Latin America and the Middle East Gulf: building a strategic alliance in a multipolar world

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Executive Summary

Latin America and the Caribbean (LAC) and Middle East Gulf countries have a unique opportunity to establish a transformative strategic alliance to foster dynamic, inclusive, and sustainable economies. Saudi Arabia, the United Arab Emirates and Qatar offer the most promising opportunities, driven by strong trade and financial ties, forward-looking development strategies, and complementary strengths.

Traditional sectors such as agriculture and energy illustrate this synergy. LAC's agricultural exports address the Gulf's food security needs, while Gulf nations supply fertilizers and investments that enhance productivity. In energy, collaboration is expanding to include renewable projects like green hydrogen, reflecting a shared commitment to sustainability.

Geopolitical priorities, particularly in food and logistics, further highlight the alliance's potential. Gulf sovereign wealth funds, regional development banks, and entrepreneurial ecosystems bring financial and technical expertise to deepen cooperation. Recent agreements by CAF and the Inter-American Development Bank underscore this momentum.

In a polarized world, diversifying partnerships is essential. Investments in LAC's renewable energy and technology sectors position both regions as leaders in innovation and sustainability. By aligning resources and goals, LAC and the Gulf can harness their combined potential to create a more resilient, inclusive, and balanced global order. Together, they can drive meaningful change in an interconnected world.

Introduction

Today's global geopolitical landscape is characterised by a growing polarization between the United States and China, two superpowers vying for economic and technological dominance. In this context, emerging economies face the challenge of redefining their role in an increasingly fragmented international system. Latin America and the Caribbean (LAC) and the Middle East Gulf countries, two blocs with a rich diversity of resources and perspectives, have a historic opportunity to strengthen their ties and become key players in building a third bloc of global influence (*third nations* according to professor Quah definition).

Latin America stands out as an agricultural and energy powerhouse, with vast reserves of natural resources that position it as a pillar of food security and the global energy transition. Gulf countries, meanwhile, has diversified its economies through ambitious strategies such as Saudi Arabia's *Vision 2030* or the Emirati *We Are UAE 2031*, which promote sustainability, digitalization, and renewable energy. Although economic relations between these regions have been weak, there are clear complementarities that can be exploited in a framework of strategic cooperation.

This *Policy Brief* analyses recent trends of economic relations between Latin America and the Caribbean and four key Middle East economies – Kingdom on Saudi Arabia (KSA), United Arab Emirates (UAE), Qatar and Kuwait, based on traditional and innovative data sources on trade and investment, as well as the main development strategies, trade and investment treaties, to shed some light on the potential of a new association among the two blocs.

We find that a strengthened partnership between Latin America and Gulf countries – especially KSA and UAE, followed by Qatar (less so with Kuwait) - can generate significant benefits for both regions, based on three pillars. First, both regions can leverage on existing economic relations in traditional sectors such as agricultural and energy. Second, this *brave new world* opens opportunities in critical geopolitical areas such as food security and logistics. Third, investment in innovative sectors, including technology and sustainable energy, can transform these relationships into a driving force for sustainable and resilient economic growth. Cooperation between these regions not only has the potential to diversify their economies, but also to strengthen their resilience in the face of global uncertainties and consolidate a strategic position vis-à-vis the great powers. In this relationship, not only trade ties but also foreign direct investment (FDI) by the vibrant Gulf sovereign wealth funds (SWF) and pension funds, which accumulate $4.721 Bn according to Global SWF Tracker play a crucial role.

In a polarized world, there is strength in numbers. Latin America and the Middle East, working together, can play a transformative role in shaping a more balanced, inclusive, and sustainable global order.

1. Opportunities in traditional sectors: scaling up trade complementarities in agriculture and energy

Latin America and Gulf countries have maintained economic relations focused on trade in raw materials and commodities for long. However, changes in global dynamics present an opportunity to evolve towards a more strategic partnership, taking advantage of the natural complementarities between the two regions in sectors such as agriculture, logistics, oil, and renewable energy.

Agricultural trade is one of the pillars of the relationship. Latin America, as one of the world's leading food exporters, offers a reliable solution to food security challenges in the Middle East, a region that relies heavily on imports due to its adverse weather conditions. In 2022, according to data collected by the ESCWA, imports of food and animal products from Latin America ascended to $9.5 billion dollars. Brazil and Argentina, which account for over 80% of this trade, have established strong trade relations with Gulf nations, exporting meat, soybeans, and cereals. Meanwhile, Gulf countries play a crucial role in Latin American agriculture, exporting approximately $1.1 billion worth of fertilizers to the region, essential for agricultural productivity. Notably, Saudi Arabia contributed 90% of these fertilizer exports, while Brazil absorbed almost 80% of them. The symbiotic nature of this relationship underscores its importance and strategic value for both regions.

