

# Characteristics and Assessment of Russian Engagement with Latin America and the Caribbean

## *Características y evaluación del compromiso de Rusia con América Latina y el Caribe*

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Resumen: El siguiente artículo analiza la participación de Rusia en América Latina y el Caribe desde la perspectiva de los intereses estratégicos de Estados Unidos. En él, inicialmente, se destacan algunas de las características más sobresalientes de dicha participación, a continuación se examina el enfoque general que se evidencia de la actitud de Rusia en su diálogo con la región, seguido de un análisis más detallado de sus actividades comerciales y militares. Se concluye postulando las condiciones en las que el rol actualmente modesto, aunque no insignificante, planteado por Rusia podría expandirse a un fenómeno de mayor preocupación para Estados Unidos y la región.

Palabras claves: Rusia – Involucramiento – Intereses estratégicos – EE.UU. – Latinoamérica – Caribe

Abstract: The following article assesses the challenge posed by Russian engagement in Latin America and the Caribbean to U.S. strategic interests in the region. It highlights some of the most salient characteristics of that challenge, then examines the general approach pursued by Russia in engaging with the region, followed by a more detailed analysis of specific Russian military and commercial activities there. It concludes by postulating conditions under which the currently modest, albeit non-trivial challenge posed by Russia could expand into a phenomenon of greater concern for the United States and the region.

Key words: Russia – Engagement – U.S. strategic interests – Latin America – Caribbean

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## Introduction

The following article assesses the challenge posed by Russian engagement in Latin America and the Caribbean to U.S. strategic interests in the region. It highlights some of the most salient characteristics of that challenge, then examines the general approach pursued by Russia in engaging with the region, followed by a more detailed analysis of specific Russian military and commercial activities there. It concludes by postulating conditions under which the currently modest, albeit non-trivial challenge posed by Russia could expand into a phenomenon of greater concern for the United States and the region.

## Framing the Russian Challenge in Latin America and the Caribbean

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Of the major extra-hemispheric actors conducting political, military, and commercial activities in Latin America and the Caribbean, Russia most openly challenges U.S. equities there. Nonetheless, when viewed over the long-term, the People's Republic of China (PRC) arguably poses the greatest danger to the U.S. strategic position in the region, indirectly but significantly undermining U.S. attempt to promote its values and its agenda of democracy, human rights and rule of law in the Western Hemisphere, and potentially challenging U.S. domestic security.

The relatively smaller long-term challenge posed by Russia in Latin America and the Caribbean, by contrast to that posed by the PRC, owes to limitations on resources available to finance and sustain major Russian initiatives in the region, particularly under the current regime of low international oil prices. Russia also has a limited number of countries in the region which it has sufficiently close relations and leverage to engage in activities that openly undercut the United States. Indeed, not even all of the regimes within the Bolivarian Alliance of the Peoples of the Americas (ALBA) have been willing to embrace Russian military deployments and base access agreements in recent years.<sup>1</sup>

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<sup>1</sup> In February 2014, for example, Russian Defense Minister Sergei Shoigu announced his interest in establishing agreements for access to ports and other facilities in Cuba, Nicaragua and Venezuela. "Russia with plans for military bases in Nicaragua, Cuba and Venezuela", *Mercopress*, February 27, 2014, <http://en.mercopress.com/2014/02/27/russia-with-plans-for-military-bases-in-nicaragua-cuba-and-venezuela>. Yet to date, only Nicaragua has signed an agreement, of very limited scope.

Similarly, Russian economic engagement with the region is focused on a limited number of sectors: arms sales, petroleum, mining, construction, nuclear technology and space,<sup>2</sup> as detailed later. Latin American businessmen and governments simply do not dream of access to Russian markets and financing in the same fashion that they do with respect to the PRC.

To understand the challenge posed by Russia to the U.S. in Latin America and the Caribbean, it is important to assess Russian activities in the region through the lens of their linkage to Russian initiatives and security challenges in other parts of the world in which Russia has an interest. The two occasions in recent years in which Russia has significantly expanded its activities in Latin America have each grown out of its perceived challenge to Russian interests in its own near abroad: in 2008, in response to rising tensions with the U.S. and NATO over Russian support to Georgian break-away republics South Ossetia and Abkhazia, and in 2014, as the U.S. and Europe similarly challenged Russia over its role in the civil war in Ukraine.

