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### **Political Developments**

The BRICS Summit in Rio de Janeiro, **Brazil** had already attracted the attention of President Donald Trump, who weeks earlier threatened massive tariffs against the group's members if they tried to assail the dollar's supremacy. As it happened, while some members like Russia and China spoke about it, as did Brazil's President Lula, the summit declaration skirted the issue by focussing on easing trade, currency flows, etc. Trump however, found a new excuse to call out Brazil – the trial, and conviction of Lula's predecessor Jair Bolsonaro, for attempting a coup against his failed election in January 2023. In a letter to Lula Trump claimed: "This Trial should not be taking place...It is a Witch Hunt that should end IMMEDIATELY!". Trump then launched a trade investigation under Section 301 of the US trade law (which has often targeted India) into Brazil's alleged unfair practices, including digital censorship, preferential tariffs, ethanol barriers, and deforestation enforcement failures. A week later Lula signed the Reciprocity Law passed by Brazil's Congress, authorising his government to "adopt countermeasures in the form of restrictions on imports of goods and services," as responses to unilateral actions, policies, or practices by a country or economic bloc that "negatively impact Brazilian international competitiveness." On 30 July, Trump announced the US would levy 50 percent tariffs on imports from Brazil from 1 August. He had earlier announced only a 10 percent tariff on Brazilian exports to the US. The latest executive order, after extensive lobbying by US business interests, however allowed 694 exemptions, including orange juice, iron ore and aircraft, covering around 40 per cent of Brazilian exports. The paradox is that the US in fact runs a trade surplus with Brazil - \$7.4 billion in 2024 – and the latter is not so vulnerable to US blandishments, having exported \$94 billion to China, against only \$43 billion to the US in 2024. Trade with the US amounts to less than 4 percent of Brazil's GDP. The Brazilian stock market and currency the Real, have stood firm amid the turbulence.

The US establishment has targeted Lula, Vice President Geraldo Alckmin and several judges of the Supreme Court, specially judge Alexandre de Moraes who, after Trump's threat raised a middle finger in defiance at a Sa Paulo football match, and days later put Bolsonaro under house arrest. The trial proceeds, with considerable testimony and evidence against Bolsonaro, and the prospect of a massive prison sentence. Brazilians are conflicted and divided over whether the judicial process will yield justice or mere political retribution, even as Bolsonaro's son Eduardo, a member of Congress is publicly campaigning the US conservative ecosystem to rescue his father. There is no question, however that most Brazilians are proud of their relatively young democracy, which emerged from a military dictatorship late in the 20<sup>th</sup> century, and of their judiciary. Lula has shown exemplary firmness in the face of Trump's threats. In an interview to CNN, he explained that his attempts at diplomacy were rebuffed by Trump and, under Brazilian law, the executive could not interfere with judicial process. One result of this confrontation was a spike in Lula's domestic popularity ratings.

In August relations between **Brazil and Israel** hit a new low, with the former refusing to grant *agrement* to Gali Dagan as Israel's new ambassador. Israel claimed they would keep the embassy in Brasilia at Charge d'Affaires level. The rift dates back to last year when President Lula accused Israel of committing "genocide" against Palestinians in Gaza and compared its actions to the Holocaust. Israel declared Lula

“persona non grata” and publicly reprimanded Brazil's ambassador, Frederico Meyer, who Brazil then recalled and has not replaced. Dagan was ambassador to **Colombia** but left when President Gustavo Petro decided to end diplomatic relations with Israel in May because of the latter's actions in Gaza. Relations with Israel, where reportedly 5000 Colombians live, have been downgraded to consular level, and Petro has cancelled all shipments of Colombian coal to Israel.

On 28 July, a judge in **Colombia** held former President Alvaro Uribe (2002-10) guilty of bribery of witnesses and obstruction of justice by pressurising former members of illegal Colombian armed groups to retract accusations against him and instead implicate left-wing Senator Iván Cepeda. 73-year old Uribe is the first Colombian President convicted of a crime. Colombia's tortured history in the second half of the 20<sup>th</sup> century saw armed narco-groups countered by paramilitaries financed and supported by political and private interests, including allegedly Uribe himself. These armed groups eventually turned criminal and had to be confronted by the State. After his two terms, Uribe founded a new party, the Centro Democrático (Democratic Centre) in 2013, and his protégé Ivan Duque won the presidency in 2018. Left-wing Gustavo Petro won the next election and faces Uribe's forces next year, while the Liberal and Conservative parties trail.

