

Political Developments:

US **President Trump** hit the ground – and Latin America – running soon after taking office on 20 January. Developments through the first weeks of his administration revealed **the power the US can bring to bear – and its limits – throughout the region.**

The first encounter was with **Colombia**. President Gustavo Petro refused to accept flights from the US bringing back illegal Colombian immigrants, who Petro claimed were being treated like criminals, but relented after Trump threatened to impose tariffs and sanctions. Formerly the closest ally of the US in LAC, Colombia veered away after electing Petro, its first left-wing president in decades, in 2022. Colombia received billions in US military and civilian aid over the past two decades under Plan Colombia, a US project to eliminate drug trafficking. It became a NATO “global partner” in 2017 and hosts seven U.S. military bases (two naval, three air force, two army), joint operations, training exercises and infrastructure investments. U.S. influence over the country’s energy and mineral resources persists. Colombia also has a free trade agreement, over \$50 billion in bilateral trade, and a diaspora over 1.6 million in the US.

Next came **Mexico**. Trump decreed 25 percent tariffs on all Mexican imports from 4 February, only to put this step on hold for a month after talks with President Claudia Sheinbaum and her team. The latter committed to posting 10,000 border security personnel to control illegal immigration and drugs, while the US agreed to take steps to control the smuggling of weapons to Mexico. President Sheinbaum, who took over a few months ago, outlined ‘Plan Mexico’ just before Trump’s inauguration, a gesture of cooperation as an ally in the North American trading bloc with shared strategic interests. There was also a concerted move to reduce dependence on, and presence of, China in the Mexican economy. Economy Secretary Ebrard declared that Mexico would align itself ‘100 percent with the United States as regards China and its presence in Mexico.’ Mexico launched raids on ‘illegal’ Chinese markets and are trying to replace Chinese imports with substitutes from within the North America trading bloc, starting with 35 percent tariffs on the textile sector, hitting mainly Chinese imports. The aim is also to lift FDI, through tax and fiscal incentives to \$100 billion by 2030, from \$39 billion in 2024. Mexico was the United States’ top goods trading partner in 2023 with total trade at \$807 billion and a surplus about \$130 billion for Mexico. By contrast trade with China was \$123 billion, heavily weighted in favour of China. U.S. goods trade with Canada was \$782 billion, and with China \$576 billion. Similar figures are expected for 2024. Mexico’s challenges: an ambitious reform program, commenced under the previous presidency, which envisages among others, sweeping changes in judicial appointments; threats to State authority by entrenched drug cartels; and continuing waves of immigrants from the south heading to the US, will continue to complicate its relationship with its northern neighbour.

Separately, Secretary of State Marco Rubio set off on his first foreign trip early February to **Panama, El Salvador, Guatemala, Costa Rica and the Dominican Republic**. Backed by Trump’s threat earlier to “take over the Panama Canal”, which Panama publicly rebuffed, he warned President Jose Raul Mulino that Washington will “take measures necessary” if Panama does not immediately take steps to end China’s influence and control over the canal. Soon after, Panama gave China notice withdrawing from the Belt and Road Initiative which dates back to an MOU with China of 2017 (when it shifted recognition from Taiwan). Hong Kong based CK Hutchison Holdings – owned by the Hong Kong billionaire Li Ka-shing – has operated two of the canal’s five ports along the 51-mile canal route since it won the tender in 1997. Soon

after Rubio left, the State Department announced that US government ships would transit the canal free. Mulino told reporters the US assertion about the waterway was "simply and plainly intolerable," and denounced "bilateral relations based on lies and falsehoods." Nevertheless Mulino agreed that Panama could be a transit post for expelled illegal migrants from the US. Several military planes shipped around 360 migrants from India, China, Uzbekistan, Pakistan and Afghanistan, to Panama which has unenviable task of repatriating them.

President Nayib Bukele of **El Salvador** impressed Rubio with a blatant offer to take in all convicted prisoners the US wanted to send to CECOT (Terrorism Confinement Centre), the largest prison in the world, in his country, where he has imprisoned thousands of gang members – and some claim innocent citizens – irrespective of nationality, for a fee, which would be economical for the US government. El Salvador has the highest per capita incarceration rate on the planet, with 1,659 prisoners per 100,000 of population currently.