The challenge posed by Russia to the U.S. in Latin America and the Caribbean is also linked to the activities of other extra-hemispheric actors in the region, including the PRC. Commerce with, and loans from the PRC and other parties to anti-U.S. regimes such as those of ALBA increases the financial solvency of those regimes, and indirectly, their latitude to engage with Russia in ways provocative to the U.S., including Venezuela's conduct of exercises with Russian military forces in May 2015,<sup>3</sup> or Nicaragua's February 2015 agreement to receive Russian warships in its ports.<sup>4</sup>

In addition, Russian activities in Latin America and the Caribbean affect not only the United States, but also its partners in the region. Russian military support to Venezuela, Nicaragua, and Cuba, and the November 2013 violation of Colombian airspace by nuclear-capable Russian bombers,<sup>5</sup> for example, arguably created concern in the latter, which saw its lines of communication to Europe and U.S. Atlantic-coast markets through the Caribbean threatened by a ring of un-

<sup>2</sup> For a detailed exposition of Russian activities in the region country-by-country, see R. Evan Ellis, "The New Russian Engagement With Latin America: Strategic Engagement, Commerce, and Dreams of the Past", *U.S. Army War College Strategic Studies Institute*, June 2015, <http://www.strategicstudiesinstitute.army.mil/pubs/display.cfm?pubID=1275>.

<sup>3</sup> Jose Gregorio Meza, "Rusia participa en ejercicio militar defensivo de Venezuela", *Russia Beyond the Headlines*, May 15, 2015, [http://es.rbth.com/internacional/2015/03/15/rusia\\_participa\\_en\\_ejercicio\\_militar\\_defensivo\\_de\\_venezuela\\_48259](http://es.rbth.com/internacional/2015/03/15/rusia_participa_en_ejercicio_militar_defensivo_de_venezuela_48259).

<sup>4</sup> "Acuerdo entre Rusia y Nicaragua para el atraque de buques de guerra rusos en el país Centroamérica", *Defensa*, February 13, 2015, <http://www.defensa.com/frontend/defensa/acuerdo-entre-rusia-nicaragua-para-atraque-buques-guerra-rusos-vn14676-vst339>.

<sup>5</sup> "Colombia Protests Violation of Airspace by Russian Bombers", *The Moscow Times*, November 7, 2013, <http://www.themoscowtimes.com/news/article/colombia-protests-violation-of-airspace-by-russian-bombers/489062.html>.

predictable, Russia-allied states. Similarly, Russia's announcement in 2014 that it was considering long range patrol flights into the Gulf of Mexico,<sup>6</sup> arguably raised concern not only in the U.S., but also in Mexico, which shares the Gulf with its neighbor to the north.

Finally, although the challenge that Russia poses to the U.S. in Latin America and the Caribbean is real and significant, it has arguably suffered important strategic setbacks which must be considered in order to achieve a balanced assessment.

On one hand, Russia has lost important ground in its attempt to sell arms to the region. This includes U.S. victories in foreign military sales at the expense of Russian options, such as the sale of Blackhawk helicopters to replace Russian Mi-17s in the inventory of the Mexican Army and Navy. It also includes Russian losses to the PRC in selling arms to important clients in the region including Peru and Argentina.<sup>7</sup>

At the same time the sustained fall in international oil prices has taken away from Russia important resources required to underwrite its commercial projects, and to finance its military sales to the region, as well as to sustain Russian initiatives globally.

Finally, Russia has lost political leverage with its most important allies in the region: Venezuela, Cuba, and Argentina.

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In Venezuela, the unfolding economic and political collapse of the regime of Nicholas Maduro has thrown into doubt the future of Russia's most important arms purchaser, and the Latin American partner most willing to collaborate with Russia in provocative actions against the U.S. in the region.

In Cuba, faced with the collapse of its principal economic patron, Venezuela, the Castro regime has pursued a reapproachment with the United States in which it has avoided actions excessively provocative toward the U.S. as it has sought the end to U.S. economic sanctions and renewed access to U.S. markets. As it has courted the U.S., Cuba has refrained from diplomatic positions and military cooperation with Russia that would excessively antagonize the U.S. such as the reopening of the signals intelligence facility at Lourdes.<sup>8</sup>

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<sup>6</sup> Greg Botelho and Faith Karimi, "Russia flexes muscles with long-range bomber flights near U.S. shores", *CNN*, November 13, 2014, <http://edition.cnn.com/2014/11/13/world/europe/russia-bombers-plan/index.html>.

<sup>7</sup> For more details, see R. Evan Ellis, "Russian Influence in Latin America", *The Cipher Brief*, January 5, 2016, <http://www.thecipherbrief.com/article/russian-influence-latin-america>.

<sup>8</sup> "Russia to reopen spy base in Cuba as relations with US continue to sour", *The Guardian*, July 16, 2014, <http://www.theguardian.com/world/2014/jul/16/russia-reopening-spy-base-cuba-us-relations-sour>.

Finally, in Argentina, the October 2016 election brought conservative Mauricio Macri to power, defeating Daniel Scioli, the preferred candidate of the outgoing pro-Russian government. The political change has thrown into doubt important Russian projects in the country, including sales of Russian arms, and three nuclear reactors, as well as Russia-Argentina political cooperation.

