



# Editorial

POLITICAL ANALYSIS AND CORPORATE SECURITY UNIT

## ANALYSIS OF THE CURRENT SITUATION

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# GLOBAL

## The economic effects of the Russian invasion of Ukraine

Worldwide energy markets were shaken by Europe's largest security crisis since the Second World War, as sanctions from the European Union and the United States to Russia, one of the world's key exporters of crude oil and liquefied natural gas (LNG) raised oil prices to almost \$140 per barrel—its highest value since 2008. This is likely to result in higher prices of food, technology, common goods, and higher inflation throughout 2022. According to Bloomberg, the US Consumer Price Index (CPI) reported the highest increase in 40 years at 7.9% and is likely to continue rising for several weeks. The 2021-2022 European Energy Crisis will certainly exacerbate, considering growing hostility between the European Union and Russia, and the suspension of the Nord Stream 2 natural gas pipeline.

Colombia will not be exempt from these disruptions, but a moderately high oil price during 2022 could benefit its economy. For one, the US embargo on Russian oil could incentivize national industries like Ecopetrol to hike and divert part of its oil output to Europe and North America. While Colombia's output capacity is nowhere near as massive as Russia's, its oil exports to the US are comparable; before the embargo, Russia supplied 7% of US oil imports, while Colombia supplied 4%.

*Is likely to result in higher prices of food, technology, common goods, and higher inflation throughout 2022*



Because of this, closer energy and trade relations between Colombia and the US are a reasonable scenario and could represent a significant economic advantage to the Colombian economy.

High oil and fuel prices could also secure additional income to oil-exporting countries, like Colombia. It is also unlikely that it will face the same gas prices as North America and Europe, as Colombia is generally self-sufficient in fossil fuels. However, it is also important to note that a deviation and increase of Colombian oil exports cannot occur immediately by any means, as this would first require new infrastructure like additional oil pipelines and storage facilities, as well as other complex logistical challenges.

China and Taiwan have also closely monitored the situation, as the standoff between Ukraine and Russia could possibly be replicated in the Taiwan Strait. (Business Insider) The People's Republic of China has established "inevitable reunification" as one of its long-term foreign policy objectives. Local political leaders wonder whether an eventual large-scale invasion like that of Ukraine could take place without the eruption of a larger conflict, as neither Taiwan or Ukraine have signed a mutual defense treaty with the United States. Due to this, it is unknown whether the United States would commit to military intervention, signaling to Beijing that an invasion of Taiwan is much more feasible now than ever.



# REGIONAL

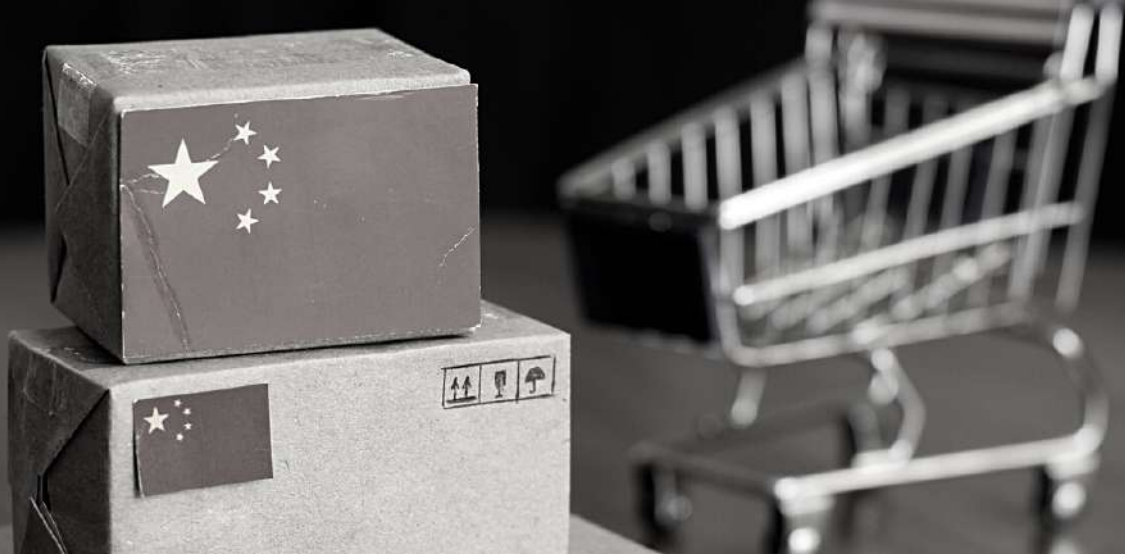
## Growing Chinese - Latin American Relations