Trump is also expected to double down upon other regimes like **Ecuador**, where the US closed its naval base in 2009. In a widely reviled decision initiated in 2023 by former right-wing President Guillermo Lasso (who was forced to demit office), and ratified by his interim successor Daniel Noboa in 2024, US ships, military personnel, armament, equipment, and submarines were installed in the sensitive Galapagos archipelago, a World Natural Heritage Site about 1000 kilometres off Ecuador's coast. The agreement grants US soldiers and their contractors several privileges, exemptions, and immunity in Ecuadorian territory, similar to members of diplomatic missions, without paying the administrative taxes that other entities have to pay. Ostensibly the presence of US troops seeks to counter drug trafficking by transnational cartels which have caused a serious security crisis. **Peru's** embattled right-wing government (accused of illegally deposing the former left-wing President Pedro Castillo) in May 2023 approved deployment of U.S. troops to train the Peruvian military and national police.

Further south, **Argentina**, whose President Javier Milei has lost no opportunity to proclaim his affinity with Trump, declared in January that it would exit the World Health Organisation, following the US lead.

In the Caribbean the US presence will no doubt increase in **Haiti**, where gangs threaten the existence of the state itself. **Guyana** has ceded offshore areas to US companies drilling its massive reserves. Marco Rubio has repeatedly called out **Cuba, Nicaragua and Venezuela** as the evil triangle, and there will definitely be more pressure on these regimes in the not too distant future.

Though other geographies dominate reactions to US foreign policy under President Trump, Latin America and the Caribbean are salient to US foreign policy, largely because of geography, linkages to the US political, military and economic establishments, but also because of US alarm over the spread of the democratic left all over the region, which is taking an increasingly independent stand on issues of concern to the US, such as migration, narcotics, etc., and the entrenched nature of the autocratic left in Cuba, Nicaragua and Venezuela, which overtly challenge the US and have close ties with Russia. China's ubiquitous and growing economic presence all over the region has recently assumed strategic overtones, according to the US establishment. The Trump administration will be attempting to bring uncooperative regimes to heel, while forcing more pliant and vulnerable ones to cooperate, using levers of trade primarily, but perhaps other means as well.

Violence in north-eastern Catatumbo region of **Colombia** in January escalated, with the militant groups, headed by the ELN, with which the government has been trying to broker a peace deal for years, running rampant in that region, causing dozens of deaths and displacement of tens of thousands. The crisis led President Gustavo Petro to convene a stormy Cabinet meeting which was telecast publicly and announcement by Petro that he sought the resignations of some ministers and officials. This was compounded by his appointment of Armando Benedetti, an erstwhile supporter of former President Uribe, who was a lead campaigner in Petro's election, but involved in personal scandals and very unpopular with the Cabinet as Chief of the President's Office. This decision, opposed even by his Vice President Ms Francia Marquez, led to the resignation of the veteran Defence Minister Ivan Velazquez, as well as ministers of Interior, Environment and Labour. He then appointed General Pedro Sanchez as the first military official in more than three decades to be Defence Minister. Since 1991 political civilians have held the post in the strife-torn country.

Economic Developments:

El Salvador made a turnaround on its policy of 2021 adopting Bitcoin as a "currency", legal tender which could not be denied to clients of banks or consumers, etc. With the country's economic downturn the government approached the IMF for a \$1.4 billion loan, which has impacted the bitcoin there. One-fifth of El Salvador's population lives abroad, and the IMF has had the country on its radar since 2022, when it declared in a statement "There are large risks associated with using Bitcoin as legal tender, especially given the high volatility of its price. We don't recommend it. In the short-term, the costs and risks largely outweigh the benefits,". Less than 12% of the country has used Bitcoin and Bukele admitted that it "has not had the widespread adoption we hoped" in an [interview with TIME](#). President Nayib Bukele has also had to accept other IMF prescriptions and has cut allocations to health, education, etc.

Focus India LAC:

A delegation from YPF, the state energy giant of **Argentina** signed an MOU with India's ONGC, OVL and GAIL to sell the Indian state companies liquified natural gas from its huge shale deposits. The projections are for up to 10 million tons per annum, or 47 million cubic metres of gas daily, 30 percent of Argentina's current production. The accord also envisages cooperation in exploitation of Argentina's expensive lithium deposits, with possible investments down the road. Argentina's extensive gas deposits, especially the giant Vaca Muerta field, are being offered to other countries in Asia, with a view to tie up clients and secure financing for the investments required there.

In mid-February **Brazil's** state-controlled oil giant Petrobras signed an agreement with India's Bharat Petroleum Corporation for the delivery of 6 million barrels of oil annually between 2025 and 2026. This is Petrobras's outreach strategy for expanding its international customer base which has been heavily concentrated on China. Bharat Petroleum is the world's third-largest importer of oil, securing roughly 85% of what was imported from other countries last year. The deal will be a massive boost to Petrobras' exports to India, currently only about 4%. Petrobras hopes to expand exports to India to 24 million barrels per year. This deal also reinforces India as a principal trading partner of Brazil, which has turned its back on a formal membership of China's Belt and Road Initiative.