## Russia's Modus Operandi in Engaging Latin America

Russia has generally pursued four lines of effort to strengthen its ties in Latin America and the Caribbean. First, it has sought to rebuild the political relationships which served as the pillars of its position in Latin America during the Cold War, principally those with Nicaragua and Cuba. In Nicaragua, Russia leveraged the return to power of Daniel Ortega and his *Frente Sandinista de Liberación Nacional* (FSLN) in January 2007, to make Nicaragua a centerpiece of its activities in the region, including Nicaraguan support to Russian activities in Georgia, the Ukraine and Syria, as well as commercial deals and security cooperation such as the Marshal Zhukov center for military training in Managua, opened in April 2013.<sup>9</sup> Although Cuba was similarly Russia's closest ally in the region during the Cold War, Russia's efforts to rebuild its relationship with Cuba have only been partially successful due to the perception among some Cuban party officials that the nation suffered greatly following the collapse of the Soviet Union in 1991, due to the abruptness and the extent of Russia's withdraw of financial assistance. Nonetheless, Russia has managed to rebuild some of its ties with Cuba, helped by its forgiveness of \$30 billion in Cuban debt accumulated during the cold war.<sup>10</sup>

Beyond the reconstruction of Cold War networks, Russia has also sought to strengthen relationships in the region through military sales, targeting countries which purchased significant amounts of equipment from the Soviet Union. The partner with which Russia has most successfully leveraged former military sales, despite the absence of a strong Patron-Client relationship during the Cold War has been Peru. Peru acquired principally Russian equipment for its Armed Forces during the presidency of General Juan Velasco Alvarado from 1968-1975, and continued

<sup>9</sup> "Russian Military Chief Arrives in Nicaragua to Develop Ties", *Sputnik News*, April 21, 2013, <http://sputniknews.com/russia/20130421/180765330/Russian-Military-Chief-Arrives-in-Nicaragua-to-Develop-Ties.html#ixzz42SGX2dfS>.

<sup>10</sup> Andrey Ostroukh and José de Córdoba, "Russia Writes Off Cuba Debt", *The Wall Street Journal*, July 12, 2014, <http://www.wsj.com/articles/russia-writes-off-cuba-debt-1405083869>.

to buy Russian equipment during the presidency of Alberto Fujimori, including the purchase of 12 Mig-29 fighters as late as 1997.<sup>11</sup> Correspondingly, when Peru sought to modernize and upgrade its arsenal, and buy new equipment, Russia's arms export agency Rosboronexport marketed itself as the logical supplier.

Particularly in the Southern Cone, Russia has also courted Latin American countries by purchasing their commodities. The most prominent examples are Argentina and Uruguay, from which Russia has imported significant quantities of beef.<sup>12</sup>

Finally, Russia has also sought to exploit the desire of some countries of the region to escape from dependence on the U.S. and western institutions such as the World Bank and the International Monetary Fund. Principal examples include Venezuela, which turned to Russia as an arms supplier in July 2006 when the United States refused to sell it spares for its U.S.-built F-16 fighters,<sup>13</sup> and Argentina, which, isolated from international creditors over its 2001 debt default, embraced both Russia and China as a source of investment, technology projects, and political support on issues such as its claim over the Falkland Islands (*Islas Malvinas*).<sup>14</sup>

With respect to style, the Russian approach to Latin America contrasts with the other principal extra-hemispheric actor engaging with the region, the PRC. Russia is far less apologetic than China in engaging the region, seeing itself not as intruding in the region, but having a legitimate presence there, dating to the cold war.

As Russia has engaged with the region, it has also maintained a complex strategic communication posture, featuring deliberate mixed messages. When, for example, Russia sent T-160 Backfire bombers to the region in 2008 to remind the United States that it could deploy nuclear-capable weapons into its backyard,<sup>15</sup> it was careful to remind the United States that those bombers were not actually carrying nuclear weapons. Similarly, in 2014, during the escalation of tension with the U.S. and Europe over the conflict in the Ukraine, Russian government officials mentioned Russian interest in re-opening the cold-war era signals intelligence facility at

<sup>11</sup> Calvin Sims, "Peru's Cut-Rate Fighter Jets Were Too Good to Be True", *The New York Times*, May 31, 1997, <http://www.nytimes.com/1997/05/31/world/peru-s-cut-rate-fighter-jets-were-too-good-to-be-true.html>.

<sup>12</sup> Víctor Kuzmín, "La carne argentina vuelve al mercado ruso", *Russia Beyond the Headlines*, October 8, 2013, [http://es.rbth.com/internacional/2013/10/08/la\\_carne\\_argentina\\_vuelve\\_al\\_mercado\\_ruso\\_33047](http://es.rbth.com/internacional/2013/10/08/la_carne_argentina_vuelve_al_mercado_ruso_33047).

<sup>13</sup> "Venezuela comprará aviones Sukhoi-30 por \$1.000 millones", *El Universal*, July 21, 2006, [http://www.eluniversal.com/2006/07/21/pol\\_art\\_21106D](http://www.eluniversal.com/2006/07/21/pol_art_21106D).