The US, which has seen its erstwhile closest ally in South America veer away, was quick to react. US Secretary of State Marco Rubio claimed Uribe's trial represented “the weaponization of Colombia's judicial branch by radical judges” and that it “set a worrisome precedent”. Petro's presence at the June summit of Latin American leaders in China – along with Lula and Chile's Boric – where he announced Colombia would join the Belt and Road Initiative, his aggressive actions towards Israel, etc. have rattled the US establishment, which has much to lose in a country which for decades has hosted US military personnel and assets. To add to US concern, cultivation of coca leaf has expanded ten percent in Colombia, responsible for the majority of this narco-resource. Some estimates claim processed cocaine has gone up fifty percent under Petro, though Colombian agencies have cooperated with international and regional partners to curb trafficking to the extent possible. The relationship is underpinned by hundreds of millions of dollars in annual US aid, mainly military. This could be under threat if Trump chooses to decertify Colombia under the Foreign Assistance Act of 1961, putting it in the “major's list” of countries that “failed demonstrably” in their bilateral and international counternarcotics commitments, barring them from receiving U.S. aid or support for multilateral loans except on a case-by-case basis. Colombia was put in this list – along with India – in 2020 by Trump. Interference and sanctions by the US may enhance the reputation of the left and anti-US forces in Colombia heading up to the next presidential elections in mid 2026. The U.S. House Appropriations Committee proposed to reduce Colombia's military aid by \$208.8 million in 2025-2026, about 50 percent of last year's budgeted assistance.

President Trump announcement in August that he would target **drug cartels in Latin America** by deploying the military was rebuffed by President Claudia Sheinbaum in Mexico, who declared U.S. military strikes against Mexican cartels would be an “invasion” and was “off the table”. Mexico has been collaborating with the US on this issue, even extraditing cartel leaders to the US. The US however has a history of ignoring Latin America sovereignty in such matters, the most egregious instance being its invasion of Panama in 1989 when its troops carried off the dictator Manuel Oriega, who was sentenced in the US for drug trafficking, having earlier served as a CIA asset. US focus would probably be initially on Mexico, Venezuela and Colombia, where it believes cartels operate with relative impunity and influence. Ecuador has been collaborating but faces huge problems of violence from fractured cartels and is going for a

referendum in December to determine whether to permit foreign military presence on its soil. Peru and Bolivia also present challenges, as significant producers of coca leaf.

The US administration also put **Venezuela** on notice, with the reward for information leading to President Nicolas Maduro's arrest hiked from US\$25 million to US\$50 million in August, for alleged narcotics smuggling to the US as head of the 'Cartel de los Soles' (Cartel of the Suns – a reference to the sun emblem the generals wear instead of stars, explicitly alleging the army is responsible for drug smuggling). Ecuador President Daniel Noboa, confronting drug cartel violence, also labelled this cartel a 'terrorist group'; Paraguay and Argentina followed suit. US Attorney General Pam Bondi in an interview claimed the US had confiscated over US\$700 million in assets from Maduro, including two luxury planes and properties in the region. According to Reuters, the US SOUTHCOM deployed three warships in late August off the coast of Venezuela: the USS San Antonio, USS Iwo Jima and USS Fort Lauderdale, carrying about 4,500 soldiers, including 2200 marines. Several analysts have expressed alarm at the deployment of military assets for drug interdiction. A reported memo from Defence Secretary Pete Hegseth also claimed these deployments would ensure unfettered US access to the Panama Canal, through which a fourth US warship transited to the Caribbean late August. President Maduro condemned the deployment and pledged to "activate a special plan with more than 4.5 million militiamen to ensure coverage of the entire national territory." Maduro also pointed accurately to the UN World Drug Report 2025, in which Venezuela is cited as being the transit country for only about 5 percent of Colombian cocaine, and zero production of fentanyl, belying the US narrative. The report makes no mention of the Cartel de los Soles. The European Drug Report 2025: Trends and Progress, published by the European Union, also makes no mention of Venezuela as an international drug trafficking corridor.

