazil's Minister of Foreign Affairs, the new government will strive to restore relations with Venezuela and with traditional partners including the US, China and the EU, and will resume cooperation with Africa.⁵⁰ In his [speech](#) at the CELAC Summit on 24 January in Buenos Aires, Lula stressed that 'Brazil is back in the region', with the ambition of strengthening regional integration and multilateralism.⁵¹ In that context, a rapprochement is expected between Brazil and its South American neighbours, many of which have also elected left-wing governments in recent years. Sharp ideological differences between those governments and Jair Bolsonaro have strained relations, but the situation is likely to improve under Lula.⁵²

The positioning of Brazil, which is a [G20](#) member and a member of the [BRICS](#) Group, towards Russia will be interesting to follow in the coming months. Lula met, prior to his inauguration, the speaker of Russia's Federation Council, Valentina Matvienko, and Ukrainian Vice-Prime Minister Yulia Svyrydenko, and called for an end to the war between the two countries.⁵³ During the election campaign, Lula said that the Ukrainian President, Volodymyr Zelenskiy, and his Russian counterpart, Vladimir Putin, bear equal responsibility for the war in Ukraine.⁵⁴ He also had a phone call with President Putin on 20 December 2022, in which both sides expressed confidence that the Russian-Brazilian strategic partnership will continue to develop successfully in all areas, including within BRICS.⁵⁵ Most recently, in a joint statement with German Chancellor Olaf Scholz, Lula deplored, in the strongest terms, the violation of Ukraine's territorial integrity by Russia and the annexation of parts of its territory as flagrant violations of international law.⁵⁶ Moreover, they stressed the importance of deepening trade relations and underlined their intention to speed up the conclusion of the negotiations on a balanced agreement between Mercosur and the EU. Lula also reiterated the need for Mercosur to negotiate, as a bloc, a free trade agreement with China once the Association Agreement with the EU has been signed.⁵⁷

3.2. Political turmoil in Peru

Political turmoil in the **Andean region** is continuing in 2023: following mass demonstrations in Ecuador, Colombia, Bolivia and Chile in recent years, an explosion of protests took place in **Peru** at the end of 2022. Since his administration took office in July 2021, President Pedro Castillo reshuffled his cabinet multiple times and faced down two attempts of impeachment by the Peruvian Congress. On 7 December 2022, hours before a third attempt to impeach him, Castillo decided to override the constitution by ordering the dissolution of Congress, calling for new elections and ruling by decree in the meantime.⁵⁸ The move, widely condemned as an attempted 'self-coup', prompted several resignations from cabinet members and top government officials. However, the country's institutions, including the military and the police, denounced the President's actions as unconstitutional and refused to support Castillo.⁵⁹ After attempting to seek asylum at the Mexican

⁵⁰ [Brazil To Reestablish Relations With Venezuela From January](#), Telesur, 14 December 2022.

⁵¹ [Lula's address to CELAC "Nothing should separate us, since everything brings us together"](#), Peoples Dispatch, 25 January 2023.

⁵² [Brazil is Back: Can Latin America's Divides Be Bridged?](#), International Crisis Group, 31 January 2023.

⁵³ ['Brazil's Lula calls for peace at meetings with Russia, Ukraine representatives'](#), *The Hindu*, 1 January 2023.

⁵⁴ ['Brazil's ex-president Lula claims Zelenskiy equally to blame for war'](#), *The Guardian*, 4 May 2022.

⁵⁵ President of Russia: [Telephone conversation with President-elect of Brazil Luiz Inacio Lula da Silva](#), 20 December 2022.

⁵⁶ [Joint Statement – Visit to Brasil of the Federal Chancellor of Germany, Olaf Scholz](#), Brazilian Ministry of Foreign Affairs, Press release, 30 January 2023.

⁵⁷ [Lula says 'urgent' Mercosur seals EU deal before China talks](#), France 24, 25 January 2023.

⁵⁸ D. Roy, [Why Was Peru's President Impeached?](#), CFR In Brief, 19 December 2022.

⁵⁹ 'J. Quesada, [Los militares de Perú dieron la espalda a Castillo](#)', *El Pais*, 7 December 2022.

embassy in Lima, Castillo was arrested on charges of conspiracy and rebellion before lawmakers successfully impeached him. He is being kept in pre-trial detention for 18 months, while he is investigated on charges of rebellion.⁶⁰

Former Vice-President Dina Boluarte Zegarra was sworn in by Congress on 7 December, becoming Peru's first female head of state and the country's sixth president in five years. In a Joint Press Statement of 8 December 2022, the Chair of the Delegation for Relations with the countries of the Andean Community, Pilar Del Castillo, and the Chair of the European Parliament's Foreign Affairs Committee, David McAllister, expressed 'their total and unconditional support for the democratic institutionalism and constitutional order in Peru' and declared 'their support for the new President Dina Boluarte'.⁶¹ Although in her first speech as President, Boluarte said that she would govern until July 2026, when Castillo's term was scheduled to end, she changed her position following the mass demonstrations and called for early elections.⁶² However, while the Peruvian Congress has voted to move national elections to April 2024 instead of April 2026, the Congress voted down the President's proposal for early elections still this year.⁶³

Since Castillo's arrest, violent protests have erupted across the country.⁶⁴ The political followers of Castillo consider his removal as illegitimate. They have set up blockades in and around major cities, set fires and staged attacks on police stations and television networks. Backed by the country's largest federation of labour unions and its largest association of indigenous people, they are calling for the resignation of President Boluarte, Castillo's release, the dissolution of Congress, and fresh elections. To date, more than 40 people have been killed in the unrest.

The national state of emergency declared on 14 December, which suspended, among other things, the right of assembly and freedom of transit, was extended for another month.⁶⁵ On 10 January, the public prosecutor's office opened preliminary investigations into the President, the prime minister, the interior minister and the defence minister in relation to the killings of 46 people in clashes with security forces, in the period since the impeachment of Castillo.⁶⁶ On 25 January, a group of Peruvian lawmakers submitted a motion seeking to impeach President Boluarte, accusing her of the abuse and disproportionate use of force.⁶⁷

The political situation in Peru is also affecting the country's relations with **Mexico**. Mexico's Secretary of Foreign Affairs, Marcelo Ebrard, announced that his country had granted asylum to the family of Castillo, which caused a diplomatic incident between the two countries.⁶⁸ Only a couple of hours after the announcement, Peru declared Mexico's ambassador to Lima 'persona non grata' and ordered him to leave the country. Similarly, while Chile and Brazil supported the new President, a few days after removing Castillo the presidents of Argentina, Bolivia, Colombia and Mexico denounced the deposition, citing violations of international human rights law.⁶⁹

⁶⁰ [Peru: Judge orders 18 months detention for ousted President Castillo](#), 16 December 2022.