<sup>14</sup> "Putin's Russia supports Argentina's Falklands claim", *Mercopress*, December 11, 2008, <http://en.mercopress.com/2008/12/11/putin-s-russia-supports-argentina-s-falklands-claim>.

<sup>15</sup> "Russian Tu-160 Strategic Bombers Land in Venezuela", *Sputnik News*, October 29, 2013, <http://sputniknews.com/military/20131029/184402932/Russian-Tu-160-Strategic-Bombers-Land-in-Venezuela.html>.

Lourdes, Cuba, and negotiating base access agreements throughout the Caribbean basin. Yet Russian President Vladimir Putin seemingly contradicted his own personnel, declaring that Russia had no intention of re-opening Lourdes.<sup>16</sup>

## Russian Military Engagement in Latin America

Military sales and counterdrug cooperation has been the principal vehicle for Russian engagement in Latin America and the Caribbean during the contemporary period, although it has pursued commercial projects in the region as well.

Since its re-engagement with the region in 2008, Russia's principal military partners in the region have been Venezuela, Peru and Brazil, although it has also maintained important relationships with Nicaragua, Argentina and Mexico, among others. Russia's principal military export product to the region has been helicopters, with more than 400 currently in service in Latin America and the Caribbean,<sup>17</sup> of which, an estimated 320 are transport helicopters of the families Mi-8/Mi-17.

Venezuela has been the principal purchaser of Russian military equipment in the region, accounting for \$11 billion of the \$14.5 billion in sales to the region by the Russian arms export agency Rosboronexport, between 2001 and 2013.<sup>18</sup> As noted previously, Venezuela turned to Russia beginning in 2006, purchasing military rifles, helicopters, and Su-30 fighter aircraft, although since the original sales, Russia has gone on to supply Venezuela with a broad range of equipment from T-72 tanks to BMP-3 and BTR-80 armored personnel carriers, to self-propelled rocket launch systems, and coastal defense missiles, among other items.<sup>19</sup> Venezuela has, however, had difficulties with Russian aftermarket support for the equipment provided, including the supply of spare parts for the engines of Su-30 fighters previously sold by Russia, leading to the temporary grounding of the Venezuelan Su-30 fleet.

In addition, in recent years, however, Venezuela has also made important acquisitions of Chinese military equipment, including K-8 and L-15 fighters, and VN-1

<sup>16</sup> "Putin denies reopening of US-targeting listening post in Cuba", *Russia Today*, July 16, 2014, <https://www.rt.com/news/173092-russia-sigint-facility-cuba/>.

<sup>17</sup> Claudio Agostini, "Russian Helicopters Continues Latin Expansion", *Rotor & Wing*, June 6, 2012, [http://www.aviationtoday.com/rw/topstories/Russian-Helicopters-Continues-Latin-Expansion\\_76497.html#.VuDGAY-cHtQ](http://www.aviationtoday.com/rw/topstories/Russian-Helicopters-Continues-Latin-Expansion_76497.html#.VuDGAY-cHtQ).

<sup>18</sup> Estimate of total arms imports by Latin America derived from SIPRI figures, adjusting for inflation.

<sup>19</sup> "Venezuela es el cuarto cliente mundial de la industria militar rusa", *Infodefensa*, December 21, 2012, <http://www.infodefensa.com/latam/2012/12/21/noticia-venezuela-es-el-cuarto-cliente-mundial-de-la-industria-militar-rusa.html>.

armored personnel carriers,<sup>20</sup> leading to comparisons unfavorable to Russia regarding the perceived good quality of the electronics package and maintenance support for its military goods. Indeed, Russia's offer, in 2015, to sell Venezuela 12 additional Su-30 fighters in a deal valued at \$480 million,<sup>21</sup> at a time in which the Venezuelan economy was in a state of crisis, and the Russian ability to finance the deal was limited due to low international petroleum prices, may be attributed to Russian concerns over losing its market share in military sales to the Chinese.

Beyond Venezuela, Russia has also sold significant quantities of military goods to Peru. Building on the preponderance of Russian equipment in the Peruvian Armed Forces since the era of General Velasco (1968-75), in 2008, Russia won an important contract for the maintenance and upgrade of Peru's Mig-29s,<sup>22</sup> and in 2010 Rosboronexport sold 6 Mi-17 transport helicopters and 2 Mi-35 attack helicopters to Peru in support of operations against the Sendero Luminoso terrorist organization and narcotrafficking in the Apurimac, Ene, and Mantaro river valleys (VRAE-M). Building on the successful sale, in 2013, Rosboronexport sold Peru an additional 24 Mi-17 helicopters, accompanied by the establishment of a maintenance center in the Peruvian city of Arequipa.<sup>23</sup>

As in Venezuela, however, Russia has lost ground in recent years to the PRC with respect to arms sales, including an important victory by the PRC in a contract replacing Peru's aging BM-21 artillery system with Chinese-built Type 90B truck-mounted multiple launch rocket system, beating out the Russian system SMERCH.<sup>24</sup>

Brazil has arguably been Russia's greatest hope, because of the size of its armed forces and economy, and thus its potential as a market. Yet Brazil has also arguably

<sup>20</sup> R. Evan Ellis, "Should U.S. be worried about Chinese arms sales in the region?" *Latin America Goes Global*, May 11, 2015, <http://latinamericagoesglobal.org/2015/05/should-u-s-be-worried-about-chinese-arms-sales-in-the-region/>.