## **Economic Developments**

In a curious development late July, the US government permitted Chevron to restart its oil extraction activities in **Venezuela**. Chevron, the only US company to be so permitted despite years of sanctions, had its licence, issued years ago and regularly renewed, suspended a few months ago after a fraudulent election brought President Maduro back to power in 2024. This follows a recent agreement between Caracas and Washington involving a prisoner exchange, where 252 Venezuelan migrants were repatriated from El Salvador and Venezuela released 10 US citizens. Venezuelan oil continues under sanctions though production has crossed 1 million barrels per day, according to OPEC sources.

On 11 August, **Indonesia and Peru** signed a Comprehensive Economic Partnership Agreement (**CEPA**). At its core is a free trade agreement (FTA) which covers 50 percent of Peru's exports to Indonesia and 90 percent of the latter's exports to Peru. It also promotes cooperation in tourism, environment, etc., provides access for Peru to ASEAN and to Indonesia in LAC. Bilateral trade in 2024 was under \$1 billion but is set to increase, especially with the new Peruvian port of Chancay significantly reducing shipping time. Peru exports agricultural products to Indonesia and imports manufactured goods. Both nations are also members of APEC, and outward looking economies in the Asia-Pacific. Indonesia has a FTA with Chile since 2019, while Peru has joined the CPTPP.

## **Focus India-LAC**

PM Narendra Modi undertook a **5-nation visit** in July that covered Trinidad & Tobago, Argentina and Brazil.

**T&T**, whose President and Prime Minister – and about 35 percent of its 1.4 million population – are of Indian origin, conferred on him the Order of the Republic of Trinidad and Tobago. PM reciprocated with an offer of OCI cards to sixth generation T&T PIO's. Six documents were signed to strengthen relations in medicine, energy and technological infrastructure and bilateral trade. There was some criticism of the award from sections of the Muslim community of Indian origin, citing "...Mr Modi's political legacy and its ramifications for Muslim communities globally...".

**Argentina** (4-5 July) was the first bilateral visit by an Indian PM in 57 years (Modi went to Buenos Aires for the G 20 Summit in 2018 and Narasimha Rao for the G15 Summit in 1995). Issues covered were agriculture, critical minerals, energy, trade, tourism, technology, and investment. India and Argentina established a strategic partnership a few years ago but the relationship has been mainly defined by massive imports of edible oil by India. New avenues opened up with the discovery last decade of large reserves of shale hydrocarbons and Argentina's lithium reserves.

In **Brazil** PM Modi attended the **BRICS Summit**, whose declarations on some issues were boldly enunciated and signed on by India, despite threats by President Trump to impose sanctions/tariffs on BRICS members who went along with the "Anti-American policies of BRICS". Prominent citations were the attacks on Iran's "civilian infrastructure and peaceful nuclear facilities...violation of international law (without naming US or Israel)"; Israel's aggression in Gaza; US tariff actions; EU threats to impose import restrictions based on carbon emissions; etc. The summit was followed by a bilateral visit by PM, who was very well received by President Lula. The two sides signed six documents covering energy, defence, terrorism, agriculture and digital infrastructure. Bilateral trade at \$12.2 billion in 2024-25, was down somewhat from previous years, mainly because of a fall in crude oil prices, an important Indian import. The relationship with Brazil is the most consequential for India in the region, with coincidence of political views and considerable economic complementarity. Brazil's national aircraft manufacturer, Embraer has set up a subsidiary in India where it has supplied aircraft for civilian and military clients. Brazil reportedly turned down a proposal to purchase India's Akash air defence missile in favour of an Italian system, though other deals are under consideration.

In Brazil PM Modi also met with the Presidents Luis Arce of **Bolivia**, a state rich in minerals, especially lithium, Yamandu Orsi of **Uruguay**, which serves as an economic gateway to the region, and Miguel Díaz-Canel of **Cuba**. Discussions with all these leaders centred on India's interest in collaborating on pharma, IT and trade, including expansion of the India-MERCOSUR trade framework.