⁶¹ [Joint EP Press Statement](#) of 8 December 2022 on the latest developments in Peru.

⁶² [Discurso de la presidenta Dina Boluarte](#), Andina, 7 December 2022.

⁶³ [Peru: President Boluarte urges early elections in 2023](#), 28 January 2023.

⁶⁴ D. Collins, ["It was a massacre": fury and grief amid Peru's worst political violence in years](#), *The Guardian*, 13 January 2023.

⁶⁵ J. Hedges, [Emergency will not shore up Peru's fragile government](#), Oxford Analytica Daily Brief, 15 December 2022.

⁶⁶ J. Hedges, [Peru's Boluarte faces genocide claims over protests](#), Oxford Analytica Daily Brief, 11 January 2023.

⁶⁷ [Peruvian lawmakers call for President Boluarte's impeachment](#), France 24, 26 January 2023.

⁶⁸ Foreign Ministry Mexico, [The Foreign Ministry assists Mexicans returning from Peru](#), Press release, 20 December 2022.

⁶⁹ J. Hedges, [Mounting tensions will not dissipate rapidly in Peru](#), Oxford Analytica Daily Brief, 16 December 2022.

Peru, which is an upper-middle-income country,⁷⁰ had been performing well economically and had been making good progress on improving public health, with access to healthcare increasing.⁷¹ Now, on top of the political instability, the country with the highest COVID-19 death rate in the world faces substantial economic challenges.⁷² Analysts have underlined that the deeply polarised political environment and policy uncertainty will add to pressures on economic growth, business confidence and investment activity.⁷³ The large informal workforce and limited social security system, as well as structural weaknesses in the Peruvian health system (inadequate capacity, low number of intensive care beds per million people, inequalities in access to healthcare), which contributed to reduced capacity to tackle the pandemic, will also pose challenges to social and economic stability.⁷⁴

3.3. Peace talks in Colombia

In 2016, a historic **peace agreement** was reached between the Government of **Colombia** – under its President Juan Manuel Santos – and the main armed group, the Revolutionary Armed Forces of Colombia (FARC).⁷⁵ The EU has supported the peace negotiations and the implementation of the peace agreement in particular through the creation of the EU Trust Fund for Colombia.⁷⁶ Peace talks with the remaining second largest terrorist organisation, the **ELN**, were ended by President Santos's successor, Iván Duque, in January 2019, following a deadly ELN attack against a police academy in Bogotá. The ELN, which has been classified as a [terrorist organisation](#) by the EU and others, still commands around 3 000 active members.⁷⁷

Colombia's newly elected left-wing **President Gustavo Petro**, who came to power in August 2022, promised during the election campaign to bring [total peace](#) to the country.⁷⁸ Consequently, following his inauguration Petro suspended arrest warrants and extradition requests for members of the ELN in an effort to restart peace talks. On 21 November, peace talks between the Colombian government and ELN resumed. The official talks, which are supported by the [UN](#)⁷⁹ and other [international actors](#),⁸⁰ concluded in Caracas on 12 December 2022; another [round of talks](#) resumed in Mexico on 13 February 2023.⁸¹ The European Parliament called, in a [resolution](#) on 29 April 2021 on the fifth anniversary of the Peace Agreement in Colombia, on the ELN to commit firmly and decisively to peace.

⁷⁰ Upper-middle-income economies are those in which 2021 GNI per capita was between US\$4 256 and US\$13 205, [World Bank](#).

⁷¹ [Peru Sustainable Development Report](#).

⁷² R. de Best, [Coronavirus \(COVID-19\) deaths worldwide per one million population as of July 13, 2022, by country](#), Statista, 27 July 2022.

⁷³ Fitch Ratings, [Peruvian Banks to Withstand Greater Political, Policy Uncertainty](#), 15 December 2022.

⁷⁴ T. Romero, [Informal employment as percentage of total employment in Peru from 2010 to 2021](#), Statista, 25 November 2022.

⁷⁵ See [Acuerdo final para la terminacion del conflicto y la construccion de una paz estable y duradera](#), 12 November 2016.

⁷⁶ I. Ioannides, [Peace and Security in 2019](#), EPRS, European Parliament, May 2019.

⁷⁷ [Council implementing Regulation \(EU\) 2022/147](#) of 3 February 2022 implementing Article 2(3) of Regulation (EC) No 2580/2001 on specific restrictive measures directed against certain persons and entities with a view to combating terrorism, and repealing Implementing Regulation (EU) 2021/1188.

⁷⁸ R. McColl, ['Can Colombia's President Achieve 'Total Peace'?](#), *Foreign Policy*, 8 November 2022.

⁷⁹ [Praising Planned Restart of Peace Talks, Secretary-General Urges Colombian Government, National Liberation Army to Fully Seize Opportunity for Ending Deadly Conflict](#), UN Press Release, 4 October 2022.

⁸⁰ See [Tweet](#) by the Ministry of Foreign Affairs of Norway.

⁸¹ Comunicado Conjunto de Gobierno Colombiano y Eln ['Exitoso balance'](#), 21 January 2023.

Notably, the first round of peace talks between the Colombian government and the ELN (which has extended its operations deep into Venezuelan territory) was hosted by Venezuela, underlining the revitalisation of political and commercial relations between the two countries which is likely to continue in 2023. Both countries have resumed diplomatic relations after a three-year rupture and progressively started to reopen the shared 2 200 km border. President Petro [travelled to Caracas](#) and met his Venezuelan counterpart, **Nicolás Maduro**, on 7 January 2023 for the second time since he took office.⁸²

Another important aspect in **Colombia-Venezuela relations** is the situation of Venezuelan citizens fleeing from the country. As of October 2022, 80 % of the 7.1 million refugees and migrants from Venezuela are hosted across 17 countries in LAC. Most of the refugees, around 2.5 million, 'found shelter' in Colombia.⁸³ Although the Colombian government generously offered residency rights to the refugees, many face extreme hardship and great physical danger.⁸⁴ The restored dialogue between Bogotá and Caracas will be essential to ensuring that migrants can pass safely between the two countries.