<sup>21</sup> "Venezuela seeking an additional 12 Sukhoi fighter jets from Russia", *Mercopress*, October 31, 2015, <http://en.mercopress.com/2015/10/31/venezuela-seeking-an-additional-12-sukhoi-fighter-jets-from-russia>.

<sup>22</sup> "Fuerza Aérea Del Perú Firma Contrato Para Reparar MIG29", *Zona Militar*, August 12, 2008, <http://www.zona-militar.com/foros/threads/fuerza-a%C3%A9ra-del-per%C3%BA-firma-contrato-para-reparar-mig29.13317/>. See also "RAC MiG upgraded MiG-29 fighters of Peruvian air forces", *Russia Aviation*, August 22, 2012, <http://www.ruaviation.com/news/2012/8/22/1159/?h>.

<sup>23</sup> "El ministro de Defensa de Perú revisa en Moscú con su homólogo ruso los avances del contrato para el suministro de 24 Mi-171Sh-P Hip H", *Defensa*, September 4, 2014, <http://www.defensa.com/frontend/defensa/ministro-defensa-peru-revisa-moscu-homologo-ruso-avances-para-24-vn13173-vst336>.

<sup>24</sup> "Peru gets 27 China-made rocket launchers", *The Business Standard*, July 20, 2015, [http://www.business-standard.com/article/news-ians/peru-gets-27-china-made-rocket-launchers-115072100006\\_1.html](http://www.business-standard.com/article/news-ians/peru-gets-27-china-made-rocket-launchers-115072100006_1.html).



been Russia's greatest disappointment in the region with respect to such sales. In 2008, Rosboronexport sold Brazil 12 Mi-35 attack helicopters. Nonetheless, Russia was hesitant to provide its most sophisticated arms and electronics package with the helicopters, possibly out of concern that Brazil's own arms industry would incorporate such technology into its own arms, which compete with those of Russia in some markets. As a consequence, in 2011, the Mi-35 contract was not renewed.<sup>25</sup> Similarly, Russia hoped to sell its Su-35 fighter to Brazil as part of the nation's FX-2 fighter modernization program, yet the Brazilians ultimately chose to purchase the Swedish Saab JAS-39 Gripen, with the Russian Su-35 not even included among the final contenders.<sup>26</sup>

In 2015, in the context of the approaching 2016 Olympic games to be hosted by Brazil in Rio de Janeiro, Rosboronexport hoped to sell Brazil its Pantsir S-1 air defense system in a deal worth an estimated \$1 billion,<sup>27</sup> yet Brazil's deepening recession, combined with its corruption scandal, sidetracked the deal.<sup>28</sup>

Beyond Russia's three principal clients in Latin America, it has also sold its military helicopters and other equipment to a range of other actors, including Nicaragua, Argentina and Mexico.

In 2013, Russia signed an agreement with Nicaragua to support the modernization of its armed forces, eventually leading to the sale to Nicaragua of two Mi17s,<sup>29</sup> as well as aircraft, BMP-1 armored personnel carriers, BM-21 mobile rocket launchers, and PT 76 light armored vehicles.<sup>30</sup>

With respect to Argentina, Although Russia sold the government of Christina Fernandez 3 new Mi-17 helicopters,<sup>31</sup> as noted previously, larger deals involving the

<sup>25</sup> "Brasil va a recibir sus últimos MI-35 en los próximos 90 días", *Defensa*, September 23, 2014, <http://www.defensa.com/frontend/defensa/brasil-va-recibir-ultimos-35-proximos-90-dias-vn13332-vst332>.

<sup>26</sup> "La Fuerza Aérea Brasileña estudia nuevas opciones para disponer de aviones de transición hasta la llegada del Gripen NG", *Defensa*, September 15, 2014, <http://www.defensa.com/frontend/defensa/fuerza-aerea-brasilena-estudia-nuevas-opciones-para-disponer-ng-vn13263-vst332>.

<sup>27</sup> "Militares brasileños evalúan en Rusia el Pantsir-S1", *Defensa*, September 1, 2014, <http://www.defensa.com/frontend/defensa/militares-brasilenos-evaluan-rusia-pantsir-s1-vn13136-vst332>.

<sup>28</sup> Robert Dsouza, "Brazilian MoD announces Pantsir procurement delay", *Defense Talk*, May 13, 2015, <http://defencetalk.net/threads/brazilian-mod-announces-pantsir-procurement-delay.4859/>.

