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Final Report of the Regional Meeting on recent developments in economic relations between the Russian Federation and Latin America and the Caribbean

XXXVIII Regular Meeting of the Latin American Council

Caracas, Venezuela

17 al 19 October 2012

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Final Report of the Regional Meeting on recent developments in economic relations between the Russian Federation and Latin America and the Caribbean

Extra-Regional Relations

Regional Meeting on recent developments in economic relations between the Russian Federation and Latin America and the Caribbean
Caracas, Venezuela
21 May de 2012
SP/RRLERREFRALC/IF-12

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A. RAPPORTEUR'S REPORT

1. In compliance with the Work Programme of the Permanent Secretariat of SELA for the year 2012, in particular the Project III.1. "Evaluation, promotion and diversification of extra-regional economic relations of Latin American and Caribbean countries," the *Regional meeting on recent developments in the economic relations between the Federation of Russia and Latin America and the Caribbean* was held on 21 July 2012, at SELA headquarters.

2. Delegations of the following Member States participated in the event: Argentina, Barbados, Bolivia, Brazil, Chile, Costa Rica, Cuba, Haiti, El Salvador, Honduras, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Suriname, Trinidad and Tobago, and the Bolivarian Republic of Venezuela; His Excellency Vladimir Zaemskiy, Ambassador of the Russia Federation in the Bolivarian Republic of Venezuela, presiding over a delegation of officials and businessmen of that country; the Honourable Vladimir Davydov, Director of the Institute of Latin America of the Russian Academy of Sciences; and His Excellency Ambassador José Rivera Banuet, Permanent Secretary of SELA, and officials of the Permanent Secretariat. The list of participants is included in Annex No. VIII.

3. His Excellency Jorge Alvarado Rivas, Ambassador of the Plurinational State of Bolivia in the Bolivarian Republic of Venezuela and Chairman of the Latin American Council, thanked the delegations for being elected as Chairman of the meeting.

4. Subsequently, the Chairman submitted for consideration of delegations the preliminary Agenda, which was adopted without amendments. The Agenda, the base document presented by the Permanent Secretariat and the presentations are available at www.sela.org and the list of documents is included in Annex IX.

5. At the opening ceremony, the floor was taken by the Honourable Temir Porrás Ponceleón, Vice Minister for Europe of the Ministry of Foreign Affairs of the Bolivarian Republic of Venezuela; His Excellency Jorge Alvarado Rivas, Ambassador of the Plurinational State of Bolivia and Chairman of the Latin American Council; His Excellency Vladimir Zaemskiy, Ambassador of the Russian Federation in the Bolivarian Republic of Venezuela; the Honourable Vladimir Davydov, Director of the Institute of Latin America of the Russian Academy of Sciences; and His Excellency Ambassador José Rivera Banuet, Permanent Secretary of SELA. The texts of their speeches are included in Annexes II, III, IV, and V, respectively.

a) The Honourable Temir Porrás Ponceleón greeted the members of the Bureau and delegates. He then thanked SELA for the invitation, which enabled him to elaborate on one of the most strategic relations that the Bolivarian Republic of Venezuela has developed over the past years. He added that such relationship has always had a strategic character for both Venezuela and the Russian Federation and could not be a simple theoretical resource, since relations between both countries have officially been considered of such nature since 2001, when an intensive exchange at the highest level began between both countries through the current President of the Russian Federation, Vladimir Putin, and President Hugo Chávez. He stressed that the strategic nature of this relationship is based on a political reason, which is evident in the need to build a multipolar world. He added that, for Venezuela, such need relies on the Bolivarian principles that support the decision to contribute to the "balance of the universe," as it would have been expressed by the Liberator, as opposed to any hegemonic trend of today's world. He noted that such multipolar world, to which the People's Republic of

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China has been added, is independent of the unipolar imperial trend emerged from the United States of America after the fall of the Berlin wall. Finally, he referred to the oil and financial aspect of relations between Venezuela and the Russia Federation.

b) His Excellency Ambassador Jorge Alvarado Rivas welcomed the rest of the members of the Bureau and delegates of the Member States of SELA and congratulated Mr. Temir Porrás Ponceleón for his presentation. He then stressed the relevance of the meeting and the importance of relations between the Russian Federation and Latin America and the Caribbean, making special emphasis on the benefits of such relations for the Plurinational State of Bolivia, especially in the area of hydrocarbons. He lamented the demise of the Soviet Union as an instrument of balance between nations, but at the same time hailed the emergence of a multipolar world as the hope for the return of the balance lost after the fall of the Berlin wall. Finally, he reiterated his appreciation to the Ambassador of the Russian Federation and the Director of the Institute of Latin America of the Russian Academy of Sciences for having contributed to the holding of the meeting.

c) His Excellency Ambassador Vladimir Zaemskiy welcomed the participation of the Vice Minister Temir Porrás and thanked Ambassador Rivera Banuét for the organization of the meeting. In his speech, he recalled his time in Washington as head of the Latin American section of the Embassy of his country in the United States, and pointed out that one of his projects was to promote greater rapprochement between Russia and the countries in the region. He said he is among those who advocate the development of bilateral relations in all fields, because he is convinced that Russia and Latin America and the Caribbean are partners for many reasons. He stated that this meeting could be considered a step towards the search for new prospects for relations between his country and Latin America and the Caribbean and noted the efforts that have been made in recent years in this regard. Finally, he referred to the booming relations of the Russian Federation with Venezuela and Dominican Republic.

d) The Permanent Secretary of SELA, Ambassador José Rivera Banuét, welcomed the participants and stressed that the meeting was an excellent opportunity to discuss recent developments associated with a topic of special interest, namely the relations between the countries of Latin America and the Caribbean and the Russian Federation. He recalled that this event is aimed at giving continuity to the Regional Meeting on the same topic organized by SELA and held in July 2009. He commented on the proposed objectives for the current meeting and referred to the document "[Recent developments in economic relations between the Russian Federation and Latin America and the Caribbean: Institutional and cooperation mechanisms for strengthening relations,](#)" prepared by the Permanent Secretariat as a contribution to the debates among participants. The Permanent Secretary then outlined three of the aspects of greatest relevance that, in his opinion, should be discussed during the working day: (i) A boost to the economy of Latin America and the Caribbean in the pursuit of a more dynamic international insertion in response to the persistent uncertainty about the recovery from the global financial crisis of 2008-2009; (ii) the Russian Federation is a nation with which Latin American and Caribbean countries could undertake far-reaching strategic alliances of economic character if there were the political will to do so; and (iii) at present, goods are manufactured throughout the world through value chains, which gives much more dynamism to the intermediate trade, a trend that, in his opinion, can be considered to examine strategic alliances between both sides, under whose schemes small and medium-sized enterprises (SMEs) can benefit and attract investment. Finally, he said, SELA is more than willing to contribute to the strengthening of relations between the two sides, drafting studies and regular reports and promoting regional, subregional or binational meetings to comply with these objectives.

6. Ambassador Jose Rivera Banuet and Mr. Vladimir Davidov signed an agreement to develop cooperation between the Latin American and Caribbean Economic System (SELA) and the Institute of Latin America (ILA) of the Russian Academy of Sciences in areas of common interest within their respective competence.

B. CONDUCTION OF THE MEETING

The Director of Relations for Integration and Cooperation of the Permanent Secretariat of SELA, Ambassador Carlos Bivero, presented the study prepared by the Permanent Secretariat and entitled "[Recent developments in economic relations between the Russian Federation and Latin America and the Caribbean: Institutional and cooperation mechanisms for strengthening relations.](#)"

7. At the request of the Ambassador of the Russian Federation, Mr. Ilra Visnnevetsky, on behalf of the Russian Ministry of Agriculture, took the floor to show an example of cooperation with Venezuela through a joint venture in the agricultural sector for the production of yucca-based biodegradable polymers, with an investment of US\$ 300 million and a potential for job creation. He also referred to the crops of trout as another example of technical cooperation between both sides.

8. Mr. Vladimir Davidov, Director of the Institute of Latin America (ILA), Russian Academy of Sciences, made a presentation that is included in Annex VII.

9. The Chairman read a message from the President of the Russia's National Committee for Economic Cooperation with Latin American Countries (CN CEPLA) to the participants of this meeting, highlighting a number of activities and contacts between this institution and authorities and companies in the region. The text of this message is included in Annex VIII.

10. Eng. Belkis Barnet García, official of the Cuban Ministry of Foreign Trade and Foreign Investment, spoke on "[The economic relations between the Republic of Cuba and the Russian Federation](#)".

11. Afterwards, the Chairman thanked and congratulated the speakers for their participation, which, he reported, will be available at www.sela.org, and invited the delegations of the Member States to express their opinions on this matter.

12. The Brazilian delegation thanked SELA for organizing the meeting and the representatives of the Russian Federation for their presentations, which, in their opinion, offered knowledge and some very interesting points of view on relations between Latin American and Caribbean countries and the Russian Federation. In their remarks, they stressed the need to establish a mechanism for consultation between the Russian Federation and Latin America and the Caribbean, similar to that in effect with other countries or groups of countries, and urged Mr. Vladimir Davidov to briefly expose the Russian view on three recent integration mechanisms in Latin America and the Caribbean, namely ALBA-TCP, UNASUR and CELAC, which, they said, are characterized, inter alia, by an emphasis on the political dimension. They said that although these three mechanisms relate to commercial, social and economic integration, all of them are governed by a high-level political dialogue, which defines new ways to promote integration and cooperation in the region.

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13. Mr. Davidov replied that a brief reference could be made to the Russia-MERCOSUR relationship, but little could be said of the new integration mechanisms. He referred to Russia's position in favour of a greater economic and political solidarity in the region, as a reflection of greater autonomy in the international arena and in the global economy. He reiterated that, in practice, there is nothing significant to say about his country's relations with the three aforementioned bodies and considered that a mechanism that could be used to systematize cooperation relations between Latin America and the Caribbean and the Russian Federation is the Eurasian Union, as, in his opinion, relations cannot be reduced to the bilateral field. Instead it is necessary to enter and make some headway in the field of multilateral relations. He said that when the issue of Russia's accession to the World Trade Organization (WTO) is solved, both from the ideological and practical point of view, the Russian Federation will have greater chance of making more effective contacts with the aforementioned agencies. He referred to the Andean Community as a very efficient integration mechanism, supported by CAF-Development Bank of Latin America. In this regard, he said that when trade is combined with cooperation and financial integration, things go well, and when that does not happen, things deter. Finally, he noted that his country's cooperation with economic integration schemes should follow this rule, because if it wants to cooperate with the Andean Community, it should also do so with CAF, and, in the same way, if it wants to cooperate with UNASUR, it has to cooperate with the Bank of the South, and so forth. In this regard, he highlighted the recent creation of the BRICS (Brazil, Russia, India, China and South Africa) Bank.

