

## BI-WEEKLY LATIN AMERICA SNAPSHOT

March 9, 2026

On this edition, the White House launched the “**Shield of the Americas**” initiative, while **Colombia** held its legislative elections ahead of the upcoming presidential race. Also, **Mercosur** members move forward with the long-negotiated EU trade agreement, even as ratification faces legal and political headwinds in Europe. In **Argentina**, President Milei builds on a landmark labor reform to launch an expansive structural transformation agenda anchored by new investment incentives; **U.S.–Cuba** tensions rise as Washington signals potential economic engagement, and the **Dominican Republic** emerges as a prospective rare earth supplier amid intensifying global competition for critical minerals. Finally, new data highlight sharply divergent year-over-year **inflation trends across the region** as of January 2026, underscoring uneven monetary conditions and policy trajectories heading into the year.

**Top Developments**

**U.S. launches “Shield of the Americas” initiative with Latin American partners.** On March 7, President Donald Trump unveiled the “Shield of the Americas” initiative during a meeting held in Doral, Florida, bringing together leaders aligned with Washington’s security agenda, including Argentina, Bolivia, Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guyana, Honduras, Panama, Paraguay, and Trinidad and Tobago. The summit notably excluded several key regional powers, including Brazil, Colombia, and Mexico, highlighting the nature of the coalition and raising questions about its broader regional traction.

The initiative aims to establish a regional coalition to combat drug cartels, transnational gangs, and what the administration describes as foreign interference in the hemisphere, including China’s expanding presence. Framed by President Trump as a “historic transformation” in hemispheric security policy, the proposal centers on the creation of an Americas Counter-Cartel Coalition, emphasizing greater military coordination against organized crime and reflecting a shift toward treating major criminal groups as security threats comparable to terrorist organizations.

The framework also includes enhanced coordination through U.S. Homeland Security Investigations (HSI), focusing on export controls, investigations into illicit trafficking networks, collaboration with private-sector actors to prevent the diversion of sensitive technologies, and deeper operational cooperation with partner governments. Outgoing U.S. Homeland Security Secretary Kristi Noem is expected to serve as a special envoy responsible for coordinating the implementation of the initiative.

**Colombia Legislative elections reshape Congress ahead of Presidential race.** President Gustavo Petro’s ruling coalition, the “Pacto Histórico”, emerged as the largest political force in the Senate with 25 seats, expanding its representation compared to the 2022 elections but still falling short of an absolute majority. As a result, the governing bloc will likely need to build alliances with centrist parties to advance legislation.

The opposition “Centro Democrático”, associated with former president Álvaro Uribe, also strengthened its position, increasing its representation from 13 to 17 seats. With both left- and right-leaning blocs gaining ground, the new Senate is expected to remain highly polarized, with traditional parties likely to play a decisive role in shaping legislative coalitions.

The elections also marked the end of the congressional representation guaranteed to the former FARC guerrilla movement under the 2016 peace agreement. The Comunes party,

formed by former rebels, failed to secure any seats and will lose its legal status once the transitional guarantees expire in 2026.

The newly elected Congress will take office on July 20, weeks before the inauguration of the next president. The results also offer an early snapshot of the presidential race, which appears increasingly polarized. Among the leading contenders are Senator Iván Cepeda, aligned with President Gustavo Petro's left-leaning coalition, and conservative lawyer Abelardo de la Espriella, who has gained prominence with a hardline security platform. Meanwhile, Paloma Valencia of the "Centro Democrático" has strengthened her position within the right and center-right after securing more than three million votes in the interparty consultation, potentially reshaping the alignment of conservative forces ahead of the first round. Overall, the outcome suggests a competitive and polarized presidential contest likely headed toward a second-round runoff on June 21.

**Mercosur–EU trade pact gains momentum in South America.** Mercosur member states are moving forward with the ratification of the Mercosur–European Union trade agreement, marking a significant step toward implementation after more than two decades of negotiations. Argentina and Uruguay have completed parliamentary approval, while Brazil's Senate has also endorsed the agreement and Paraguay's Senate has forwarded the text to the Chamber of Deputies for final review.

The agreement would eliminate tariffs on over 90% of bilateral trade and create the largest free trade area globally, covering more than 700 million consumers and nearly 30% of global GDP. The European Centre for International Political Economy (ECIPE) estimates that between 2021 and 2025, the EU forfeited approximately €183 billion in potential exports to Mercosur, with an associated GDP impact nearing €300 billion. Negotiations faced prolonged resistance, particularly from European agricultural sectors concerned about competitive pressures and regulatory standards for South American beef, sugar, and other commodities.

Although Mercosur members are advancing domestically, the agreement faces institutional hurdles within the European Union. European Commission President Ursula von der Leyen has announced that the accord will move toward provisional application ahead of full ratification. However, the European Parliament has suspended its ratification process and referred the agreement to the European Court of Justice for a legal assessment. As a result, final parliamentary approval will remain on hold pending the Court's ruling on the agreement's compatibility with EU law. Beyond its commercial scale, the agreement carries strategic significance, offering both blocs an opportunity to deepen supply chain integration and diversify trade relationships amid heightened geopolitical and economic fragmentation.