<sup>29</sup> "Rusia confirma el suministro a Nicaragua de dos helicópteros civiles Mi-17", *Infodefensa*, July 29, 2009, <http://www.infodefensa.com/latam/2009/07/30/noticia-rusia-confirma-el-suministro-a-nicaragua-de-dos-helicopteros-civiles-mi-17.html>.

<sup>30</sup> "Nicaragua recibe asistencia Rusia", *Defensa*, September 2, 2014, <http://www.defensa.com/frontend/defensa/nicaragua-recibe-asistencia-rusa-vn13145-vst339>.

<sup>31</sup> "Llegaron los helicópteros Mi-17 a la base argentina de la Antártida", *Defensa*, December 24, 2013, <http://www.defensa.com/frontend/defensa/llegaron-helicopteros-17-base-argentina-antartida-vn11115-vst330>.

sale of its older generation Su-24 Flanker aircraft were sidetracked by the pursuit of deals with the PRC which, although involving different equipment, ultimately competed for the same limited Argentine resources.

With respect to Mexico, although the Mexican Army and Navy purchased Russian helicopters in the 1990s and 2000s, and subsequently spent money on upgrading them and extending their service lives,<sup>32</sup> in 2015, Mexico took important decisions to replace its aging fleet of Russian helicopters with the U.S. Blackhawk.

With respect to counterdrug cooperation, Russia has made Nicaragua the focal point of its engagement with the region. It has constructed, and is currently in the process of expanding, a training center in Managua, Nicaragua, the Marshal Zhukov center,<sup>33</sup> where it provides counter narcotics training to security personnel from across the region, including states who would not otherwise engage directly with Russia in the arena of military cooperation.

More recently, Russia has also opened a second counter narcotics center in Peru, as well as sharing intelligence and coordinating operationally with Brazil, Peru, Bolivia and other states against transnational criminal organizations engaged in smuggling drugs from Latin America to Russia.

## Russian Commercial Engagement in Latin America

Beyond military activities, Russian companies are commercially active in a subset of Latin American and Caribbean countries, in a limited number of sectors, including petroleum, construction, mining, nuclear technology, and the space industry.

In the petroleum sector, the most significant activities of Russian companies are concentrated in Venezuela, where the firm Rosneft has five ongoing projects, including the Junin-6 oilfield in the Orinoco tar belt, and the joint venture Petromonogas.<sup>34</sup> The head of Rosneft, Igor Sechin, is reportedly close to Russian President Vladimir Putin and shares a background in the intelligence services with him. Rosneft has progressively acquired the stakes of other Russian companies such as Lukoil, Gazprom, TNK, and Surgutneftegas, as each has withdrawn from the

<sup>32</sup> "Marina de México recibirá tres helicópteros de combate rusos MI-17B-5", *Sputnik News*, November 2, 2012, <http://mundo.sputniknews.com/mundo/20121120/155626417.html#ixzz42SabjC61>

<sup>33</sup> "Russia-Nicaragua: multifaceted cooperation", *The Voice of Russia*, April 22, 2013, [http://sputniknews.com/voiceofrussia/2013\\_04\\_22/Russia-Nicaragua-multifaceted-cooperation/](http://sputniknews.com/voiceofrussia/2013_04_22/Russia-Nicaragua-multifaceted-cooperation/).

<sup>34</sup> "Russia invests \$500 million in Venezuela's Orinoco before oil hits \$200", *Pravda*, February 20, 2016, [http://www.pravdareport.com/business/companies/20-02-2016/133600-russia\\_venezuela\\_orinoco-0/#sthash.snUxWoj4.dpuf](http://www.pravdareport.com/business/companies/20-02-2016/133600-russia_venezuela_orinoco-0/#sthash.snUxWoj4.dpuf).

country in recent years due to difficulties in operating there. Most recently, despite the ongoing political crisis in Venezuela and the collapse of its economy, Rosneft paid \$500 million to the Venezuelan state oil company PdVSA to expand its share in the joint petroleum venture Petromonogas.<sup>35</sup>

Beyond Venezuela, the Russian company Lukoil committed to an oil project in Mexico in January 2014 as the country opened its oil sector to foreign investors,<sup>36</sup> while Gazprom has expressed interest in exploring for gas and developing Liquid Natural Gas (LNG) facilities in Bolivia.<sup>37</sup>

Despite such advances, however, current low international oil prices have significantly limited the resources of Russian oil companies to pursue investments in the region, and Lukoil was forced, in 2012 to sell off its operations in Colombia in order to have sufficient resources to pursue more lucrative projects in the Middle East.<sup>38</sup>

Beyond petroleum, Russia Aluminum Corporation (RUSAL) has a presence in the Caribbean basin in Guyana since 2006,<sup>39</sup> and Jamaica since 2007,<sup>40</sup> although as in the petroleum sector, its projects have been hampered by low international mineral prices. Most of Russia's operations in both Guyana and Jamaica have been closed down, and Russia is reportedly in negotiations with Chinese companies to sell its Alpart facility in Jamaica.<sup>41</sup>

In the construction sector, the Russian firm Inter RAO is involved in hydroelectric projects in Ecuador (Toachi-Pilaton)<sup>42</sup> and Argentina (Chihuido-2), financed by Russia's development bank Vnesheconombank.<sup>43</sup> Energolatina has a contract for

<sup>35</sup> "Venezuela offloads \$500m oil project stake to Rosneft", *Financial Times*, February 22, 2016, <http://www.ft.com/fastft/2016/02/22/venezuela-offloads-500m-oil-project-stake-to-rosneft/>.