14. The delegation of Peru referred to the remarks by Mr. Davidov and the role of the Russian Federation in the international arena, as well as its status as a permanent member of the UN Security Council. As regards Russia's accession to the WTO, they recalled the efforts of former Ambassador of Russia in Peru, whose attempts to strengthen bilateral relations between the two countries always had as a response by the Peruvian Ministry of Foreign Trade the reminder of the need for the Russian Federation to give convincing evidence of its intention to join the WTO. Finally, they asked Mr. Davidov when this accession is likely to take place.

15. Mr. Davidov stated that another model that could be used to increase cooperation is the signing of free trade agreements (FTAS). In this regard, he said that his country is currently negotiating an agreement with Australia, but recognized that bilateral relations are useful and mentioned as an example his country's relations with Serbia and the BRICS countries. As for Russia's accession to the WTO, he said that its impact will be seen in the long term, because it involves industrial modernization and diversification of the economy, as well as some institutional obstacles. Finally, he made some considerations with respect to the prospects for trade between his country and several nations in the region, adding that a lot is to be done in this field.

16. The delegation of El Salvador thanked SELA for organizing the event and welcomed the participation of representatives of the Russian Federation. He then asked two questions to Mr. Davidov. The first one was related to the stimulus to scientific development in Latin American and Caribbean countries, and the second one focused on culture insofar as it is a great way to close relations between countries. In this connection, he asked if culture had lost importance for the Russian Federation as far as Latin America and the Caribbean is concerned.

17. Mr. Davidov said that he was prone to culture and stressed that one of the most competitive exportable goods of his nation abroad has been the Russian culture, especially during the Soviet period. However, he noted that Russian society is now affected by neoliberalism, an evil that cannot be cured so easily and prevents societies

from giving culture the importance it deserves. He added that, thanks to President Putin, the Russian State is playing its role in this field. Then, he elaborated on the economic, institutional and administrative difficulties that are slowing down the export of Russian culture to the world in general and to Latin America and the Caribbean in particular.

18. The delegation of Cuba explained the scope and mutual benefits arising from bilateral relations between their country and the Russian Federation, with particular emphasis on the cultural, scientific and technological aspects. In this regard, they shared some experiences, such as the creation of the Pushkin Chair at the University of Havana and the participation of Cuban authors in the Moscow Book Fair and the Havana Book Fair in 2010, dedicated to Russia. They also referred to the visits of the Bolshoi Ballet and the Russian Circus to Cuba. Finally, they made some comments on a number of scientific and technological projects that are currently being driven by scientists from both countries.

19. Following the completion of presentations and discussions, the Chairman requested the Permanent Secretariat to submit the draft conclusions and recommendations, agreeing on a period of ten (10) working days for the delegations of Member States to send comments to the Permanent Secretariat.

C. CONCLUSIONS AND RECOMMENDATIONS

1. The “Regional meeting on recent developments in economic relations between the Russian Federation and Latin America and the Caribbean”, held at the headquarters of SELA (Caracas, 21 May 2012), allowed for updating the follow-up of economic and cooperation relations between the Member States of SELA and the Russian Federation, as well as the possibilities for enhancing and consolidating them, in light of the impact of the global recession and the subsequent economic recovery of both regions. It was a follow-up to the meeting on the same subject held in July 2009

2. As a basis for the debates, the Permanent Secretariat submitted the document “Recent developments in economic relations between the Russian Federation and Latin America and the Caribbean: Institutional and cooperation mechanisms for strengthening relations” (SP/Di No. 14 – 11). The document offers an updated analysis of the evolution of Russia’s economy and its relations with Latin America and the Caribbean for the period 2009-2011, making special emphasis on trade, financial relations and economic cooperation, and possible modalities for action to strengthen relations. Participants in the regional meeting expressed their support to this timely contribution to the analysis of this issue and the accomplishment of its goals

3. In addition to the base document, significant contributions were made to the debates during the regional meeting by the Institute of Latin America of the Russian Academy of Sciences, and by the high-level representatives of the Member States of SELA, whose experiences and views, both at the inter-governmental and commercial levels, provided an input for discussions with a broad scope, a constructive sense and emphasis on operations.

4. The debates focused on the following issues:

a) Thanks to the public policies implemented by its government, the Russian Federation has managed to successfully overcome the international economic crisis and the severe impact it had on the country until mid-2009. In general, all sectors of the Russian economy were affected, with a substantial impact on macroeconomic and sectoral indicators,

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employment and social welfare. However, fiscal savings accumulated during the run-up to the crisis enabled the government to implement counter-cyclic policies for fiscal stimulus and social stability, whose positive effects led to a recovery by the end of 2009. GDP growth rates rebounded in 2010 and have remained positive to date.

b) The plans of the Russian Federation for productive modernization and gradual fiscal rebalancing, as well as greater openness to the international economy, as evidenced by the country's accession to the World Trade Organization, will consolidate these positive trends and will strengthen Russia's position as one of the largest economies at the global level.

c) Russia's foreign trade flows reveal that in the context of its foreign trade relations, despite the trend towards positive exchanges experienced before the crisis, Latin American and Caribbean exchanges continue to have a very low percentage share which is not in line with the region's potential. Such exchanges, with surplus in favour of the region, were not immune to the crisis so that the recovery of growth and diversification, given the structure of the foreign trade of the parties and the relative weight of a small number of countries in the same region, were recognized as goals to be pursued by both parties.

d) Similarly, participants considered that reciprocal direct investment flows between the Russian Federation and Latin America and the Caribbean also suffered the impact of the crisis, and in some cases even experienced setbacks. Such flows are thought not to reflect existing possibilities despite the fact that important joint projects are being carried out in various countries of the region with Russian capital investments and technology in areas such as hydrocarbons, electricity, mining, construction, metal processing and transport, and in spite of the presence of some Latin American enterprises in the Russian market. For this reason, it would be advisable to make efforts to identify and overcome the obstacles that might inhibit such investments and to promote their expansion.

e) The importance of mutual cooperation in pursuing the goal of expanding and diversifying economic relations between Latin America and the Caribbean and the Russian Federation was confirmed. The recent and very positive experiences in this area are based on commitments at the highest political level, which in turn result from foreign policy guidelines that have included mutual relations among the international priorities of both SELA Member States and the Russian Federation, within a context of pragmatism and mutual interest.

f) The meeting provided a unique opportunity to review the experiences of SELA Member States in their cooperation relations with the Russian Federation, their current status and their operational modalities. It was also a valuable opportunity to learn about Russia's perspectives on these issues.

g) Both the national experiences documented in the report prepared by the Permanent Secretariat and those discussed by the representatives and experts of Member States reflect the significance for relations, regardless of the level these may have reached, of the political will that underpins them, of the similarity of approaches to development problems and international cooperation, and of the institutional framework in which they are developed. In this connection, the participants in the meeting noted with satisfaction the priority and strategic nature in the long term that cooperation relations with Latin American and Caribbean countries have for the Russian Federation.

h) The main factors contributing to better relations include: direct high-level contacts, the inter-governmental commissions for economic, trade, scientific and technological cooperation, the business committees or councils, and the chambers of commerce. Participants made special emphasis on the important role, in terms of coordination and promotion, played in the Russian Federation by the National Committee for Economic Cooperation with Latin American Countries (CN CEPLA).

i) Aside from institutional factors, participants also underscored the importance of considering all other factors that may enhance the stability and legal security of relations, as the basis for promoting and consolidating economic exchanges and cooperation links. Participants considered that, in this regard, the accession of the Russian Federation to the WTO will have a positive effect.

RECOMMENDATIONS

During the debates, the Regional Meeting highlighted the tremendous opportunities provided by the creation of the Community of Latin American and Caribbean countries (CELAC) for strengthening and projecting regional unity and solidarity in Latin America and the Caribbean. Established on the occasion of the Summit of Caracas, held in December 2011, CELAC sets guidelines to be taken into consideration in pursuing regional interests and international cooperation efforts, including those that may be undertaken with the Russian Federation.

In considering possible areas for analysis and monitoring in which the Permanent Secretariat of SELA could contribute to foster relations between Latin America and the Caribbean and the Russia Federation, participants mentioned areas such as: investments, technology transfer, information and communications technologies, SMEs, databases, trade facilitation, institutional mechanisms to support cooperation and economic relations, promote synergies, and analyze the progress of regional relations. In this connection, a request was made to submit a specific proposal to the Latin American Council taking into account the results of this meeting and Decisions 521 and 527.

The Regional Meeting took note with satisfaction of the signing of the cooperation agreement between the Permanent Secretariat of SELA and the Institute of Latin America (ILA) of the Russian Academy of Sciences, and expressed its confidence that it will contribute in meaningful and practical ways to foster the study of relations between Latin America and the Caribbean and the Russian Federation, and to the development and formulation of proposals to enhance such relations.

CLOSING SESSION

Ambassador Rivera Banuet took the floor to thank the delegations of Member States for their participation and expressions of appreciation for the work of the Permanent Secretariat. He highlighted the discussions, which he described as timely and useful for SELA to go deeper into the treatment of this matter. He also thanked Ambassador Zaemskiy and Mr. Davidoff for their presence and participation, which, he said, demonstrated the interest of the Russian Federation in expanding and strengthening trade and relations with Latin America and the Caribbean.

Finally, the Chairman thanked the participants for their contributions and the Permanent Secretariat for the organization and support during the event, declaring the meeting adjourned.

Agenda

I. BACKGROUND

The Permanent Secretariat carried out a series of regional meetings from 20 to 22 July 2009 to analyze economic relations between Latin America and the Caribbean and the People's Republic of China, the Republic of India and the Russian Federation.

At that time, as set forth in the conclusions and recommendations of those meetings, a weakening of economic and commercial ties was anticipated in the short term as a result of the international economic crisis, but at the same time emphasis was made on the high potential of economic relations between the Russian Federation and the countries of the region.