Latin America had never forged so many economic, cultural, political, trade, and ideological ties with an Asian nation before. This trend has not stopped in 2022 and only seems to be accelerating. Although the United States has been historically dominant in the continent, Latin American countries seem to be taking pragmatic moves by forging closer ties with China only to the extent that the United States will allow it. The only country that has distanced itself completely is, for now, Venezuela.

The best example of this approachment is Argentina; it will be the first Latin American nation to operate a Chinese nuclear reactor. (South China Morning Post) Brazil and Mexico also operate nuclear reactors, but all were fabricated in the United States and Germany. This would mark a significant first step of China's growing stature in Latin American energy affairs, demonstrating that not only is it capable of producing high-quality nuclear technology, but also of exporting it to foreign governments. The Atucha III Nuclear Power Plant in Argentina is expected to cause diplomatic tensions between with the United States and the European Union.

Other countries that may possibly import Chinese nuclear reactors are Algeria, South Africa, Iran, Jordan, and Turkey. (The Diplomat) On February 2022, The Chinese National Nuclear Corporation attempted to sign a contract with British regulators to install a Chinese nuclear reactor, but due to strained relations between both governments, the contract is essentially void. (The Economist)

Latin American countries seem to be taking pragmatic moves by forging closer ties with China



Still, this event demonstrates the growing reach of Chinese energy ambitions, extending even to Western Europe. Amid the need to “decarbonize” economies and abandon fossil fuels, it is possible that low- and middle-income countries will consider nuclear energy. Because of this, it is likely that China may continue to export nuclear reactors into Latin America, establishing a stronger presence in its economic and trade affairs.

Relations between China and Central America are mostly limited to economic affairs and infrastructure investment that have contributed to closer diplomatic ties. Most recently, the establishment of the ‘One China’ Policy in Nicaragua evidenced this. On 9 December 2021, Daniel Ortega’s government announced that it would cut all ties with the Taiwanese government to only recognize the People’s Republic of China as its sole representative.

This decision is likely part of a mutual economic rapprochement strategy, as China has historically offered economic aid to other governments in exchange for refusal to maintain diplomatic relations with Taiwan. Since 2017, Panama, Dominican Republic, El Salvador and other countries have demonstrated support for the ‘One China’ Policy. This has demonstrated how the Chinese government is capable of influencing international affairs through economic incentives, with the ultimate goal of isolating Taiwan from the international system.

China is still a middle-income country, well under the United States, Japan, South Korea, Australia, the European Union, or Chile. As its economy continues to grow, further industrialization and modernization will require a higher demand of raw materials and commodities. Because Africa and Latin America could supply both, China will likely seek to establish even closer ties in both regions during the next years.

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# LOCAL

## 2022 Colombia Parliamentary Elections

On 13 March, Colombia held parliamentary elections and coalition primaries that defined the presidential election's definitive candidates. With over 99% of votes counted, the results point to a right-wing majority Senate, with only around a third of it composed by left-wing parties.

The center-wing parties, specifically the 'Green Alliance' Coalition, gained 5 additional Senate seats, despite the failure of the 'Nuevo Liberalismo' center-wing party to gain any seats. The 'Pacto Histórico' party, with the highest number of votes, celebrates a massive electoral victory, but lacks the same number of political allies that right-wing parties have. Although these lost several seats, the Senate is still right-wing majority, and left and center-wing lawmakers will need consensus before passing legislation.