<sup>36</sup> "Mexico's Pemex to Continue Cooperation With Russia", *Sputnik News*, February 24 2016, <http://sputniknews.com/business/20160224/1035243426/pemex-continue-cooperation-with-russia.html>.

<sup>37</sup> "Bolivia y Rusia negocian exploración de nuevos campos gasíferos", *América Economía*, February 18, 2016, <http://www.americaeconomia.com/negocios-industrias/bolivia-y-rusia-negocian-exploracion-de-nuevos-campos-gasiferos>.

<sup>38</sup> "Lukoil sells stake in Colombia project", *World Oil*, December 13, 2012, <http://www.worldoil.com/news/2012/12/13/lukoil-sells-stake-in-colombia-project>.

<sup>39</sup> "Bauxite Mining in Guyana", *Mbendi*, accessed February 9, 2016, <http://www.mbendi.com/indyming/baux/sa/gy/p0005.htm>.

<sup>40</sup> "Paulwell to outline solutions for bauxite plants", *Jamaica Gleaner*, April 16, 2013, <http://jamaica-gleaner.com/gleaner/20130416/business/business2.html>.

<sup>41</sup> Alpha Saunders, "Chinese want a part of Noranda too?", *Jamaica Observer*, February 15, 2016, [http://www.jamaicaobserver.com/NEWS/Chinese-want-a-part-of-Noranda-too\\_51773](http://www.jamaicaobserver.com/NEWS/Chinese-want-a-part-of-Noranda-too_51773).

<sup>42</sup> "La Inter RAO rusa pondrá en marcha en el 2015 una gran hidroeléctrica en Ecuador", *Russia Times*, November 16, 2011, <https://actualidad.rt.com/economia/view/35448-La-Inter-RAO-rusa-pondra-en-marcha-en-2015-una-gran-hidroel%C3%A9ctrica-en-Ecuador>.

<sup>43</sup> "En septiembre comenzará la construcción de la represa Chihuido I con financiación de Rusia", *Telam*, April 23, 2015, <http://www.telam.com.ar/notas/201504/102648-represa-chihuido-financiacion-rusia.html>.

hydroelectric turbines in Panama, and the Russian construction equipment firm Power Machines sells limited quantities of equipment, often in support of Russian projects, throughout the region.

With respect to nuclear energy, in March 2016, Rosatom signed a \$300 million contract with the government of Bolivia to construct a small nuclear reactor and research complex in the country,<sup>44</sup> and hopes to supply three reactors for power generation to the Atucha nuclear complex south of Buenos Aires, Argentina.<sup>45</sup>

In space services, Russia has signed contracts with various nations of the region (which) including Peru, to secure services from its GLONASS satellite constellation, the Russian equivalent of the Global Positioning System.<sup>46</sup>

## Factors Potentially Increasing the Russian Challenge in the Region

While the challenge posed by Russia to U.S. interests in Latin America and the Caribbean is serious albeit modest in character, a number of plausible developments could rapidly expand the risk that such engagement poses:

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First, an increase in international oil prices, possibly brought on by a conflict in the Middle East or the eventual success by OPEC members to limit supply,<sup>47</sup> could increase the revenue stream from Russia's petroleum exports, helping to restore its resources for financing investments, arms sales, and other initiatives in the Western Hemisphere and elsewhere in the world.

Second, escalating tension between Russia and the U.S. over its near abroad, or in other areas in which it is strongly engaged such as Syria, could motivate Russia to launch new initiatives in Latin America to distract the U.S. from engaging Russia in

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<sup>44</sup> "Bolivia y Rusia firman acuerdo para construir centro de investigación nuclear", *América Economía*, March 6, 2016, [http://www.americaeconomia.com/negocios-industrias/bolivia-y-rusia-firman-acuerdo-para-construir-centro-de-investigacion-nuclear?utm\\_source=dlvr.it&utm\\_medium=linkedincompanies](http://www.americaeconomia.com/negocios-industrias/bolivia-y-rusia-firman-acuerdo-para-construir-centro-de-investigacion-nuclear?utm_source=dlvr.it&utm_medium=linkedincompanies).