As part of the recommendations, the delegates of the Regional Meeting to analyze economic relations with the Russian Federation recognized "the need for SELA to continue with its analyses on economic relations between the Russian Federation and Latin America and the Caribbean." In their opinion, "the Permanent Secretariat of SELA should support its Member States in their efforts to strengthen economic relations with the Russian Federation, by convening meetings for discussion among Latin American and Caribbean governments as regards the advantages and potentials to expand economic relations with that Euro-Asian nation."¹

In compliance with those recommendations, the Permanent Secretariat prepared, in August 2011, the document "Recent developments in economic relations between the Russian Federation and Latin America and the Caribbean: Institutional and cooperation mechanisms for strengthening relations," which contains a number of suggestions regarding the various options of the countries in the region to strengthen their economic relations with the Russian Federation.

As a follow-up to this important issue for the region, the Permanent Secretariat convened the Regional Meeting on recent developments in economic relations between the Russian Federation and Latin America and the Caribbean, to be held on 21 and 22 May 2012 at the headquarters of the Permanent Secretariat.

II. OBJECTIVES

1. Analyze current status and short and medium-term prospects for economic relations between Latin America and the Caribbean and the Russian Federation.
2. Encourage discussion and exchange of information and experiences among SELA Member States with respect to their economic relations with the Russian Federation.
3. Consider possible actions to strengthen commercial, financial and cooperation relations between the member countries of SELA and the Russian Federation.

¹ Conclusions and Recommendations of the Regional Meeting to analyze economic relations between Latin America and the Caribbean and the Russian Federation (*SP/RRREE-CHINA-INDIA-RUSIA-ALC/CR N° 3-09*)

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Monday, 21 May 2012**Morning**

8:30 am – 9:00 am Registration

9:00 am – 10:00 am **Opening session**

- Speech by His Excellency Temir Porrás Ponceleón, People's Vice Minister of Foreign Affairs for Europe of the Bolivarian Republic of Venezuela
- Speech by His Excellency Jorge Alvarado Rivas, Ambassador of the Plurinational State of Bolivia and Chairman of the Latin American Council
- Speech by His Excellency Vladimir Zaemskiy, Ambassador of the Russian Federation in Venezuela
- Speech by Ambassador José Rivera Banuet, Permanent Secretary of SELA

Signing of Cooperation Agreement between SELA and the Institute of Latin America, Russian Academy of Sciences10:00 am – 10:15 am **Coffee break****First working session:** **Recent developments in economic relations between the Russian Federation and Latin America and the Caribbean****Presiding:** His Excellency Jorge Alvarado Rivas, Ambassador of the Plurinational State of Bolivia and Chairman of the Latin American Council10:15 am – 11:00 am Presentation of the document *“Recent developments in economic relations between the Russian Federation and Latin America and the Caribbean: Institutional and cooperation mechanisms for strengthening relations”*

- Ambassador Carlos Bivero, Director of Relations for Integration and Cooperation of the Permanent Secretariat of SELA

11:00 am – 11:45 am The Russian Federation: Main economic characteristics and overview of its external economic relations

- Professor Dr. Vladimir Davydov, Director of the Institute of Latin America, Russian Academy of Sciences
- Belkis Barnet, official of the Cuban Ministry of Foreign Trade and Foreign Investment
- Ilra Visnnevetsky, Ministry of Agriculture of the Russian Federation

11:45 m – 1:00 pm Debate

1:00 pm – 1:30 pm Conclusions and recommendations

1:30 pm – 1:45 pm **Closing session**

- Speech by Ambassador José Rivera Banuet, Permanent Secretary of SELA
- Speech by His Excellency Jorge Alvarado Rivas, Ambassador of the Plurinational State of Bolivia and Chairman of the Latin American Council

**Speech by His Excellency Temir Porrás Ponceleón,
People's Vice Minister of Foreign Affairs for Europe
of the Bolivarian Republic of Venezuela**

Your Excellency Jorge Alvarado, Ambassador of the Plurinational State of Bolivia and Chairman of the Latin American Council;

Your Excellency, Ambassador José Rivera Banuet, Permanent Secretary of SELA;

Your Excellency Vladimir Zaemskiy, Ambassador of the Russian Federation;

Your Excellency Carlos Bivero, Director of Relations for Integration and Cooperation;

Honourable Vladimir Davydov, Director of the Institute of Latin American Studies of the Russian Academy of Sciences;

Ambassadors and friends:

I would like to thank SELA for this invitation to delve deeper into the issue of the strategic relations between the Bolivarian Republic of Venezuela – which I have the honour to represent – and the Russian Federation over the last few years. Both Venezuela and the Russian Federation have considered our friendly relations to be strategic, not only rhetorically, but officially since 2001, when the President of the Russian Federation, Vladimir Putin, and Venezuelan President Hugo Chávez decided to heighten relations between the two countries.

Conceptually, Venezuela – as an example of the development of relations with Latin America and the Caribbean as a whole – maintains such strategic relation with the Russian Federation due to political reasons and decisions, which I might deal with later on. However, such political decision has led to a very important economic relation.

Perhaps the central element of this strategic relation is the need to build a multipolar world, which is a notion shared by Venezuela and many of the geopolitically independent Latin American and Caribbean governments. In the case of Venezuela, this notion of multipolarity is strongly rooted in the Bolivarian conception of external relations, which is one of the fundamental pillars of Venezuela's foreign policy. Here I am referring to the Bolivarian notion of achieving a universal balance, as defined by Liberator Simón Bolívar in the 19th century. As we see it, that is the origin – or the nineteenth-century expression – of what is known today from a more contemporary point of view as the need to build a pluripolar, multipolar or polycentric world.

Such need to build a multipolar world is one of the major foreign policy concerns of our government and our President, as evidenced by the attempt to establish strategic relations with one of the emerging or rather re-emerging powers of the world. Of course, the Russian Federation has traditionally played a prominent geopolitical role at the global level. However, in Venezuela's opinion, such role might have been overshadowed after the fall of the Berlin Wall and the collapse of Socialist countries, but the country has re-emerged as a power over the last ten years.

A logical inference from the aforementioned notion is the goal of achieving a Latin American and Caribbean union. And this issue is of particular interest to SELA.

For a country such as Venezuela, which seeks to establish a Latin American and Caribbean union – that is, to create a power bloc in Latin America and the Caribbean in line with the Bolivarian notion of pursuing a universal balance – there arises the need to maintain relations with other power blocs in the world. Without a doubt, the Russian

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Federation is one of those blocs and offers an independent alternative to the unipolar imperial dominance exerted by the United States over the Americas after the fall of the Berlin Wall.

Within this context, the need for pluripolar relations is quite clear. Moreover, Venezuela also seeks similar relations with the People's Republic of China, which together with the Russian Federation can contribute to the efforts towards a multipolar world, which from our point of view, is already a tangible reality. And I am sure that the Ambassador of Brazil would agree with my opinion that at the regional level there's also a need to work towards close links with the Federative Republic of Brazil since it is another large power pole.

I would like to point out that these efforts have gone beyond a purely conceptual expression. The idea is not to simply declare that Venezuela has a strategic relation with one of the major blocs of this multipolar world, which has resulted in a diversity of economic links, but to actually build a power bloc, because the unipolar or imperial hegemony can only be confronted through the establishment of an alternative power bloc. In other words, that reality cannot be reversed only by declaring the intention not to submit to the dictates of a hegemonic power. It is necessary to construct a real power, for instance, by establishing relations in the area of energy, which is one of the fundamental objectives that both governments are pursuing.

This has led to a close relation with the Russian Federation, which can be considered as one of the major oil producers in the world, if not the largest one, because the Russian Federation produces as much or even more oil than Saudi Arabia, and this fact is sometimes overlooked. Moreover, it has been an oil producer for a longer time and it uses its own capacities. I had the privilege of visiting some of the former Soviet republics, which have a lot of experience producing oil and I found out that perhaps it was there where the oil extraction process was industrialized for the first time. They possess vast knowledge about the management of that industry, which is not the case, of course, of other large producers that depend on transnational companies to extract their crude. That is not the case of the Russian Federation. Consequently, for us it is essential to establish a strategic relation with it in the energy sector, particularly, in the oil industry.

This relation has resulted in a number of agreements and formal exchanges of all kinds, specifically with Russian consortiums and companies for the development and exploitation of the Orinoco Oil Belt and the establishment of a joint venture called PETROMIRANDA in block Junin 6 of the Belt, which is now in full swing and is expected to produce up to 450,000 barrels per day in the near future. Investments and joint work are already underway.

Furthermore, if we are to build a counter-hegemonic power, we cannot overlook the financial area. Venezuela and the Russian Federation have also strived to forge the appropriate financial tools for their strategic relation. In this regard, in a joint effort a year ago, we created a Russian-Venezuelan bank with the support of a Russian financial institution. It has already started operations by promoting development projects in the Orinoco Oil Belt and providing financial instruments and intermediation to foster bi-national trade. By the way, a few days ago, for the first time in history, Venezuela began to export a non-traditional product such as cut flowers to Russian markets, after creating a joint venture for production and marketing of flowers. Of course, the existence of a Russian-Venezuelan Bank contributed to facilitate such exports.

We have also considered the need to foster cooperation in the areas of security and defence, which are quite important for Venezuela. Once again, this evidences the emergence of a pluripolar world and our efforts to develop relations with the Russian Federation at all levels. In this specific case – as widely known – the main reason why Venezuela started to work closely with the Russian Federation in the areas of security and defence was the refusal of the U.S. government to provide spare parts for our AC-130 cargo planes and F-16 Fighting Falcons, breaching contracts with Venezuela. In the wake of such unilateral breach by the U.S. government, our country was forced to look for solutions. Thus, it is clear that Venezuela needs to promote the pursuit of a pluripolar world and, specifically, establish relations in the area of defence with such a recognized power as the Russian Federation. This entails a geo-political and economic dimension that has boosted economic and trade exchanges between the two countries.

Although I only mentioned three areas, I must reiterate that Venezuela is interested in deepening and expanding relations with the Russian Federation in many other fields. As widely known, the structure of the new government headed by Russian Prime Minister Dmitry Medvedev was announced this morning, thus strengthening the role of the Russian Federation at the global level. In this connection, we are confident that it will continue to deepen bilateral relations, as well as economic and trade exchanges and relations with all of Latin America and the Caribbean. It is evident that recent achievements towards a Latin American and Caribbean union will strengthen the construction of a pluripolar world, enhancing our vision and making it possible to overcome traditional relations with the major power blocs in the world.