Considering historical voting patterns and the expected political alliances in Colombia's new Senate, 2022-2026's Congress will either be an obstacle or advantage for the next president. Under Gustavo Petro, passing legislation will be difficult and under constant pressure from both the Chamber of Representatives and the Senate. Petro's projects are likely to face rejection even from the Liberal Party and the 'Green Alliance', suggesting that they would only be supported by the 'Comunes Party' and indigenous jurisdictions. Therefore, Petro would have to prioritize building coalitions and winning allies, even if it means aligning with Colombia's 'traditional' parties.

The inter-party presidential primaries also selected Colombia's long-awaited right-wing candidate. Federico Gutiérrez won Saturday's poll with an unexpected 54.50% vote margin. (El Espectador)

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Hours later, Oscar Iván Zuluaga resigned to his candidacy and asked his supporters to vote for Gutiérrez instead. Under 'Fico', legislation is likely to pass swiftly in a right-wing majority congress.

Gustavo Petro is expected to announce his running mate soon. An expected candidate is Francia Márquez, but considering past tensions between the two, there is a chance for Márquez's bid to be overruled. This would cause serious consequences on Petro's campaign by swaying feminist groups (and thousands of supporters) away from the front-runner towards Sergio Fajardo, threatening his victory.

Specifically, Fajardo, as the candidate of the 'Centro Esperanza' coalition, would benefit from tension within the 'Pacto Histórico' party. Considering that the center-wing coalition had significantly less support than its counterparts, it is somewhat known who Colombians will vote for. The center seems to be electorally weak, with many of its supporters possibly shifting towards the left or right-wing candidates. In fact, Fajardo won the inter-party poll with only 600.000 votes, while Francia Márquez, at second place in the 'Pacto Histórico' poll, had 700.000. Because of this, Gustavo Petro and Federico Gutiérrez may be the last two candidates in the election.

PARTY	VOTES 2018	SEATS 2018	VOTES 2022	SEATS 2022
CENTRO DEMOCRÁTICO	2.508.534	19	1.898.089	14
CAMBIO RADICAL	2.152.793	16	1.578.280	11
PARTIDO CONSERVADOR	1.930.917	14	2.164.620	16
MIRA - CJL	960.022	6	583.390	4
PARTIDO LIBERAL	1.896.283	14	2.031.264	15
PARTIDO DE LA U	1.854.349	14	1.471.869	10
COALICION ALIANZA VERDE	1.512.291	10	1.931.784	14
PACTO HISTORICO	1.045.706	7	2.278.606	16

# CONCLUSIONS:



1. The 2021-2022 European Energy crisis will likely worsen as the Russian Invasion of Ukraine continues. Higher gas, food, technology, and common goods prices, and higher inflation will remain throughout 2022. A quick solution to the Ukrainian conflict could relieve pressure on energy markets, but it would also be necessary to remove sanctions on Russia to normalize oil and natural gas trade levels. However, increasing and diverting oil exports is a difficult process that cannot occur immediately for logistical reasons. Considering the absence of US and NATO military intervention in the Russo-Ukrainian conflict, it is more likely that China is considering a large-scale invasion of Taiwan as reasonable.

2. Growing relations between China and Latin America seem to be limited to economic ties, but other issues like infrastructure and nuclear energy have certainly taken a first step. In exchange of economic aid and improved trade relations, which various Latin American countries may need after the first two years of the pandemic, China has asked several governments to withdraw all diplomatic relations with Taiwan. This shows how China can use its massive economic clout to further its internal political affairs.

3. Colombia's 2022-2026 Senate will have a center-right and right-wing majority. Considering historical voting patterns within Congress, parties like 'Centro Democrático', 'Cambio Radical', 'Partido Conservador' and 'Partido de la U' are expected to vote in unison throughout the next four years. Left-wing parties like 'Pacto Histórico', with a surprising number of 16 Senate seats, are, however, isolated from alliances with other parties. The 'Green Alliance' Coalition may support part of its legislation projects, even under a Gustavo Petro administration, although both parties have acted independently for years. It is like that the rejection or passing of legislation will ultimately depend on the approval of center-wing parties like the 'Green Alliance' or 'Liberal Party'. For this reason, Gustavo Petro as president would face massive political obstacles, under the new right-wing majority Colombian Senate

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