3.4. Continuity and change in Venezuela

Following the 2018 elections, which the EU (and a large part of the international community) considered neither free and fair, nor credible, and which were lacking democratic legitimacy, Venezuela's isolation has been increasing.⁸⁵ The US and many other states and international organisations consider the Maduro regime to be illegitimate;⁸⁶ the EU and its Member States and the European Parliament reiterated that the National Assembly was the only legitimate and democratically elected body in Venezuela.⁸⁷ In January 2019, following his election as President of the democratically elected, opposition-controlled National Assembly, Juan Guaidó proclaimed himself interim President of the Republic. In the following weeks, he was recognised as the legitimate President of Venezuela by almost 60 countries⁸⁸ that included several Member States of the EU,⁸⁹ the European Parliament⁹⁰ and the US.

In the period since Maduro took power, the country has been suffering the effects of an economic crisis (which deepened with the fall in the prices of commodities and with western sanctions⁹¹) and a political crisis (confrontation between the executive and the opposition). In addition, Venezuela registers the highest homicide rate⁹² in continental Latin America and, together with Nicaragua and

⁸² Agence France Presse, [Maduro Hosts Colombia's Petro For 'Very Fruitful' Talks](#), 7 January 2023.

⁸³ See UNHCR [Global Focus](#).

⁸⁴ [Hard Times in a Safe Haven: Protecting Venezuelan Migrants in Colombia](#), International Crisis Group, 9 August 2022.

⁸⁵ Council of the European Union, [Venezuela: the Council's response to the crisis](#).

⁸⁶ Statement by Secretary Michael R. Pompeo, [United States Continues to Recognize Interim President Guaidó and the National Assembly in Venezuela](#), 5 January 2021.

⁸⁷ European Parliament [resolution](#) of 21 January 2021 on the latest developments in the National Assembly of Venezuela (2021/2508(RSP)).

⁸⁸ US Department of State, [U.S. Relations With Venezuela](#), Fact sheet, 6 July 2020.

⁸⁹ B. Rios, [EU leaders recognise Guaido in Venezuela](#), Euractiv, 5 February 2019.

⁹⁰ [Venezuela: Parliament recognises Guaidó, urges EU to follow suit](#), European Parliament press release, 31 January 2019.

⁹¹ Congressional Research Service, [Venezuela: Overview of U.S. Sanctions](#), 30 November 2022.

⁹² ReliefWeb, [Rising violence in the last year can intensify humanitarian crises in Latin America: IRC](#), 3 March 2022.

Haiti, the highest corruption rate⁹³ in Latin America. Moreover, the country experiences transnational crime, given its geographical location (transit zone for narcotics and arms trafficking).

The above elements, exacerbated by the COVID-19 pandemic, led to a humanitarian crisis, with millions fleeing the country towards Colombia, Brazil and the United States; according to the United Nations High Commissioner for Refugees (UNHCR), it is the world's second largest refugee crisis.⁹⁴ In response to this crisis, the EU allocated more than €315 million between 2016 and 2022 and, in the second half of 2022, it announced a further €30 million.⁹⁵ On 16-17 March, the '2023 International Conference in Solidarity with Venezuelan Refugees and Migrants and their Host Countries and Communities' will take place in Brussels. The event is being co-organised by the EU and Canada, in close collaboration with the UNHCR, the International Organisation for Migration (IOM), and the Regional Inter-Agency Coordination Platform for Refugees and Migrants from Venezuela (R4V).⁹⁶

In 2022, following gentle liberalisation, dollarisation strategies and reductions in public spending, but also thanks to the increase in the price of oil following the Russian invasion of Ukraine, the country has seen a modest economic recovery:⁹⁷ yearly inflation fell (but is still more than 150 %), and household poverty fell from 65 % in 2021 to 50.5 %. Experts note, however, that only the private sector has seen the benefits of economic recovery, while public sector workers have experienced a cumulative erosion of salaries and conditions in the context of inflation, and tighter monetary policy.⁹⁸

After having lost much of the international support⁹⁹ he enjoyed – e.g. the European Union downgraded Guaidó's status in 2021 to 'privileged interlocutor' after he lost his position as head of parliament¹⁰⁰ – on 30 December 2022 the National Assembly voted to terminate Juan Guaidó's interim presidency.¹⁰¹ This, coupled with the sharp increase in Venezuelan migration to the US in 2022, may contribute to a [shift](#) in US policy in 2023, from focusing on the recognition of the opposition and hard sanctions, to a moderation of sanctions, in exchange for concessions from the Maduro government in favour of more transparent elections.¹⁰²

At the same time, the opposition for the moment does not seem capable of proposing another candidate that would stand a chance in 2024.¹⁰³ In this context, it is worth noting that, on 26 November 2022, the Unitary Platform, which is the Venezuelan opposition political alliance, and the Maduro regime announced the resumption of talks in Mexico City, a decision welcomed by HR/VP Borrell, US Secretary of State Antony Blinken, the Canadian Minister of Foreign Affairs,

⁹³ Transparency International, [CPI 2022 for the Americas: fertile ground for criminal networks and human rights abuses](#), 31 January 2023.

⁹⁴ World Food Program USA, [Seven of the Largest Refugee Crises Around the World and Their Effects on Hunger](#), 17 August 2022.

⁹⁵ EEAS, [Venezuela: hope for a negotiated political solution](#), HR/VP Blog, 16 November 2022.

⁹⁶ European Civil Protection and Humanitarian Aid Operations, [2023 International Conference in Solidarity with Venezuelan Refugees and Migrants and their Host Countries and Communities](#).

⁹⁷ J. Hedges, [Prospects for Venezuela in 2023](#), Oxford Analytica daily brief, 25 November 2022.

⁹⁸ J. Hedges, [Venezuelan opposition may fail to halt new Maduro term](#), Oxford Analytica daily brief, 17 January 2023.

⁹⁹ Ibid.

¹⁰⁰ M. Chishti and K. Bush-Joseph, [Amid Record Venezuelan Arrivals, Biden Administration Embraces Border Expulsions Policy](#), Migration Policy Institute, 27 October 2022.