Thank you very much.

A N N E X I I I

Speech by His Excellency Jorge Alvarado Rivas, Ambassador of the Plurinational State of Bolivia and Chairman of the Latin American Council

Honourable Temir Porrás Ponceleón, Vice Minister of Foreign Affairs for Europe of the Bolivarian Republic of Venezuela;

Your Excellency, Ambassador José Rivera Banuet, Permanent Secretary of SELA;

Your Excellency Vladimir Zaemskiy, Ambassador of the Russian Federation;

Honourable Vladimir Davydov, Director of the Institute of Latin American Studies of the Russian Academy of Sciences;

Ambassador and friends:

This meeting is intended to comply with an activity that we planned last year to analyze the relations of Latin American and Caribbean countries with the Russian Federation. For its part, Bolivia established relations in April 1945 with the erstwhile Soviet Union, as World War II was coming to an end. A few days ago, we recalled that global human catastrophe and the contribution of the Soviet Union to live in peace at present. As usual among States, relations between Bolivia and the Soviet Union have had their ups and downs. Relations blossomed in the 1970s as regards research in the Bolivian hydrocarbons industry, particularly in the Altiplano. We welcomed experts in the area of hydrocarbons from the Soviet Academy of Sciences, and in the mining area a mineral enrichment plant was installed with export capacity. With the unfortunate collapse of the Soviet Union, which represented a counterbalance to the other power, we entered a period in which there have been military interventions in various countries against the backdrop of a broken balance of powers. But fortunately other powers have now emerged, such as the Russian Federation, which guarantee multipolarity as part of the balance that should exist in global relations.

In this new period of changes that we are living in Bolivia, trade relations with the Russian Federation have intensified. In 2005, trade exchanges barely amounted to US\$ 3 million, and by 2011 they increased US\$ 13 million. These figures might not seem to be very high, but they do indicate that we are already strengthening relations with Russia, and it particularly important that the trade balance has been favourable for Bolivia, with nearly US\$5 million out of those US\$ 13 million.

Once again, Bolivia has signed a series of agreements with the Russian Federation, which we hope to materialize. Specifically, in 2009 exchange agreements in the electoral area were signed by the National Electoral Court of Bolivia and the Central Electoral Commission of the Russian Federation. Also, during the visit made to Moscow by President Evo Morales in 2009 another agreement of the utmost importance for Bolivia on military-technical cooperation was signed.

Also noteworthy is an agreement in a very sensitive area for the whole world and particularly for Bolivia, namely: the fight against the scourge of drug trafficking. In addition, Bolivia received assistance from the Russian Federation during the floods resulting from climate change that led to a natural disaster, as the country makes stride towards the implementation of disaster prevention mechanisms.

In the area of energy, within the framework of relations between oil-producing countries, we have signed agreements with GAZPROM with a new conception. President Evo Morales has always said that "we want partners not bosses", because in Bolivia, at least

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until 2006, transnational corporations had control over our oil resources and reserves. But now, we have agreements with Petroleos de Venezuela, for instance, with profit margins of 60% for Bolivia 40% for PDVSA. With GAZPROM we have signed a similar agreement, according to which the Bolivian State controls the whole productive operation, but maintains partnership relations with State-owned enterprises of other countries.

Along with GAZPROM, we have started exploration works in Bolivia, which is an activity that most of transnational corporations avoid as they rather focus on the area of production, because the exploration area entails higher risks and investments. For this reason, they prefer a safer bet: exploitation. However, with GAZPROM we are actually making investments in the area of exploration for new oil deposits in order to increase our reserves.

We believe that this meeting can serve to show how relations between the countries of the region and the Russian Federation are intensifying, and we thank Ambassador Zaemskiy for his support in organizing this meeting, which I am confident will contribute to strengthen and further expand these links with Latin America and the Caribbean.

Finally, I wish to reiterate my gratitude to the Russian delegation and Dr. Davidov, who honours us with his presence, and to the Permanent Secretariat of SELA for its efficient work in organizing this important event.

Thank you very much.

**Speech by His Excellency Vladimir Zaemskiy, Ambassador
of the Russian Federation in the Bolivarian Republic of Venezuela**

Your Excellency Temir Porras Ponceleon, Vice Minister of Foreign Affairs for Europe of the Bolivarian Republic of Venezuela,

Your Excellency Jorge Alvarado Rivas, Ambassador of the Plurinational State of Bolivia and Chairman of the Latin American Council,

Your Excellency Ambassador José Rivera Banuet, Permanent Secretary of the Latin American and Caribbean Economic System (SELA),

Distinguished representatives of Member States,

Dear friends:

It is a real pleasure for me to participate at the opening ceremony of SELA's Regional Meeting on economic relations with Russia. As Ambassador of Russia in Venezuela, I consider this forum of great importance, but it has a special meaning for me personally. Twenty years ago, when I was the head of the Latin American office of the Russian Embassy in Washington, one of my work projects was to promote relations between my country and Latin American nations. I am one of those who advocate the development of bilateral relations in all fields between Russia and Latin America, because I am convinced that we are natural partners for many reasons. As a result of our efforts 20 years ago, we received the status of Permanent Observer to the OAS and we were close to joining the Inter-American Development Bank. So, for me today's meeting could be considered a step towards the search for new prospects for our relations.

It is widely recognized that in the past 20 years, which represent the period of existence of the modern Russia after the dissolution of the Soviet Union, the links between my country and Latin America have multiplied. We currently maintain diplomatic relations with all the independent States of the region, and that is natural since Russia is a world power that has global interests. Another fact that I would like to emphasize is that in the past five years, from 2006 to 2011, bilateral trade has more than doubled from US\$ 7.6 to 17.1 billion. Of course, we welcome this trend, but we cannot be satisfied with these volumes. I believe that we should be more innovative to find new possibilities for economic and trade ties.

My brief speech would not be complete if I do not mention my current main task, which is the development of ties between Russia and Venezuela. In this regard, Caracas is undoubtedly the absolute champion of relations with Moscow. From the moment I arrived in Caracas in September 2009, I have always been convinced that it is important not only to continue carrying out the existing projects, for example in the field of oil, but also to strive to diversify areas of cooperation. Fortunately it has been possible thanks to the extraordinary efforts of both parties within the framework of the official visits of Vladimir Putin to Venezuela in April 2010 and of President Hugo Chávez to Russia in October of the same year.

To support my theory, I have to say that we have established joint ventures not only in the oil industry but also in the production of flowers; and cooperation is evident not only in the military-technical field but also in the heavy-duty truck assembly facilities and plans to build shipyards. I firmly believe that these trends will further expand.

Before I finish my speech, I would like to give you another example of the growing prospects for mutually beneficial relationships in my capacity as the concurrent Ambassador of Russia in the Dominican Republic. Last year, 110 thousand Russian tourists

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visited this beautiful Caribbean country, and in the high season there are up to 20 direct weekly flights between our countries. Now we are exploring the possibility of this connection to import fruits and vegetables from this country to Russia.

In two weeks, a Russian phytosanitary committee plans to travel to Santo Domingo to finalize the details of this project. It would be the start of new relations.

I do not want to take up any more of your time. I just want to express my best wishes for a successful Regional Meeting.

Thank you very much.

**Speech by Ambassador José Rivera Banuet,
Permanent Secretary of SELA**

Your Excellency Temir Porrás Ponceleón, Vice Minister of Foreign Affairs for Europe of the Bolivarian Republic of Venezuela;

Your Excellency Jorge Alvarado Rivas, Ambassador of the Plurinational State of Bolivia and Chairman of the Latin American Council;

Your Excellency Vladimir Zaemskiy, Ambassador of the Russian Federation in Venezuela;

Honourable Vladimir Davidov, Director of the Institute of Latin America of the Russian Academy of Sciences;

Distinguished Ambassadors and representatives of Member States of SELA;

Ladies and gentlemen:

It is a great pleasure to warmly welcome you to our organization headquarters to discuss a topic of special interest to Latin American and Caribbean countries, i.e., the recent developments and the prospects for economic relations between the Russian Federation and our region.

At the Regional Meeting to analyze economic relations between Latin America and the Caribbean and the Russian Federation, held in July 2009, emphasis was made on the great potential of bilateral economic relations and the desirability of monitoring these links. As a follow-up to this important issue, the Permanent Secretariat convened the current Regional Meeting, which has the following objectives:

1. Identify the current status of bilateral economic relations and their prospects.
2. Exchange information and experiences regarding those relations.
3. Analyze the possibilities of strengthening trade, financial and cooperation relations between the member countries of SELA and the Russian Federation.

As a contribution to the debates of the current event, SELA prepared the document "Recent developments in economic relations between the Russian Federation and Latin America and the Caribbean: Institutional and cooperation mechanisms for strengthening relations."

I shall highlight three aspects that I consider of significance regarding the topics to be discussed during this event.

First, it should be noted that from the 2008 global financial crisis, the uncertainty about the global economic recovery still persists and the main industrialized markets are in a situation of stagnation or weak growth. In view of this situation, Latin America and the Caribbean have driven with a new force an international economic insertion that increasingly links the region to countries and regions with favourable results, dynamism and greater potential.

The objectives expected to be achieved include the following: reach higher levels of intra-regional trade in Latin America and the Caribbean; enhance trade with the BRIC countries as well as with Asia, Africa and the Middle East.

Latin America and the Caribbean had a negative growth in 2009, recovered the following year and maintained positive rates, which on average are expected to stand at

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around 4% in the coming years. This perspective, along with the fact that it is an area of great potential for economic and social development thanks to the population and a generous endowment of natural resources, has turned the region into a partner of great interest. The diversification of external economic relations of Latin America and the Caribbean is an inescapable and complicated process, and therefore ongoing efforts must continue – with a long-term perspective – to develop and strengthen bilateral economic relations.

Secondly, the Russian Federation is a nation with which our region could undertake far-reaching strategic alliances of economic nature if there were the political will to do so. The Euro-Asian country has a population of 150 million people and a promising market, considering the important role played by internal consumption as the driving force of economic growth.

Currently, the Russian Federation has official diplomatic relations with all the countries in the region, which constitutes an appropriate framework for the development of economic, commercial, scientific and cultural cooperation. Since 2008, contacts between Russia and Latin America and the Caribbean have intensified, giving a boost to those relations in the future.