<sup>45</sup> "Rusia y Argentina podrían firmar contrato para un nuevo reactor de Atucha este año", *Sputnik News*, February 11, 2016, Lea más en <http://mundo.sputniknews.com/economia/20160211/1056647043/rusia-argentina-reactor-nuevo-nuclear.html#ixzz42Si345yn>

<sup>46</sup> See, for example, "Russia, Peru Mull Joint Use of Glonass Satellite Navigation System", *Sputnik News*, November 7, 2014, <http://sputniknews.com/business/20141107/1014506239.html#ixzz42SiYhZ9S>

<sup>47</sup> See, for example, "Venezuela says Iran and Russia support emergency meeting on oil prices: Shana", *Reuters*, February 3, 2016, <http://www.reuters.com/article/us-oil-opec-meeting-idUSKCN0VC2ME>.

those other areas, just as it did in 2008 during the Georgia civil war, and in 2014, at the outset of the civil war in the Ukraine.

Third, if Cuba loses hope that avoiding conflict with the U.S. will help it to regain access to U.S. markets, it could return to its historical disposition to collaborate with Russia against U.S. interests in the Western Hemisphere in a more aggressive fashion than it has since January 2015 when it officially began its reapproachment with the U.S.

Fourth, the government of El Salvador, whose current president Salvador Sanchez Ceren and other leaders worked closely with the Soviet Union during the Cold War, could decide to more openly embrace Russia. Reportedly, significant goodwill exists toward Russia among the current Salvadoran leadership, but to date, it has avoided overtly close ties because of El Salvador's substantial economic dependence on the U.S., including remittances from the more than 3 million Salvadorans living in the United States, U.S. aid to El Salvador under the CARS program, and the immigration status of hundreds of thousands of Salvadorans currently in the U.S. under Temporary Protected Status.

Fifth, if the Maduro regime in Venezuela fears that it is on the verge of losing power, it could more aggressively embrace Russia and China than it has to date, in order to preserve its own political future in return for Russian loans and expanded investment in sectors such as petroleum and mining.

Sixth, ALBA states Bolivia and Ecuador could embrace Russia more aggressively than they have to date. It is notable that both countries participated in Russia's wave of diplomatic and economic initiatives as it re-engaged with the region in 2008, yet neither were mentioned among those ALBA states with which Russia highlighted in 2014 as candidates for military base access agreements.<sup>48</sup>

In yet another scenario, increased tensions between China and Taiwan could lead the PRC to return to its pre-2008 practice of "checkbook diplomacy", openly supporting construction of the Nicaragua Canal in return for Nicaragua's diplomatic recognition of the PRC.

Finally, either Peru or Mexico, both of whose Armies have historically close relations to Russia with respect to both equipment and personnel contacts, could retreat from their current moderately pro-U.S. posture, to more evenly balance cooperation with the U.S. and Russia. For Peru, such change could be driven by a change in government following the nation's May 2016 presidential elections. While such a

<sup>48</sup> Patrick Goodenough, "Russia Seeks Access to Bases in Eight Countries for Its Ships and Bombers", *CNS News*, February 28, 2014, <http://www.cnsnews.com/news/article/patrick-goodenough/russia-seeks-access-bases-eight-countries-its-ships-and-bombers>.

change by Peru or Mexico might not directly threaten the United States, it would potentially undermine an important pillar of the U.S. position in the region.

## Recommendations

The good news for the U.S. with respect to Russian engagement in Latin America and the Caribbean is that, by contrast to the PRC, Russia is not currently a resource-rich competitor to the U.S. which can tempt the region with billions of dollars in loans, investments, and purchases of the region's commodity exports. Yet Russia is a skillful, determined, nuclear-armed competitor with significant knowledge of, and historical presence in the region. Moreover, absent unforeseeable changes in the U.S. political landscape, the resources and political interest on the U.S. side for responding to Russian engagement in Latin America and the Caribbean are not likely to expand either.

The U.S. must thus skillfully play a limited hand in addressing Russian engagement with the region. On the one hand, it must continue to be a reliable partner to the states of Latin America and the Caribbean, avoiding, where possible, "self-inflicted wounds", such as cutting theater security assistance to its partners during future budget crises, as the U.S. Department of Defense was forced to do in 2013.

The U.S. should also consider working more extensively in the region with extra-hemispheric partners whose strategic goals with respect to the region are compatible with its own. Candidates include India, Japan, and Korea, as well as major in-region actors such as Brazil. Each of these potential partners may provide interested countries in Latin America and the Caribbean a range of engagement opportunities in the security domain, as well as options for investment and commercial engagement that do not threaten U.S. strategic interests.

Finally, the U.S. should continuously monitor the situation in Latin America and the Caribbean for signs of the type of game-changing scenarios highlighted in the previous paragraphs, which could both require, and help create the disposition among U.S. policymakers for a better-resourced and more aggressive U.S. response.

By contrast to Russia, the U.S. is connected to Latin America with respect to its geography, families, and the interdependence of its economies. What transpires in the region will affect U.S. interests, as well as those of the region, whether or not the U.S. anticipates and effectively rises to that challenge.