¹⁰¹ N. Kitroeff and A. Kurmanaev, [With Migration Surging, U.S. Considers Easing Sanctions on Venezuela](#), New York Times, 12 October 2022.

¹⁰² European Union Election Observation Mission Venezuela 2021 – [Final Report](#), 21 November 2021.

¹⁰³ C. Lu, [The World Is Done Waiting for Guaidó](#), Foreign Policy, 17 January 2023.

Mélanie Joly, and the UK Foreign Secretary, James Cleverly, in a joint statement.¹⁰⁴ Following the restart of the talks and the signature of a partial agreement between the Venezuelan government and the Unity Platform focusing on measures for the welfare of the Venezuelan people, the US Department of the Treasury's Office of Foreign Assets Control issued a general license authorising Chevron Corporation to resume limited natural resource extraction operations in Venezuela (in effect, targeted sanctions relief).¹⁰⁵

Another question going forward is the country's relationship with China and Russia, two countries that opposed a UN resolution in 2019 in favour of a peaceful restoration of democracy and fair elections in the country.¹⁰⁶ China has been a significant buyer of Venezuelan oil and is the second most important seller of weapons to the country. Between 2007 and 2021, China also invested around US\$67 billion in Venezuela,¹⁰⁷ although in recent years it has reduced its investment in the country.¹⁰⁸ During the COVID pandemic, China also sent vaccines and medical supplies to Venezuela. Russia has, over the years, developed diplomatic (support for the Maduro regime in the UN), information (propaganda to the Spanish-speaking world), military (equipment and maintenance), and economic (trade, e.g. grain, and investment) activities in the country.¹⁰⁹ While the crisis the country has undergone since 2018 has significantly tarnished its image internationally, experts posit that both powers will seek to maintain their relationship with Venezuela.¹¹⁰

Since 2019, the EU has been engaged with the International Contact Group on Venezuela in helping to find a political solution to the crisis.¹¹¹ The EU has reiterated on many occasions that the only way out of the crisis is to resume political negotiations and to urgently establish an inclusive Venezuelan-led dialogue and transition process leading to credible, inclusive and transparent elections in accordance with the provisions of the constitution and the laws of Venezuela.

In 2021 HR/VP Borrell took a highly controversial decision to deploy an election observation mission (EU EOM) under the lead of Chief Observer and Member of the European Parliament, Isabel Santos, to observe the regional and municipal elections on 21 November 2021.¹¹² It was the first time in 15 years that the EU observed elections in Venezuela. The mission noted that, while electoral conditions were better than in past elections, structural shortcomings persisted (e.g. lack of legal certainty, unequal access to the mass media by candidates, extensive use of state resources in the campaign), that should be addressed in future elections.¹¹³

Following changes of governments in Brazil and Colombia towards the political left, key countries in Latin America are striving to reengage with Venezuela (as mentioned above). Having introduced

¹⁰⁴ EEAS, [Venezuela: Joint Statement on Venezuela Negotiations in Mexico](#), 26 November 2022.

¹⁰⁵ T. Gilroy, L. Test and A. Tovar, [OFAC Issues Venezuela General License Authorizing Chevron to Resume Limited Extraction Operations, Related FAQs, and Extends General License Related to PdVSA Wind-Down Transactions](#), Baker McKenzie, 2 December 2022.

¹⁰⁶ [Russia, China veto US resolution on Venezuela](#), Deutsche Welle, 1 March 2019.

¹⁰⁷ I. Garcia, [The Future of the Sino-Venezuelan Relationship: Make or Break?](#), 22 December 2021.

¹⁰⁸ E. Sweigart and G. Cohen, [Venezuela's Evolving Relationship with China](#), 19 October 2021.

¹⁰⁹ CSIS, [An Enduring Relationship – From Russia, With Love](#), 24 September 2020.

¹¹⁰ Economist Intelligence Unit, [Venezuela](#).

¹¹¹ [International Contact Group on Venezuela: Ministerial Declaration](#), 2 February 2021.

¹¹² Josep Borrell, [Venezuela municipal and regional elections and the EU Electoral Observation Mission](#), HR/VP blog post, 30 November 2021.

¹¹³ European Union Election Observation Mission Venezuela 2021 – [Final Report – Regional and municipal elections 21 November 2021](#), 22 February 2022.

sanctions against Venezuela since November 2017, it will be interesting to follow whether the EU will adjust its relations with Venezuela as part of the new approach towards the region.¹¹⁴

3.5. Migration and forced displacement

Migration and forced displacement will remain a key topic in the Americas. Forced displacement is even expected to rise in 2023 as the root causes – violence, insecurity, democratic erosion, inequality, the impact of climate change and human rights violations – continue to exist. According to the UNHCR, the region hosts more than 18.4 million refugees, asylum-seekers, and displaced and stateless people.¹¹⁵ There are two primary migration routes: from and via Central America across Mexico to the US, and from Venezuela to neighbouring South American nations.¹¹⁶

The UN High Commissioner for Refugees, Filippo Grandi, pointed out that the Americas region is facing a human mobility crisis that is unprecedented both in its complexity and scale.¹¹⁷ In particular, the number of refugees and asylum-seekers from Central America has increased over the last five years. Worldwide, there are now around 597 000 refugees and asylum-seekers from El Salvador, Guatemala and Honduras. In Nicaragua, the authoritarian regime continues to be a strong push-factor for large-scale displacement; about 200 000 Nicaraguans have fled their country and represented the third largest population applying for asylum in the first half of 2022, after Venezuelans and Ukrainians.¹¹⁸

The number of migrants crossing the US-Mexico border has risen dramatically during the last two years. Ahead of the North American Leaders Summit of 9 and 10 January 2023, and President Biden's visit to Mexico, where he met President Andrés Manuel López Obrador – the first visit of a US President to Mexico in almost a decade – President Biden announced additional enforcement actions¹¹⁹ to address illegal immigration that will result in the US sending 30 000 illegal immigrants per month from Cuba, Nicaragua, Haiti and Venezuela back to Mexico.¹²⁰ In return, 30 000 people per month from those four nations who get sponsors, background checks and an airline flight to the US will gain the ability to work legally in the country for two years.