It is essential to have a greater understanding of markets, institutions and mechanisms on both sides, since this would be one of the key pieces for an expanded and deeper relationship; in this regard, we can say that we know little about each other and therefore is necessary to develop and refine existing mechanisms, or create new ones, to encourage this approach.

Third, when considering the topics of this Regional Meeting, it is important to take into consideration that methods for trading are changing and goods are manufactured around the world through value chains, which incorporate parts from many countries into the production of a good to reduce costs, with the trade of intermediate goods being precisely the most dynamic. From the total global trade in manufactured goods, half are inputs to produce other goods. This trend can be analyzed when considering strategic alliances between Russia and Latin America and the Caribbean, under whose schemes small and medium-sized enterprises can benefit and attract investments.

I am sure that the various presentations and remarks to be delivered during the work we start today will be useful and of great interest to our countries.

We at SELA are willing to contribute to the strengthening of relations between Russia and Latin America and the Caribbean, continuing with the preparation of studies and reports and encouraging regional, subregional or binational meetings that allow us to reach these objectives.

Thank you very much.

A N N E X V I

Cooperation Agreement between SELA and the Institute of Latin America (ILA),
Russian Academy of Sciences

The Latin American and Caribbean Economic System (SELA), represented in this act by its Permanent Secretary, Ambassador José Rivera Banuet, and the Institute of Latin America (ILA) of the Russian Academy of Sciences, represented by its Director, Dr. Prof. Vladimir Davidov, corresponding member of the Russian Academy of Sciences.

AGREE:

FIRST: The Latin American and Caribbean Economic System (SELA) is an international intergovernmental organization made up by Latin American and Caribbean countries, whose fundamental purpose is to promote coordination, cooperation and integration among its Member States in economic and social matters.

SECOND: The Institute of Latin America (ILA) of the Russian Academy of Sciences is a non-profit academic entity, whose fundamental purpose is to conduct research on the current development of the State and society in Latin America and the Caribbean in the economic, socio-political, international and cultural spheres.

THIRD: The objective of this agreement is to develop cooperation between the Latin American and Caribbean Economic System (SELA) and the Institute of Latin America (ILA) of the Russian Academy of Sciences in common areas of their respective competence.

FOURTH: In implementing this Agreement the Parties may cooperate in accordance with their respective legal systems, through an exchange of information, documents and publications of common interest; the participation of personnel from one Party in activities organized by the other Party; the development of joint projects, such as studies, seminars or meetings and, in general, insofar as such cooperation contributes to the accomplishment of the purposes that are common to them.

FIFTH: Those joint projects requiring budget expenses will be subject to special agreements, or whenever the legislations applicable to any of the parties may so require.

SIXTH: The Parties may draft an annex to this Agreement which would identify those activities to be conducted jointly.

SEVENTH: Each Party shall inform the other about the name and contact details of the official who will act as a link between them for the purposes of this Agreement.

EIGHTH: The parties will settle through negotiation any difference of opinion that may arise regarding the interpretation or implementation of this Agreement.

NINTH: This Agreement will have a validity of three (3) years from the date of signature, and after that period it will be renewed automatically.

TENTH: Either Party may terminate this Agreement by issuing written notice to the other Party. The notification shall have effect ninety days after its reception. The special agreements to be entered into as part of the implementation of this Agreement shall establish their own termination rules.

A N N E X V I I

Presentation by His Excellency Vladimir Davydov, Director of the Institute of Latin America (ILA), Russian Academy of Sciences: Economic Relations between the Russian Federation and Latin America, priorities and prospects

Our meeting has an excellent analytical basis: the report drafted by SELA.² I mostly agree with the analysis and the recommendations of the document, which reflect the reality and offer us reliable guidance for the future.

Now I will try to make some considerations and assess the prospects for relations between Russia and Latin America.

Premises and background

I think that we can start our analysis of Russian-Latin American relations on the basis of the coincidences in the areas of foreign policy and international actions. Our similar approaches include the recognition of the supremacy of law in politics, the respect for national sovereignty and the principle of non-interference in internal affairs of States. Some coincidence can also be seen in the recognition of the need for changing the current global regulation system, particularly in the financial area. In addition, both parties recognize the central role of the UN in contemporary international relations, agreeing that it has no substitute.

We also see coincidences in the traditional respect for international law. In Latin America it is determined by the predominance of the "continental" Roman-German legal system according to which the rules of law are not created by precedents but by the universal values of "justice" and "morality" (based on the Catholic dogma). This perception of international law is closely related to the rejection of the "cult of force" and is underpinned by the international law, which has helped the countries of the region to defend their sovereignty on many critical occasions during their two centuries of independence.

Both Latin America and Caribbean (LAC) and the Russian Federation (RF) favour the option of a polycentric world, rejecting unilateralism when it comes down to resolving international problems. The concept of a polycentric order (as perceived in the RF) entails an appropriate participation of the country in global regulation, together with other emerging actors in the global economy and politics (including Brazil as a Latin American representative). This can be a decisive step to balance the correlation of forces in the international arena and to lay the foundations to create a more representative global regulation mechanism.

For Latin American countries, moving towards a polycentric order means enlarging its room for manoeuvre in the international arena and more possibilities to choose alternative development projects.

It is worth noting that Russia and its predecessors (the Soviet Union and the Russian Empire) have never had any serious conflicts or tensions throughout the history of relations with the countries of the region. Moreover, at present the ideological prejudices that did have a considerable influence in the times of the USSR have been overcome.

All this creates the political climate for mutually advantageous cooperation between the parties and for mutual understanding as regards international affairs.

² Recent developments in economic relations between the Russian Federation and Latin America and the Caribbean: Institutional and cooperation mechanisms for strengthening relations. Permanent Secretariat of SELA. Caracas, August 2011.

Other premises are related to historical traditions concerning international insertion. The current Russian State preserves the historical heritage of the Russian Empire and the Soviet Union (as well as two-thirds of the territory and half of the population). From this point of view, our relations with LAC cannot be regarded as an improvised move in the past decade. Official diplomatic relations with Brazil started in 1828, with Uruguay in 1857, with Argentina in 1885, with Mexico in 1890.

Usually, the Soviet Union's foreign policy was considered to be based mainly on political and ideological pre-conceptions. Only to a certain extent it is true. During the last three decades of the Soviet Union, economic interests were as important as ideological and political interests. In the mid-1980s, the Soviet Union's share in the region's exports and imports stood around 3% to 4%.³ Of course, the bulk of such exchange was with Cuba. According to Soviet statistics, since the 1960s, Cuba's share in the USSR total trade with the region never dropped below 70%, and in the mid-1980s it rose to over 80% of Latin America's aggregate volume. However, even at that time, it was not trade in basic goods; it also included large-scale investment projects, mainly in Cuba, of course, but there were also large projects in Argentina, Peru and Nicaragua, which should not be overlooked.

To date, between 20% and 25% of the Argentina hydroelectric power is generated by using equipment supplied by the Soviet Union. Soviet companies participated in construction works in the ports of Bahía Blanca in Argentina and Paita in Peru. The Soviet anti-hail equipment helped to prevent losses due to bad weather in the Argentine agricultural sector. Dozens of industrial and infrastructure enterprises were created with Soviet assistance in Cuba and then in Nicaragua. At present, thousands of professionals who graduated in higher education institutions in the Soviet Union are still actively working in several Latin American countries (Cuba, Peru, Ecuador, Nicaragua and Bolivia).

Assessment

With the disintegration of the Soviet Union, Russia's trade exchanges with Latin American and Caribbean countries plummeted. In 1992 trade exchange accounted for only US\$ 1.4 billion (See Annex, Table 1), i.e. several times below the annual average level reached by the USSR in the previous decade. That was the logical consequence of the destruction of the country's economic apparatus, the near disappearance of State support to external economic relations, and the inability of incipient Russian private enterprises to operate in world markets in an efficient way.

In the mid-1990s a gradual and spontaneous recovery began on the Russian side. The Russian State has ceased to take on responsibilities in the economic and social areas, even in external economic relations. Paradoxically enough, undertaking creative reforms in this latter area has taken a longer time, as destructive processes surpass creative processes. Exports of machinery and equipment have taken the hardest blow. On the contrary, exports of primary products have adapted to changes in a better way.

On the eve of the 2008-2009 crisis, the Russian government began to make some decisions to support non-primary exports and appointed the "Vnesheconombank" (VEB)* as the entity responsible for supporting Russian companies working in this sector. The bank received substantial additional financial resources for that purpose. Unfortunately, the crisis diverted attention to the need to solve other more pressing problems.

³ Латинская Америка в цифрах. ИЛА РАН СССР М., «Наука», 1989, с.101-102.

* Development Bank with State capital.

Even though it accumulated strong liquid reserves during the first decade of the century thanks to a favourable correlation of prices in foreign trade exchanges, the Russian economy was not able to avoid the sudden drop of its GDP to 7.9% in 2009. The situation was compounded by the reduced volumes in foreign trade. In the first nine months of 2009, Latin American exports to Russia fell 26%.⁴ This percentage was slightly lower than those registered for Russian imports from other countries in the world, but anyway it accounts for huge losses.

The other side of the coin was the swift recovery of trade exchanges in 2010 and 2011 thanks to the capacity of the majority of Latin American economies to survive the crisis (See Annex, Table 1.2) and the revival of growth dynamics in the Russian economy.

The ups and downs of trade between Russia and Latin America evidence, on the one hand, the lack of well-grounded bases for trade exchanges (direct guarantees) and, on the other, how attractive the Russian market continues to be for Latin America and vice versa.

Necessary changes

In many ways, both parties have learned similar lessons from the crisis. Even though Russia is likely to maintain a high profile global oil markets in the long term, the Russian economy cannot continue with the same development pattern.

At present, the highest spheres in Russia reiterate the view that the country has no future without reindustrialization, modernization and innovation. The contents of these notions can vary, but the key point they share is that, based on technological advances, the economy must break out of the vicious circle of being a primary economy and embrace diversification.