**Milei secures labor reform and unveils ambitious structural agenda for 2026.** President Javier Milei opened Argentina's 144th ordinary session of Congress on the heels of two significant legislative wins: passage of a far-reaching labor reform and congressional approval of the Mercosur–European Union trade agreement. In his address to the Legislative Assembly, Milei positioned both measures as cornerstones of a broader economic overhaul aimed at reshaping Argentina's growth model.

Approved on February 27, the labor reform represents one of the administration's most consequential policy shifts. The legislation reduces dismissal costs, expands flexibility in working hours, introduces alternative overtime compensation schemes, and tightens parameters around strike activity and union operations. By revising decades-old labor regulations, the government seeks to lower formal hiring costs and increase labor market adaptability, despite sustained opposition from unions and segments of the political opposition.

Looking ahead, Milei outlined an ambitious 2026 agenda comprising roughly 90 structural reforms designed to redefine Argentina's institutional and regulatory framework. The proposed initiatives span tax restructuring, electoral system changes, updates to the criminal code, and reforms across education, justice, and defense. The administration plans to introduce these measures sequentially throughout the year, signaling a sustained legislative push rather than isolated policy adjustments.

A key component of the government's economic strategy is the Incentive Regime for Large Investments (RIGI), which Milei cited as a flagship initiative. He reported that projects totaling approximately US\$20 billion have been approved during its first year in force and reiterated plans to broaden the regime's tax and regulatory stability mechanisms to attract longer-term capital across strategic sectors.

**Washington signals conditional engagement amid escalating tensions with Cuba.** President Donald Trump has raised the possibility of a "friendly takeover" of Cuba, indicating that Secretary of State Marco Rubio is addressing the issue at a senior diplomatic level. In recent remarks, Trump described Cuba's economic situation as increasingly precarious, prompting speculation among policy observers in Washington that a potential economic arrangement between the United States and Havana could emerge, possibly centered on strategic sectors such as ports, energy, and tourism.

Rubio has emphasized that any sustainable stabilization of the island's economy would require expanding Cuba's limited private sector capacity, which currently lacks the scale to address the country's broader structural challenges. At the same time, the United Nations is reportedly in discussions with the U.S. government to facilitate humanitarian fuel deliveries to Cuba amid what observers describe as a de facto oil blockade that has left the island without new fuel shipments for nearly two months. The situation reflects Washington's dual-track approach, maintaining political pressure on Havana while leaving open the possibility of selective economic engagement under specific conditions.

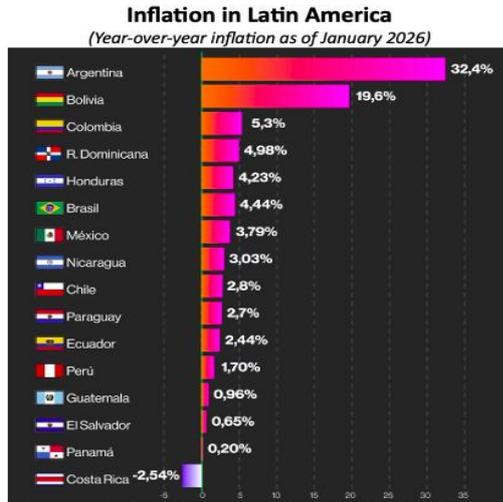
**Dominican Republic positions itself as emerging rare earth supplier.** President Luis Abinader announced that the Dominican Republic has identified substantial rare earth element deposits that could position the country as a strategic supplier of minerals critical to advanced technology and defense industries. Speaking during his annual State of the Nation address, Abinader set a target to complete geological assessments by the end of this year and certify reserves in early 2027, a prerequisite for large-scale extraction and downstream processing.

Preliminary government studies estimate gross deposits exceeding 150 million tons of rare earth-bearing material, though the commercially recoverable share remains to be determined. Abinader framed their development within a broader national strategy centered on energy transition, responsible resource management, and enhanced economic sovereignty.

Energy and Mines Minister Joel Santos emphasized that early technical assessments of the Pedernales project suggest comparatively simpler extraction processes, potentially lowering environmental impact relative to other global deposits. The administration has signaled its intention to position the country competitively within global critical minerals supply chains while maintaining environmental safeguards.

The U.S. has reportedly expressed strong interest in the Dominican reserves, underscoring the project's geopolitical relevance amid intensifying global competition over critical minerals. To further advance the initiative, the government announced the First International Rare Earth Forum of the Dominican Republic, scheduled for May 27, 2026, which is expected to convene investors, technical experts, and strategic partners.

## Key Data



Source: National statistics agencies and central banks of each country compiled by Bloomberg.

**Inflation divergence across Latin America.** Inflation trends across Latin America remain uneven at the start of 2026, highlighting divergent monetary policy paths and macroeconomic conditions. While Argentina and Bolivia are experiencing very high consumer price growth, most other major economies, including Chile, Peru, and Mexico, report more contained inflation near or within target ranges. Mid-range rates in Colombia, Brazil, and the Dominican Republic reflect ongoing price pressures that remain elevated relative to central bank goals but below crisis levels.

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