3.6. Geo-economics: All eyes on the lithium

Latin America's reserves of lithium have gained renewed attention against the backdrop of demand for this critical raw material, which is increasingly used to power phones, laptops, energy storage systems and hybrid and electric vehicles.¹²¹ Lithium is a metal which is in abundance in Latin America, as Argentina (24 %), Bolivia (15 %), Chile (14 %) and Peru (14 %) contain about two-thirds of proven lithium reserves and produce about half of the global supply.¹²²

¹¹⁴ ['La UE ve la situación en Venezuela "totalmente diferente" y aspira a cambiar su posición'](#), *Heraldo Internacional*, 20 January 2023.

¹¹⁵ UNHCR Executive Committee of the High Commissioner's Programme, [Eighty-third meeting](#), 1 March 2022.

¹¹⁶ C. Sabatini and J. Wallace, [Migration in Latin America](#), Chatham House, 6 October 2021.

¹¹⁷ [UNHCR welcomes Los Angeles Declaration on Migration and Protection in the Americas](#), Press release, 10 June 2022.

¹¹⁸ UNHCR, [Displacement in Central America](#).

¹¹⁹ [Biden-Harris Administration Announces New Border Enforcement Actions](#), White House, 5 January 2023.

¹²⁰ C. Long and M. Verza, [Big week for US-Mexico ties going into North American summit](#), AP News, 7 January 2023.

¹²¹ S. Pappas, [What Is Lithium?](#), Live Science, 23 October 2018.

¹²² O. Hernandez, [Lithium – white gold for a region's development](#), IADB.

An ongoing struggle

For over 40 years, the EU has sought ways to reduce its dependency in **raw materials** on third countries (e.g. the Raw Materials Supply Group in the 1970s, and the Raw Materials Initiative in 2008). Its most recent initiative was the [establishment](#) of a European Raw Materials Alliance (ERMA), [announced](#) on 3 September 2020. The ERMA is a part of the EU's wider [Action Plan](#) on Critical Raw Materials and its goal is to secure access to critical and strategic raw materials, advanced materials, and processing know-how for EU industry. The alliance and action plan are also underpinning the EU's [Recovery Plan](#), which emphasises a greener, more digital and more resilient Europe, as well as [supporting](#) the EU's quest for [strategic autonomy](#).

Source: [European Raw Materials Alliance](#).

However, some of these countries (e.g. Bolivia, Argentina) cannot operate lithium-mining projects autonomously.¹²³ Thus, they engage in joint ventures with international companies. Again, China is very much present in Latin America: it has invested roughly US\$4.5 billion in lithium production in Mexico and the so-called **Lithium Triangle**¹²⁴ (Argentina, Bolivia and Chile), the new *El Dorado*.¹²⁵

In that context, the EU has expressed the wish, through HR/VP Borrell, to build this strategic autonomy through smart cooperation with the EU's Latin American partners.¹²⁶ Given the importance of lithium and the fact that the EU is the third largest destination for Latin American exports, and the first source of

investment, it is natural that the metal is at the centre of trade deals between the EU and Latin American countries, as well as multilateral initiatives: the updated EU-Chile trade agreement contains chapters aimed at securing the EU's supply of [lithium](#)¹²⁷ (in 2020, some 80 % of the bloc's lithium imports came from that country).¹²⁸ As for Argentina, it is home to the only EU-led lithium project in Latin America (ERAMET), which should start producing over 20 000 tons of lithium per year from 2023.¹²⁹ Last but not least, the EU-Latin America Partnership on Raw Materials, funded by the EU, aims to promote and intensify cooperation between the EU and seven Latin American partner countries (Argentina, Brazil, Chile, Colombia, Mexico, Peru and Uruguay) along the value chains of minerals-based industries.¹³⁰

In his recent visit to the region, German Chancellor Olaf Scholz, accompanied by around 40 entrepreneurs, ensured investment in Chile in the extraction and production of lithium, which is crucial for the German automotive industry, given the essential role that lithium plays in the production of electric cars.¹³¹

3.7. Three presidential elections ahead

With Brazil and Colombia, two key countries in Latin America turned to the left following the presidential elections last year, joining the 'club' of other left-wing governments such as Mexico, Chile and Argentina. Since January 2023, the four most populous countries in Latin America have

¹²³ S. Ahmad, ['The Lithium Triangle: Where Chile, Argentina, and Bolivia Meet'](#), *Harvard International Review*, 15 January 2020.

¹²⁴ D. Roy, [China's Growing Influence in Latin America](#), CFR Background Note, 12 April 2022.

¹²⁵ L. Lopez-Calva, [Lithium in Latin America: A new quest for "El Dorado"?](#), UNDP, 26 May 2022.

¹²⁶ Josep Borrell, [Re-launching the partnership between the EU and Latin America and the Caribbean](#), HR/VP blog post, 28 October 2022.

¹²⁷ European Commission, [Towards an EU-Chile Advanced Framework Agreement](#).

¹²⁸ BNAméricas, [How the EU-Chile trade agreement impacts the global lithium economy](#), 29 December 2022.

¹²⁹ Josep Borrell, [Uruguay and Argentina, key partners to bring the EU and Latin America closer](#), HR/VP blog post, 29 October 2022.

¹³⁰ [EU-Latin America Convention on Raw Materials 2022](#).

¹³¹ [Scholz launches challenge to China on lithium in Chile and Argentina](#), AgenziaNova, 30 January 2023.

left-of-centre governments.¹³² However, there are three elections to come that will show if the trend will continue or not.

3.7.1. April 2023: Elections in Paraguay

Paraguay, one of the four founding members of Mercosur, will elect its President, Vice-President, 45 senators, 80 deputies, 17 governors and 17 departmental councils on 30 April.¹³³ The newly elected President will take office on 15 August and will remain in office until 2028, without the possibility of re-election.