We can say that mature political will has been gathered at the highest level to undertake such change in the development model. In his pre-electoral comments, Russian President Vladimir Putin pointed out: "Russia is bound to occupy a worthy place in the international division of labour, not only in its capacity as seller of raw materials and energy resources, but also as a country that possesses advanced technologies in a process of constant innovation, at least in some sectors".⁵ In this connection, Putin listed breakthroughs in several areas: high-tech chemistry, pharmaceutical industry, non-metallic and composite materials, aviation, nanotechnology and information and communication technologies. He also mentioned other sectors such as nuclear energy, space activities, hydroelectric and thermoelectric power generation, where the country remains competitive despite the losses suffered in the 1990s.

Immediately after taking office as President on 7 May of this year, Putin signed Decree No. 596 "On the State Economic Policy in the long term".⁶ Among others, the decree highlights the following goals:

⁴ See: V. Davydov. *Rusia en América Latina (y viceversa)*. Nueva sociedad, No. 226, March-April 2010. p.11.

⁵ Vedomosti. 20.01.2012.

⁶ <http://text.document.kremlin.ru/SESSION/PILOT/main.htm>.

- Over the next ten years, Russia should create or upgrade at least 25 million jobs in highly productive sectors;
- By the end of the decade, the share of investments in the GDP should reach 27%, up from 20% at present;
- Compared to 2011, by 2018, the productivity rate in scientific-intensive, high-tech sectors should increase by 1,3 times; general labour productivity should increase by 1.5 times;
- Another goal is to raise Russia's ranking in the World Bank's Ease of Doing Business Index, from position 120 in 2011 to position 50 by 2015, and then further up to get to the top 20 by 2018.

Current Prime Minister Dmitry Medvedev, in his speech as a candidate for that post at the State Duma on 8 May 2012, fully supported Putin's approach, but he also highlighted some signs of change:⁷

"By the end of 2011, Russia's GDP exceeded the pre-crisis level. Annual growth rates stabilized above 4%. Over the past four years, the average wage has grown by 18% and in early 2012 it reached 25,000 rubles (US\$ 1 is approximately 30 rubles). The average monthly payment for retirement increased 2.7 times to 8,500 rubles – still considered to be an unsatisfactory amount. Meanwhile, the unemployment rate decreased by 2 million people over the past two years, reaching the pre-crisis level. And inflation was curbed down from 13% to 6% by the end of 2011."

Medvedev said that other goals by the end of this decade included: increase life expectancy at birth to more than 75 years, reduce unemployment to less than 5%, and keep the budget deficit below 1%.

Of course, the chances for Russia to increase its share in Latin American markets depend on its potential to support its exports.

A mechanism to support Russian exporters formally started operations at the beginning of the last decade, including:

1. State guarantees (US\$ 3 billion annually);
2. Compensations for payments of interests on loans for exports (from December 2009 to 2011 they accounted for 27 billion rubles, i.e. slightly lower than US\$ 1 billion);
3. Long-term loans (within the framework of inter-governmental agreements with Belarus, Vietnam and Cuba);
4. Support to SMEs. Over the past seven years, an allocation of 2.6 billion roubles has been included in the federal budget to co-finance exports of Small and Medium-sized Enterprises. In addition, centres to support companies initiating foreign economic activities have been created in 25 regions of the RF with federal funding.

As can be seen, it is not a very solid system. There are some elements in place, but it still has a long way to go to ensure efficient support and real incentives. At present, there are new hopes with the recently created Export Insurance Agency. As an initial contribution

⁷ <http://blog.da-medvedev.ru/post/220/transcript>.

to the social capital of the Agency the VEB has allocated 30 billion rubles. The Agency's liabilities will be covered by State guarantees. It is estimated that in 2012 the volume of exports of goods and services insured by the Agency will not be less than US\$ 5 billion.

Of course, the possibilities of expanding economic relations between Russia and Latin America, while enriching them in qualitative terms, depend on the degree of dynamism of development on both sides.

We can notice that most of Latin American countries have already changed the economic policy paradigms through greater responsibility of the State, rejection of excessive market fundamentalism, and through recognition and payment of the social debt to large segments of the population. Some countries even have substantially increased expenses in education and science. The burden of foreign debt and budget deficits have lost their significance as major hurdles to sustained development of Latin American economies. Taking advantage of the State support, Latin American companies seem to perform in better conditions in foreign markets.

The prospection of development in Latin America and Russia conducted by the Institute of Latin America of the Russian Academy of Sciences foresees considerable efforts on both sides over the next two decades in order to diversify trade exchanges. It assumes that by the end of that period the volume of Russian-Latin American exchanges could reach US\$ 100 billion, in a moderately optimistic scenario.*

But which are the conditions to materialize such prospect (or scenario) based on changes on the Russian side? In our opinion, those conditions are closely related to the possibility of implementing the programme outlined by the President and the Prime Minister at the beginning of the current political cycle. This means that the first step is to undertake a change in the development model. Secondly, the mechanism to support comprehensive integration of the Russian economy into the global economy – in the top levels of higher added value – must be established.

I recognize that Russia's entry into the WTO is an indispensable strategic measure, but it represents only a first step towards its insertion in the institutional system of international economic exchanges. Other steps to be taken include:

- improving the institutional bases for bilateral economic relations;
- creating a comprehensive mechanism of incentives and guarantees (some of its elements are already in place) to move ahead towards expanding and diversifying non-primary exports (long-term loans, insurances, tax preferences, among others);
- establishing real cooperation links with regional and subregional multilateral organizations in Latin America;
- becoming associate or full members of the multilateral development operating in the region (IDB, CAF, CARICOM Bank, Bank of the South);
- reaching agreements to establish preferential relations with economic groups in the region; analyzing possibilities for free trade agreements with key partners in the region;* and not to rule out the possibility of reaching similar agreements among integration groups on both sides (Trilateral Customs Union of the RF, Belarus and Kazakhstan, Evrazes, MERCOSUR, UNASUR, among others).

* V. Davydov, A. Bobrovnikov, N. Jolodkov. Projection of development in Latin America and the Caribbean up to 2030. Institute of Latin America of the Russian Academy of Sciences. Moscow, 2010 (in Russian).

* Such type of negotiations are being conducted with New Zealand.

Prospects

In our long-term analysis for Latin American and Caribbean countries, we start from the fact that it is possible to improve the conditions for sustained development. As a region, Latin America and the Caribbean are able to maintain GDP growth rates exceeding the average world rate (above 3% and 4%). The same applies for trade and the region's presence in global markets. Latin America and the Caribbean have the possibility of gradually increasing its weight in the world's GDP and trade. Over the next two decades, LAC countries will undoubtedly diversify their foreign links from the standpoint of their geographical scope and their contents, raising the share of added value and technological level of exports.

Summarizing our findings, we can say that the prospects for economic collaboration between Russia and Latin America are associated with traditional and non-traditional areas. Russian exports will continue to include chemicals (currently mostly fertilizers, with 39%), oil and its derivatives (29% in 2010), ferrous metals and derived products (12% in 2010). Army equipment could maintain its share (about 15% Russian exports in this area goes to LAC).

But in general, the specific aggregated weight of the items listed above will show a downward trend in the long-term. During the first coming decade, and even more likely during the second one, we expect increases in sales of helicopters, energy equipment, and provision of "know-how" in the area of railway transportation. Russia is interested in cooperation in the field of fisheries and aquaculture.

Thus far, there have been few cases of direct investment of Latin American capital in Russia and vice versa. Productive cooperation has is also very modest. But taking into account the experience of the last few years (market surveys, establishment of representation offices, feasibility studies for large-scale projects, etc.) it can be concluded that we are moving from the phase of rapprochement and recognition to the stage of practical implementation.

It is worth mentioning the Russia has made substantial investments in banana plantations and flowers in Ecuador. Russian metallurgical giant *Rusal* is now one of the largest investors in Guyana. Energy companies *Silovye Machinery*, *INTER RAO* and *Energomashcorp* are operating in Ecuador, Argentina and Brazil. Sales of helicopters are promising. *Vertolety Rossii* is planning to open repair and maintenance centres in the region. *Roskosmos* is promoting projects related to the satellite navigation system *GLONASS* in several countries in Latin America and the Caribbean, and Brazil has shown interest in them. In addition, *Rushidro* is proposing projects for the use of tidal energy.

Russian companies could increase their participation in oil extraction activities in the region, starting by offering geological prospecting services based both on conventional technology and space technology. Collaboration in ferrous and non-ferrous metallurgy is also feasible. There are also common interests in radiation medicine and the use of laser equipment in public health centres.

In general, demand for agricultural products from Latin American will remain strong in the Russian market in the medium-term. But taking into account the consequences of the progress made by rural economy in Russia in recent years, Latin American exporters must change their orientation. The results of development in poultry and swine livestock can

already be noticed. Therefore, it is necessary to diversify supplies and enter market segments associated with more sophisticated products.

In our opinion, the sale of some advanced agricultural equipment and technologies is more feasible in Brazil, Argentina, Chile and a few other countries in the region.

The concept of diversifying Latin American business in the Russian market also includes the need to break up the "vicious circle" of Moscow and St. Petersburg and expand into the interior of the country, by establishing more direct supplies to wealthy cities in central and eastern Russia.

Of course, there should be diversification at the institutional level on the part of Russia. The promotion of products and the search for partners involves going beyond the usual circle of partners and participating more actively in sectoral international expositions, strengthening links with provincial branches of chambers of industries and trade in Russia, with federal business associations such as *Delovaya Rossiya* (association of medium-sized enterprises), the RSPP (Russian Union of Large Industrialists and Entrepreneurs) and their local subsidiaries.

By way of conclusion, we can say that Russia has considerably changed its perception of Latin American enterprises. At present, it is not associated with something exotic, but with business maturity, solvency and competitiveness. We expect further progress in this regard.

Annex

Table 1
Russia's trade with Latin American and Caribbean countries
(US million dollars at current prices)

Year	Exports	Imports	Trade exchanges
1992	1382.0	540.8	821.2
1995	2295.0	1059.7	3355.1
2000	4289.0	1210.7	5499.3
2005	5252.0	4237.1	9289.1
2006	5167.3	5632.7	10109.0
2007	5402.4	7423.4	12825.8
2008	6932.4	9030.8	15962.9
2009	3357.0	7024.0	10381.0
2010	4164.0	7999.5	12163.8
2011	6266.6	9332.8	15599.4

Source: Federal Customs Service – <http://www.trademap.org>.