At the time of writing, in the race for Paraguay's presidency there are two leading candidates: Santiago Peña, who will be the Colorado Party's candidate as current President Mario Abdo Benítez is ineligible for re-election.¹³⁴ The ruling Colorado Party has long dominated Paraguayan politics, having held power for all but five of the last 77 years, losing only the 2008 election. Peña will face Efraín Alegre, who represents Concertación, the opposition coalition. He served as a minister under President Fernando Lugo (2008-2012) and is a member of the Authentic Radical Liberal Party. Because of the corruption allegations against the Colorado Party, Alegre could have a chance to break its political domination. In any case, commentators expect that Paraguay may experience one of its most competitive and tumultuous elections ever.¹³⁵

In power since 2018,¹³⁶ Abdo Benítez succeeded former President Horacio Cartes (2013-2018), who oversaw a period of economic growth, but also political instability, and political failures, including an internal struggle within the right-wing Colorado Party, a significant increase in the external debt (which, however, remains relatively low),¹³⁷ as well as violent protests in March 2017.¹³⁸ While in early 2020 Benítez was widely praised for his measures to counter COVID-19, his administration soon came under increasing criticism as deaths rose.¹³⁹ This was exacerbated by revelations of gross corruption in the purchase of health equipment and severe shortages of medicines, which underpinned the dire condition of the public health system, as well as the lowest level of vaccination in Latin America (below 50% in mid-2022).¹⁴⁰

The next government will have to tackle a series of challenges. Although its GDP per capita increased from US\$1 676 in 2000 to US\$5 207 in 2021, Paraguay remains one of the poorest countries in South America.¹⁴¹ The national poverty rate remains high, at 26.9 %, ¹⁴² while 10 % of the population live in extreme poverty, ¹⁴³ a figure which rises to 20 % in rural areas.¹⁴⁴ Paraguay's economy relies mainly

¹³² *The Economist*, '[Recent left-wing triumphs in Latin America may prove short-lived](#)', 1 December 2022.

¹³³ S. Gómez Hernández, '[Will The Right Be Able To Regain Power In The Elections In Latin America In 2023?](#)', Latin American Post, 1 January 2023.

¹³⁴ C. Harrison, J. Orbach and C. Zisis, '[2023 Elections in Latin America: A Preview](#)', AS/COA, 11 January 2023.

¹³⁵ G. Cohen, '[Paraguay Is Poised for a Turbulent Election Season](#)', *Americas Quarterly*, 6 October 2022.

¹³⁶ P. Lambert, '[Paraguay – Recent History](#)', Europa World.

¹³⁷ '[Paraguay](#)', International Monetary Fund Country Report No. 22/355.

¹³⁸ '[Paraguay: An Overview](#)', Congressional Research Service In Focus, 6 September 2022.

¹³⁹ W. Costa, '[Protesters in Paraguay Question Pandemic Response and One-Party Rule](#)', NACLA, 22 March 2021.

¹⁴⁰ B. Press and T. Carothers, '[The Four Dynamics That Drove Protests in 2021](#)', Carnegie Endowment commentary, 13 January 2022.

¹⁴¹ International Monetary Fund, '[GDP per capita, current prices](#)', World Economic Forecast 2023.

¹⁴² World Bank, '[Poverty headcount ratio at national poverty lines \(% of population\) – Paraguay](#)'.

¹⁴³ '[Paraguay](#)' in OECD Latin American Economic Outlook 2021: Working Together for a Better Recovery.

¹⁴⁴ World Bank, '[Transforming Rural Areas of Paraguay](#)', 10 November 2021.

on agriculture, and the country is a major exporter of meat and soybeans.¹⁴⁵ It benefits considerably from inexpensive electricity generated by hydropower provided by the Itaipú and Yacyretá dams.

Paraguay has had approximately two decades of high and steady economic growth (3.9 % in the period 2003-21, versus 3.1 % for the region), while inflation hovered around 5.5 % in the period 2003-21. Nonetheless, income distribution is highly concentrated, with the Gini coefficient averaging 0.462 and under 3 % of the population controlling 85 % of the land.¹⁴⁶ Another challenge is inflation, which is above 6 %. In March 2022, increased fuel prices resulted in widespread protests, which only subsided after the President signed a law on 25 March that allowed the state-owned fuel distribution company Petróleos Paraguayos to reduce diesel and petrol prices. While estimates for 2022 were positive (4 %), extreme drought at the height of the growing season for the third time in four years has led to lower income from hydroelectric power and much lower agricultural exports.¹⁴⁷

A key point in the public agenda¹⁴⁸ is expected to be the renegotiation of the Itaipú hydroelectric dam treaty with Brazil, which expires in August 2023;¹⁴⁹ the dam supplies 17 % and 90 % of the annual electricity needs of Brazil and Paraguay, respectively.¹⁵⁰ The treaty stipulates that each country is entitled to half of the electricity generation capacity and electricity produced by the dam. However, if one country does not contract (i.e. purchase) all the electricity generation capacity to which it is entitled, the surplus will be contracted by the other country, at near-cost prices. Paraguay is keen to ensure the right to sell electricity generated by the dam on the Paraguayan-Brazilian border to third parties (e.g. Chile, Argentina) at the full market price, rather than at very low cost to Brazil.¹⁵¹ However, despite growing public pressure to defend national sovereignty and achieve a fair agreement, the previous Brazilian President refused to compromise, so it remains to be seen how President Lula da Silva will position himself on the matter.

The EU will deploy an Election Observation Mission (EOM), which – as with every EOM – will be headed by an MEP.¹⁵²

3.7.2. June 2023: Elections in Guatemala

Guatemala's next general election to elect the President and Vice-President, all 160 seats in Congress, mayors and 20 seats in the Central American Parliament are scheduled for 25 June. The incumbent, President Alejandro Giammattei, a conservative from the Vamos party, who took office in January 2020, cannot run for a second term, according to Guatemala's constitution.¹⁵³

The political scene changes frequently, through the creation and demise of political parties;¹⁵⁴ the parties are, in general, unstable and leader-focused. No party has won elections more than once and, in every election, new players appear. In recent elections, the winners were always centre or centre-right parties. Currently, Guatemala's political landscape is fragmented, with 20 parties

¹⁴⁵ Encyclopaedia Britannica, [Economy of Paraguay](#).

¹⁴⁶ [Evolution of average income, Paraguay](#), 1950-2021, World Inequality Database.

¹⁴⁷ The drought has led to a marked reduction in the water level of the Paraguay river, on which almost all of Paraguay's global trade depends, producing long delays and higher maritime transport costs for both exports and imports.

¹⁴⁸ [The Itaipu Treaty is close to expiration, creating risks for Brazil and Paraguay](#), The Brazilian Report.

¹⁴⁹ G. Ross, [Brazil, Paraguay, and the Future of Itaipú](#), Q&A with Cecilia Llamosas, Wilson Center Blog Post, 11 June 2021.

¹⁵⁰ N. Che, [Macroeconomic Impact of the Itaipú Treaty](#), IMF working paper, May 2021.

¹⁵¹ According to estimates, the highly controversial 1973 Treaty has led to Paraguay [losing](#) US\$75 billion between 1985 and 2018 through the gross under-pricing of forced energy sales to Brazil.

¹⁵² European Commission, [Note to Member States – Election observation mission \(EU EOM\) to Paraguay 2023](#).

¹⁵³ [Guatemala to Swear in Conservative Giammattei as President](#), Associated Press, 15 January 2020.

¹⁵⁴ E. Casalprim, [Guatemala: Political parties](#), EPRS, European Parliament, July 2015.

registered in Congress, almost half of which (aside from the centre-left Unidad Nacional de la Esperanza (UNE) with 52 seats and Vamos – the party of President Giammattei – with 16 seats), hold between six and 12 seats in Congress.¹⁵⁵

For the 2023 election, the Supreme Electoral Court (TSE) has authorised the participation of 28 political parties.¹⁵⁶ President Alejandro Giammattei's Vamos party and the leftist UNE are among the largest parties. Zury Ríos from the conservative Partido Valor, daughter of former dictator Efraín Ríos Montt, and a prominent opponent of the unpopular President Giammattei, is one of the favourites to win the presidential election.¹⁵⁷ Ríos is currently leading in the polls, followed closely by the founder of UNE, Sandra Torres, who also served as first lady during the presidency of centre-left President Álvaro Colom.¹⁵⁸ However, 40 % of Guatemalans are undecided; therefore, at this stage it is impossible to predict who might win the race.

Human Rights Watch points out that the elections will take place in a context of deterioration of human rights and the rule of law.¹⁵⁹ The European Parliament also addressed the alarming situation in Guatemala in its resolution of 7 April 2022 condemning the criminalisation, detention, and harassment of judicial operators, human rights defenders, and journalists.¹⁶⁰ Corruption, increased insecurity (with an average of eight homicides per day) and armed gangs that have consolidated their presence in the biggest cities, are among the key challenges the country is facing.¹⁶¹

With a population of 17 million and a GDP of US\$77.6 billion in 2020, Guatemala is the largest economy in Central America.¹⁶² During the period 1997-2021, the country's economy grew at an average rate of 3.5 % per year, while per capita income increased from US\$1 070 in 1980 to US\$4 674 in 2021, leading the World Bank to classify it as an upper-middle-income country in 2018.¹⁶³ Guatemala owes its economic stability primarily to considerable financial support from the US and a significant inflow of remittances from its citizens in that country. For 2023, analysts expect economic growth to soften owing to weaker private consumption.¹⁶⁴

The relatively stable economy has not been materialised in a reduction of poverty: more than 20 % of the population are in need of urgent humanitarian aid and over 61 % live in poverty. Guatemala has the fourth highest rate of chronic malnutrition in the world and the highest in LAC. Thus, while the impact of the COVID-19 pandemic is estimated to have [increased](#) the poverty rate from 47.8 % of the population in 2019 to 52.4 % in 2020, the World Bank estimated that it would have been far worse without the government programmes.¹⁶⁵ Guatemala has since posted a strong recovery, with GDP growth of 8 % in 2021 and 3.4 % expected in 2022.

¹⁵⁵ [Guatemala – Political stability](#), EIU briefing note, 1 January 2023.

¹⁵⁶ A. Álvarez, '[Elecciones 2023: TSE registra 28 partidos políticos que podrían participar en comicios](#)', *La Hora*, 15 December 2022.

¹⁵⁷ C. Mendez Arriaza, '[Zury Ríos Campaigns to Lead Guatemala's Faltering Democracy](#)', *Americas Quarterly*, 11 January 2023.

¹⁵⁸ '[Meet the Candidates: Guatemala](#)', *Americas Quarterly*, 19 January 2023.

¹⁵⁹ [Human Rights Concerns for Guatemala's 2023 General Elections](#), HRW, 24 January 2023.

¹⁶⁰ European Parliament [resolution](#) of 7 April 2022 on the situation of the rule of law and human rights in the Republic of Guatemala (2022/2621(RSP)).

¹⁶¹ ACAPS, [Guatemala: Complex Crisis](#).

¹⁶² World Bank, [GDP \(current US\\$\) – Guatemala, Panama, Honduras, Costa Rica, El Salvador, Nicaragua](#).

¹⁶³ R. Looney, [Guatemala – Economy](#), Europa World.

¹⁶⁴ [The World Bank in Guatemala](#).

¹⁶⁵ World Bank, [Guatemala](#) Outlook.

Low central government revenues (11 % of GDP on average in recent years) limit capacity for public investment and restrict both the quality and coverage of basic public services (e.g. education, health, access to water). Guatemala has the fourth highest rate of chronic malnutrition in the world and the highest in the region, with indigenous and rural populations disproportionately affected. Chronic childhood malnutrition affects almost half of all children under the age of five, 58 % of indigenous children, and 66 % of children in the lowest income quintile.

Risks remain, particularly given the uncertainty of the rapidly shifting global environment and local COVID-19 developments. Guatemala has one of the lowest COVID-19 vaccination rates in Latin America: as of summer 2022, less than a third of the population was vaccinated.¹⁶⁶ This increases its vulnerability to new COVID-19 outbreaks and, by extension, economic uncertainty. In addition to this, the country's economy faces long-term structural challenges, such as political instability, a weak business environment, poor infrastructure, high exposure to commodity prices and natural disasters, dependency on low-value manufactured exports and security issues related to drug trafficking. In addition, in 2022 there were new corruption allegations against President Giammattei.

Nor has the country been spared the effects of international developments. Inflation almost reached 10 % in October 2022, forcing the Central Bank to gradually raise interest rates to 3.75 % from 1.75 % in the period May 2020-April 2022.¹⁶⁷ On the other hand, public finances are in good shape, with the country's expected 2022 deficit at 1.9 % of GDP (vs 4.9 % in 2020) and external debt at 30.5 % of GDP.