Table 2
Russian Federation's trade with Latin America and the Caribbean, by country (US\$ billion)

	2010					2011					
	Exports	Imports	Exchange	Russia's % of total trade	Russia's % of total trade with LAC	Exports	Imports	Exchange	2011/2010, %	Russia's % of total trade	Russia's % of total trade with LAC
World	391.398	227.398	618.796			503.133	298.454	801.587	129.5		
LAC	4.317	8.113	12.430	2.01		8.304	9.520	17.824	143.4	2.22	
Brazil	1.798	4.078	5.876	0.95	47.3	2.125	4.389	6.514	110.9	0.81	36.5
Argentina	0.210	0.914	1.124	0.18	9.0	0.806	1.067	1.873	166.6	0.23	10.5
Venezuela	0.157	0.008	0.165	0.03	1.3	1.732	0.001	1.733	1050.3	0.22	9.7
Mexico	0.289	0.480	0.769	0.12	6.2	0.577	0.837	1.414	183.9	0.18	7.9
Ecuador	0.071	0.904	0.975	0.16	7.8	0.090	1.209	1.299	133.2	0.16	7.3
Peru	0.265	0.063	0.328	0.05	2.6	0.644	0.082	0.726	221.3	0.09	4.1
Paraguay	0.003	0.447	0.450	0.07	3.6	0.003	0.480	0.483	107.3	0.06	2.7
Chile	0.026	0.331	0.357	0.06	2.9	0.033	0.422	0.455	127.5	0.06	2.6
Trinidad and Tobago	0.052	0.000	0.052	0.01	0.4	0.419	0.001	0.420	807.7	0.05	2.4
Uruguay	0.044	0.330	0.374	0.06	3.0	0.040	0.358	0.398	106.4	0.05	2.2
Colombia	0.133	0.133	0.266	0.04	2.1	0.159	0.158	0.317	119.2	0.04	1.8
Cuba	0.222	0.054	0.276	0.04	2.2	0.175	0.050	0.225	81.5	0.03	1.3
UK Virgin Islands	0.096	0.003	0.099	0.02	0.8	0.220	0.000	0.220	222.2	0.03	1.2

	2010					2011					
	Exports	Imports	Exchange	Russia's % of total trade	Russia's % of total trade with LAC	Exports	Imports	Exchange	2011/2010 %	Russia's % of total trade	Russia's % of total trade with LAC
World	391.398	227.398	618.796			503.133	298.454	801.587	129.5		
LAC	4.317	8.113	12.430	2.01		8.304	9.520	17.824	143.4	2.22	
Guatemala	0.042	0.042	0.084	0.01	0.7	0.087	0.067	0.154	183.3	0.02	0.9
Costa Rica	0.011	0.101	0.112	0.02	0.9	0.023	0.101	0.124	110.7	0.02	0.7
Nicaragua	0.004	0.012	0.016	0.00	0.1	0.045	0.050	0.095	593.8	0.01	0.5
Honduras	0.011	0.007	0.018	0.00	0.1	0.036	0.037	0.073	405.6	0.01	0.4
Dominican Republic	0.023	0.012	0.035	0.01	0.3	0.053	0.016	0.069	197.1	0.01	0.4
Panama	0.068	0.003	0.071	0.01	0.6	0.055	0.011	0.066	93.0	0.01	0.4
Belize	0.024	0.000	0.024	0.00	0.2	0.024	0.000	0.024	100.0	0.00	0.1
Bolivia	0.004	0.011	0.015	0.00	0.1	0.004	0.015	0.019	126.7	0.00	0.1
Bahamas	0.216	0.003	0.219	0.04	1.8	0.014	0.003	0.017	7.8	0.00	0.1
El Salvador	0.002	0.001	0.003	0.00	0.0	0.000	0.001	0.001	33.3	0.00	0.0

Source: Federal Customs Service. Corresponding years.

A N N E X V I I I

**Message from the National Committee for Economic Cooperation
with Latin American countries (CN CEPLA) of the Russian Federation**

Dear participants:

On behalf of the National Committee for Economic Cooperation with Latin American Countries (CN CEPLA), we would like to welcome organizers and participants in this Regional Meeting of the Latin American and Caribbean Economic System (SELA), whose central topic is "Recent developments in economic relations between the Russian Federation and Latin America and the Caribbean."

Political, economic and commercial relations between Russia and the Latin American and Caribbean countries have a long history. They are characterized by the parties' aspiration to forge an equitable, mutually advantageous collaboration. The numerous contacts at the level of Heads of State and Government, ministers, business associations, enterprises and banks, as well as the positive collaboration experiences and the ongoing projects, are an evident proof of the development of efficient and fruitful cooperation among our countries. Based on a substantial productive and intellectual potential of both parties, we expect collaboration between Russia and Latin America to lead to a considerable increase in trade and mutual investment.

CN CEPLA is open to a more active collaboration with SELA and Latin American companies. The main actions of the Committee are focused on the promotion of sustainable inter-regional relations and joint business activities, as well as the interests of the concerned and reliable counterpart.

We are convinced that this meeting will provide a new boost to the development of relations between our country and the States of Latin America, and will pave the way for new possibilities for businessmen in our countries.

We wish all the participants of this meeting a constructive and fruitful work in favour of the development of collaboration between Russia and Latin America.

President
National Committee
for Economic Cooperation
with Latin American Countries

(signed)

Alexander Starovoytov

General Manager
National Committee
for Economic Cooperation
with Latin American Countries

(signed)

Dmitry Paniushkin

Caracas, 21 May 2012

A N N E X I X

List of Participants

ARGENTINA

Marcelo Girardoni
Counsellor
Embassy of Argentina
Avenida El Empalme,
Edificio FEDECAMARAS; Piso 3
El Bosque, Caracas
Telephone: (58-212) 731-2145
Cell phone: (0424) 157-5286
Fax: (58-212) 731-2659

BARBADOS

Sandra Gittens
First Secretary
Embassy of Barbados
Calle La Guairita con Av. Ppal. de
Chuao, Edificio Los Frailes, Piso 5,
Oficina 501, Urbanización Chuao
Caracas
Telephone: (58-212) 991-6721 // 992-0545
Fax: (58-212) 991-0333
E-mail: sgittens@foreign.gov.bb

BOLIVIA

Jorge Alvarado Rivas
Ambassador
Embassy of the Plurinational State of
Bolivia
Av. Luis Roche con 6ta. Transversal
Qta. "Embajada of Bolivia
Urbanización Altamira, Caracas
Telephone: (58-212) 263-3015
Fax: (58-212) 261-3386
E-mail: joralva43@gmail.com

BRAZIL

José Antonio Marcondes
Ambassador
Embassy of Brazil
Calle Los Chaguaramos
con Av. Mohedano, Centro Gerencial
Mohedano, Piso 6, La Castellana
Caracas
Telephone: (58-212) 918-6000
Fax: (58-212) 261-9601

Felipe Haddock Lobo Goulart
First Secretary
Embassy of Brazil
Calle Los Chaguaramos con
Av. Mohedano, Centro Gerencial
Mohedano, Piso 6
Caracas
Telephone: (58-212) 318-6010
Fax: (58-212) 261-9601
E-mail: felipe.goulart@itamaraty.gov.br

CHILE

Sebastián Labra
Second Secretary
Embassy of Chile
Paseo Enrique Eraso
Torre La Noria, Piso 10
Urbanización Las Mercedes
Caracas
Telephone: (58-212) 992-3378 / 991-3014
Fax: (58-212) 992-0614
E-mail: echileve@cantv.net

COSTA RICA

Jorge E. Valerio H.
Counsellor Minister y General Consul
Embassy of Costa Rica
Edificio For You, PH
Avenida San Juan Bosco
Entre 1ra. y 2da. Transversal (fte a Pza.
Altamira)
Urbanización Altamira
Caracas
Telephone: (58-212) 265-7889
Fax: (58-212) 265-4660
E-mail: jorgevalerioh@gmail.com

Guillermo Cholele
Commercial Attaché
Embassy of Costa Rica
Edificio For You, PH
Avenida San Juan Bosco
Entre 1ra. y 2da. Transversal (fte a Pza.
Altamira)
Urbanización Altamira
Caracas
Telephone: (58-212) 265-7889
Fax: (58-212) 265-4660
E-mail: guillermo_cholele@yahoo.es

CUBA

Francisco Alfonso Ledesma
Economic Counsellor
Embassy of Cuba
Calle Roraima entre Río de Janeiro y
Choroní, Quinta Marina,
Urbanización Chuao
Caracas
Telefax: (58-212) 993- 5646

Belkis Barnet Izquierdo
Official
Direction of Economic Policy with Europe
Ministry of Foreign Trade and Investment
Infanta y 23 Plaza de la Revolución
Havana, Cuba
Telephone: 838-0354, 038-0396
E-mail: belkis.barnet@mincex.cu

EL SALVADOR

Román Mayorga
Ambassador
Embassy of El Salvador
Quinta Cuzcatlán, Av. Copérnico, Valle
Arriba
Caracas
Telephone: (58-212) 991-4472
E-mail: romanmq@gmail.com /
rmayorga@ree.gob.sv

HAITI

René Luc Desronvil
Counsellor Minister
Embassy of Haiti
Qta. San Rafael, 8va. Transversal
Urbanización Altamira
Caracas
Telephone: (58-212) 262-1194
Fax: (58-212) 261-9068
E-mail: info@embassyidehaitivenezuela.org

HONDURAS

Fernando Suarez Lovo
Chargé d'Affaires
Embassy of Honduras
Torre Lara,
Urbanización La Castellana
Telefax: (58-212) 263-3184
E-mail: hondoven@cantv.net

NICARAGUA

Ramón Leets
Ambassador
Embassy of Nicaragua
Av. El Paseo, Qta. Doña Dilia
Urbanización Prados del Este
Caracas
Telephone: (58-212) 977-3270 / 3289
Fax: (58-212) 977-3973
E-mail: embanic@cantv.net

PANAMA

Pedro Pereira Arosemena
Ambassador
Embassy of Panama
Centro Profesional Eurobuilding
Piso 8, Oficina 8-D
Urbanización Chuao, Caracas
Telephone: (58-212) 992-9182 // 9093
Fax: (58-212) 992-8421
E-mail: embapanama.venezuela@mire.gob.pa

PARAGUAY

Gustavo Irala
Second Secretary
Embassy of Paraguay
4ta. Avenida entre 7ma. y 8va.
Transversal, Qta. Helechales N° 1811
Urbanización Altamira, Caracas
Telefax: (58-212) 263-2559 // 267-5543
E-mail: embaparven@cantv.net /
embaparven@mre.gov.py

PERU

Luis Enrique Raygada
Ambassador
Embassy of Peru
Av. San Juan Bosco con 2da.
Transversal, Edificio San Juan, Piso 5
Urbanización Altamira
Caracas
Telephone: (58-212) 264-0868
Fax: (58-212) 265-7592
E-mail: lraygada@embajadadelperu-venezuela.org

Augusto Salamanca Castro
Chargé d'Affaires, a.i.
Embassy of Peru
Av. San Juan Bosco con 2nda.
Transversal
Edificio San Juan, Piso 5
Urbanización Altamira
Caracas
Telephone: (58-212) 264-0868
Fax: (58-212) 265-7592
E-mail: fitosalamanca@gmail.com

Miguel Angel Gamarra Malca
Counsellor
Embassy of Peru
Av. San Juan Bosco con 2da.
Transversal, Edificio San Juan, Piso 5
Urbanización Altamira
Caracas
Telephone: (58-212) 266-1730
Fax: (58-212) 265-7592
E-mail: mgamarra@embajadadelperu-venezuela.org

DOMINICAN REPUBLIC

Sara Patnella García
Analyst of the Research Unit for the
President
Calle México, esq. R. Delgado
Santo Domingo, Dominican Republic
Telephone: (829) 912-6920
E-mail: scuapatrella@gmail.com

SURINAME

Elsje Pawiroredjo
Second Counsellor
Embassy of Suriname
4ta Avenida de Altamira,
entre 7ma y 8va Transversal
Quinta N° 41
Urbanización Altamira
Caracas
Telephone: (58-212) 2631554/2612724
Fax: (58-212) 2639006
E-mail: embsurl@hotmail.com

TRINIDAD AND TOBAGO

Anthony David Edghill
Ambassador
Embassy of Trinidad and Tobago
3ª Av. entre 6ta. y 7ma. Transversal
Quinta Poshika
Caracas
Telephone: (58-212) 261-3748/5796
Fax: (58-212) 261-9801
E-mail: ordell.barman@gmail.com

BOLIVARIAN REPUBLIC OF VENEZUELA

Víctor Pisani
Deputy Director for Europe
People's Ministry of Foreign Affairs
Avenida Urdaneta, Esquina de Conde a
Carmelitas. Torre MRE, Piso 6 Caracas
Telephone: (58-412) 3830378
E-mail: vpisani@gmail.com

Enrique Campoverde
Coordinator of Cooperation
Office of the Deputy Minister for Europe
People's Ministry of Foreign Affairs
Avenida Urdaneta, Esquina de Conde a
Carmelitas. Torre MRE, Piso 6 Caracas
Telephone: (58-414) 2242657
E-mail: ejcampoverde@gmail.com

Yamile Guerra
Third Secretary
People's Ministry of Foreign Affairs
Avenida Urdaneta, Esquina Carmelitas
Torre MRE
Caracas
Telephone: (58-212) 806-4787
Fax: (58-212) 806-4786
E-mail: yamibo@gmail.com
Web site: www.mre.gob.ve

Avrim Flores
Office for Europe
People's Ministry of Foreign Affairs
Avenida Urdaneta, Esquina de Conde a
Carmelitas. Torre MRE, Piso 6 Caracas
Telephone: (58-412) 9771293
E-mail: ayisflores@gmail.com

Katherin Lowenthal
Analyst of the Russian Federation Desk
People's Ministry of Foreign Affairs
Avenida Urdaneta, Esquina de Conde a
Carmelitas. Torre MRE, Piso 6 Caracas
Telephone: (58-424) 1209015
E-mail: kylsuniagp@gmail.com

Laura Strubinger
Analyst of the Russian Federation Desk
People's Ministry of Foreign Affairs
Avenida Urdaneta, Esquina de Conde a
Carmelitas. Torre MRE, Piso 6 Caracas
Telephone: (58-412) 2236405
E-mail: laurastrubinger@gmail.com

Ingepzon D. Freitas R.
Coordinator of Bilateral Affairs
Ministry of Electric Power
Sector CC2, bloque 5, Piso 4, Caricuao
Telephone: (58-426) 516-1411
E-mail: indafrero@gmail.com

César Ramos
 Legal Advisor
 National Assembly
 Esq. Pajaritos, Edif. José María Vargas,
 Piso 3
 Telefax: (58.212) 4097723
 E-mail: cesarramos@an.gob.ve

SPECIAL GUESTS

Temir Porras Ponceleón
 Vice-Minister for Europe
 People's Ministry of Foreign Affairs
 Avenida Urdaneta, Esquina Carmelitas
 Torre MRE
 Caracas
 Telephone: (58-212)806-4582
 Fax: (58-212)806-4819
 Web site: www.mre.gob.ve

Vladimir Zaemskiy
 Ambassador
 Embassy of the Russian Federation
 Calle Las Lomas, Quinta "Soyus"
 Urbanización Las Mercedes
 Caracas
 Telephone: (58-212) 9934395
 Fax: (58-212) 9936526
 E-mail: rusemb95@infoline.wtfe.com

Yuri Orekhov
 First Secretary
 Embassy of the Russian Federation
 Calle Las Lomas, Quinta "Soyus"
 Urbanización Las Mercedes
 Caracas
 Telephone: (58-212) 9934395
 Fax: (58-212) 9936526
 E-mail: yuridrehov@mail.ru

Valentin Matsenko
 Embassy of the Russian Federation
 Calle Las Lomas, Quinta "Soyus"
 Urbanización Las Mercedes
 Caracas
 Telephone: (58-424) 208772
 Fax: (58-212) 9936526
 E-mail: valmatsenko@yandex.ru

Vladimir Davydov
 Director
 Institute of Latin America
 Russian Academy of Sciences
 B. Ordinka 21, Moscow
 Russia
 Telephone (7495) 7205744
 Fax: (7495) 9534020
 E-mail: davylov@ilaran.ru

Tony De Viveiros
 Professor
 Universidad Simón Bolívar
 3ra Avenida con 9na Transversal, Quinta
 Angelique, Urbanización Altamira,
 Municipio Chacao.
 Telephone: (58-412) 7327176
 E-mail: tonydeviveiros@gmail.com

Alexandra Sitenko
 Scientific Collaborator
 Freie Universität Berlin
 Berlin, Germany
 Telephone:
 Fax:
 E-mail: Alexandra.sitenko@gmail.com

Cesar Ramos Cedeño
 President
 Institute of Russian Language and
 Culture "Alexander Pushkin"
 Sabana Grande, Caracas
 Telefax: (58-212) 2845842

Pedro Silva Barros
 Institute for Applied Economic Research
 (IPEA)
 Head of Mission in Venezuela
 Avenida Libertador, Edif. Petróleos de
 Venezuela, Torre Oeste, Piso 4,
 Oficina 5-36, La Campiña
 Caracas
 Telephone: (58-212) 708-0310
 E-mail: pedro.barros@ipea.gov.br

Luis Pinto
 Advisor
 Institute for Applied Economic Research
 Avenida Libertador, Edif. Petróleos de
 Venezuela, Torre Oeste, Piso 4,
 Oficina 5-36, La Campiña
 Caracas
 Telephone: (58-212) 708-0310
 E-mail: luizpinto@gmail.com

Irina Shakirova
 Director
 Alba-Lada C.A.
 Calle N° 12 con Cuarta Avenida, Qta.
 Yul N° 38
 Maracay, Estado Aragua
 Telephone: (58-243) 232-0961
 E-mail: lada-ve@nm.ry

Sergei Dorovsky
Engineer
Alba-Lada C.A.
Calle N° 12 con Cuarta Avenida, Qta.
Yul N° 38
Maracay, Estado Aragua
Telephone: (58-243) 232-0961
E-mail: lada-ve@nm.ry

Ilra Visnevetsky
Director-General
000 Policomplex
Moskow, Russia
Telephone: (7903) 31761225
E-mail: ivd@mail.ru –
policomplexbiotech@gmail.com

LATIN AMERICAN AND CARIBBEAN ECONOMIC SYSTEM (SELA)

José Rivera Banuet
Permanent Secretary
Telephone: (58-212) 955-7101
Fax: (58-212) 951-5292 / 6901
E-mail: jrivera@sela.org

Carlos Bivero
Director of Relations for Integration and
Cooperation
Telephone: (58-212) 955-7115
Fax: (58-212) 951-5292 / 6901
E-mail: cbivero@sela.org

Telasco Pulgar
Coordinator of Relations with Regional
and Extra-regional Organizations
Telephone: (58-212) 955-7153
Fax: (58-212) 951-5292 / 6901
E-mail: tpulgar@sela.org

Juan Acuña
Coordinator of Relations with Member
States
Telephone: (58-212) 955-7107
Fax: (58-212) 951-5292 / 6901
E-mail: jacuna@sela.org

Fernando Guglielmelli
Head of the Office of the Permanent
Secretary
Telephone: (58-212) 955-7123
Fax: (58-212) 951-5292 / 6901
E-mail: fguglielmelli@sela.org

Ana Mercedes Castellanos
Technical Coordinator
Telephone: (58-212) 955-7114
Fax: (58-212) 951-5292 / 6901
E-mail: acastellanos@sela.org

Senaida Lugo
Head of Press and Dissemination
Telephone: (58-212) 955-7143
Fax: (58-212) 951-5292 / 6901
E-mail: zlugo@sela.org

Carlos Ortuño
Official of the Centre of Information
and Database
Telephone: (58-12) 955-7149
Fax: (58-212) 951-5191-95131
E-mail: cortuño@sela.org

Lisette Carrillo
Informatics and Technology Official
Telephone: (58-212) 955-7125
Fax: (58-212) 951-5292 / 6901
E-mail: lcarrillo@sela.org

Germán Caires
Head of Projects
Telephone: (58-212) 955-7146
Fax: (58-212) 951-5292
E-mail: gcaires@sela.org

Herminia Fonseca
Head of Projects
Telephone: (58-212) 955-7140
Fax: (58-212) 951-5292 / 6901
E-mail: hfonseca@sela.org

Carlos Bello
Press and Dissemination
Telephone: (58-212) (55 7142
Fax: (58-212) 951-5292/6901
E-mail: cbello@sela.org

A N N E X X

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