Going forward, tackling corruption and controlling migration will be important points for Guatemala, as they may influence the economic stance of the US and thus impact the country economically. In January 2023, the EU, which has an Association Agreement with Central America,¹⁶⁸ conducted an exploratory electoral mission.¹⁶⁹

3.7.3. October 2023: Elections in Argentina

One of the most important elections in Latin America this year will take place in Argentina.¹⁷⁰ The G20 country is the region's second largest country in terms of size, fourth largest in terms of population, and third most important in economic terms.¹⁷¹ The first round of the presidential election is scheduled for 22 October and, if needed, a second round will be held on 19 November. The election, which will take place in a climate of high inflation and political polarisation,¹⁷² will show whether the trend of left-wing candidates winning elections in Latin America will continue or whether Argentina will strengthen the bloc of right-wing countries.¹⁷³

From an EU perspective, the outcome is particularly interesting as, if a left-wing candidate wins the election, Brazil's President Lula da Silva would still have a strong partner at his side who can be assigned to his political spectrum. This constellation might have an influence in the talks between

¹⁶⁶ L. Taylor, '[Guatemala's COVID vaccine roll-out failed: here's what researchers know](#)', *Nature*, 7 July 2022.

¹⁶⁷ P. Paterson, '[Both growth and hardship set to endure in Guatemala](#)', Oxford Analytica Daily Brief, 16 December 2022.

¹⁶⁸ European Commission, '[EU-Central America Association Agreement](#)'.

¹⁶⁹ '[Guatemala: Threats to Free, Fair Elections](#)', ReliefWeb, 24 January 2023.

¹⁷⁰ '[Argentina](#)', *Encyclopaedia Britannica*.

¹⁷¹ '[The World Bank in Argentina](#)'.

¹⁷² '[Elections to Watch in 2023](#)', *Foreign Policy*, 1 January 2023.

¹⁷³ O. Stuenkel, '[A Second Pink Tide Might Not Unify Latin America](#)', *Americas Quarterly*, 17 November 2022.

the EU and Mercosur to finalise the Association Agreement. On the other hand, analysts are of the opinion that disagreements within Mercosur could be an obstacle to the agreement.¹⁷⁴

President Alberto Fernández took office on 10 December 2019 following his election victory against former President Mauricio Macri.¹⁷⁵ Fernández was elected representing the Frente de Todos (FdT) Peronist alliance, a coalition composed of various factions of the Peronist movement, including Unidad Ciudadana (led by Cristina Fernández de Kirchner, who was President of Argentina for two terms between 2007 and 2015) and Frente Renovador (led by a sitting lawmaker, Sergio Massa).¹⁷⁶ The arrangement made between Fernández and Cristina Kirchner, who ran as Fernández's Vice-President, allowed them to win the election, but has been a source of regular conflict ever since, as Kirchner has been one of Fernández's fiercest critics. On 6 December 2022, Kirchner was sentenced to six years in prison for fraud and corruption (even though her parliamentary immunity protects her) and barred from running again for President.¹⁷⁷

The economic situation is anything but promising: experts predict that Argentina will enter a recession in 2023.¹⁷⁸ The Fernández government successfully negotiated a restructuring of Argentina's debt with its creditors in 2020 and appears to have met IMF fiscal and monetary targets for 2022 (i.e. a 2.5 % primary deficit, US\$5 billion accumulation of net international reserves and Central Bank transfers to the Treasury limited to 1 % of GDP). Nevertheless, full-year inflation for 2022 reached 94.8 %, ¹⁷⁹ and some measures (the guarantee of an attractive exchange rate for soybean exporters – the 'soya dollar' – to encourage them to sell remaining soybean stocks or the intervention in the local debt market to sustain the prices of national currency bonds) may further increase it in 2023, acting as a drag on the country's economic growth.¹⁸⁰ Moreover, a weak harvest (agriculture accounts for about 10 % of fiscal revenue) will mean lower tax revenues for the state to tap into.¹⁸¹ In addition, given that the country still has no access to international markets, the government relies on the domestic debt market both to finance the budget deficit, and to roll over existing (mostly short-term) debt. The finance ministry launched debt swaps to reduce the servicing burden, but the maturities are still short and high amounts are expected to be paid later in 2023.¹⁸²

As it seems improbable that the government will adopt significant reforms before the October election, and instead will probably try to avoid a full-blown economic crisis, the new President will be faced with tackling the economic challenges.¹⁸³ At the time of writing, candidates from the Peronist Frente de Todos coalition, the opposition centre-right Juntos por el Cambio coalition and a libertarian group are expected to dominate the first round of the presidential election.¹⁸⁴

¹⁷⁴ [Argentina: Political and economic outlook](#), EIU briefing note, 5 January 2023.

¹⁷⁵ 'Alberto Fernández', *Encyclopaedia Britannica*.

¹⁷⁶ [Can Fernández Win Argentina's Presidency Again?](#), *The Dialogue*, 26 May 2022.

¹⁷⁷ ['Argentine Vice President Kirchner sentenced to six years in prison'](#), *The Brussels Times*, 6 December 2022.

¹⁷⁸ [Argentina: Political and economic outlook](#), EIU briefing note, 5 January 2023.

¹⁷⁹ J. Hedges, [Inflation will remain a drag on growth in Argentina](#), *Oxford Analytica Daily Brief*, 13 January 2023.

¹⁸⁰ J. Hedges, [Peso debt fears will mount pre-election in Argentina](#), *Oxford Analytica Daily Brief*, 18 January 2023.

¹⁸¹ [Argentina's financing outlook remains complicated](#), EIU briefing note, 18 January 2023.

¹⁸² J. Hedges, [Peso debt fears will mount pre-election in Argentina](#), *Oxford Analytica Daily Brief*, 18 January 2023.

¹⁸³ [Things to watch in Argentina in 2023](#), EIU briefing note, 1 December 2022.

¹⁸⁴ [Meet the Candidates: Argentina](#), *Americas Quarterly*, 19 January 2023.

Latin America will be high on the agenda of the European Union in 2023, with the EU-CELAC Summit at Heads of State and Government level due to take place in the second half of the year.

In its 2023 work programme, the European Commission announced its intention to propose a new strategy to reinvigorate relations with Latin America and the Caribbean (LAC). It is also striving for full ratification of the modernised Association Agreements with Chile and Mexico; the European Parliament could start the consent procedure for the agreement with Chile this year.

Significant developments in LAC, to be followed closely, include China's growing influence in the region, Brazil's return to the international stage, political turmoil in Peru and three presidential elections.

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