Notwithstanding, to fully unlock the potential of this partnership, strategic investment in logistics infrastructure is essential to streamline trade flows and fortify supply chains. The involvement of Arab companies, such as the Emirati DP World which has invested over $5.5 billion in logistics and port projects across Brazil, Peru, Ecuador, and the Dominican Republic (fDi markets) demonstrates the transformative impact of such collaborations. These investments have significantly enhanced connectivity and reduced transit times, paving the way for more efficient and resilient trade networks.

In the energy sector, oil and gas trade remains critical. Venezuela and Mexico have developed strategic relations with Gulf nations, and conversely major Middle Eastern oil companies have made substantial investments in the oil and gas sector in the two countries plus Argentina, Colombia, and Chile. Some of these investments have taken the form of participations to exploit oil and gas assets, such as the those made by Qatar Petroleum in Mexico, Brazil, and Argentina, while others have taken the form of *greenfield investments*, and Saudi Aramco's in Brazil ($91 million in 2023).

However, the increasing focus on the energy transition is changing the nature of these interactions. KSA and UAE, through their sovereign wealth funds such as the Saudi Public Investment Fund (PIF; $925 Bn assets under management) and UEA Mubadala ($302 Bn) have begun investing in renewable energy projects in Latin America: Mubadala announced a $2.4 billion investment (fDi markets) in the production of green hydrogen in Brazil. This partnership between Latin America and the Middle East could position them as leaders in the path towards a sustainable energy transition.

Based on this progress, by aligning on common regulatory frameworks and addressing the high upfront costs of renewable infrastructure, the pace of investments can accelerate. Governments play a pivotal role in this process by offering fiscal and financial incentives to attract more capital for sustainable projects. Additionally, developing shared standards for energy sustainability certification can boost investor confidence and foster seamless market integration. The development of logistics also plays a significant role in this relationship. Investing in ports, transportation systems, and storage centers in Latin America will optimize trade flows and reduce costs. These investments, in addition to strengthening infrastructure, can generate employment and promote regional development, creating a positive impact on both local economies and the relationship between the two regions.

Finally, the socio-economic impact of these initiatives is significant. Strengthening the agricultural and energy sectors will not only increase export earnings, but will also boost job creation in Latin America, particularly in rural areas. For the Middle East, securing a stable supply of food and energy resources strengthens its resilience to global and climate shocks.

The relationship in traditional sectors, although mature, continues to evolve towards a more interdependent and strategic model. Cooperation in these sectors also lays the groundwork for exploring areas of greater strategic impact, such as food and energy security. These traditional interactions offer stability and trust, necessary to expand relationships towards more innovative and complex horizons.

2. Old & new geopolitical sectors: fostering food and, energy security and logistics

Growing global uncertainty, marked by conflicts such as the war in Ukraine, has highlighted the vulnerability of supply chains and the importance of having reliable partners in critical sectors such as food and energy security. In this context, Latin America has a strategic opportunity to consolidate itself as a reliable supplier of food and essential resources to the Middle East, while both regions explore new forms of collaboration in sustainable energy.

Latin America, with its vast agricultural capacities, has established itself as a crucial player in securing food supplies to the Middle East, a region whose local production is constraint due to its extreme weather conditions. Trade in agri-food products, intensified by the war in Ukraine that has disrupted other global supply routes, highlights Latin America's strategic value as a reliable partner in times of crisis. For instance, in 2022, the year of the Russian invasion of Ukraine, based on ESCWA data, Brazil exports to Saudi Arabia increased by over 50%, from $2.1 billion dollars in 2021 to $3.2 billion in 2022.

To maximize this potential, both blocs must overcome key challenges, such as logistical inefficiency and lack of adequate infrastructure. Investments in ports, storage hubs and transport systems by Gulf countries` SWF are essential to ensure agile and resilient supply chains. Likewise, the transfer of advanced irrigation and sustainable agriculture technologies, developed in the Middle East, can increase Latin America's production efficiency, reinforcing its role as a leading food supplier. Integrating these advances will not only improve agricultural resilience in Latin America, but it will also ensure a more stable and predictable food supply for the Middle East. The implementation of jointly managed strategic food reserves would also make it possible to effectively address global crises, guaranteeing supply to the Middle East and consolidating confidence in Latin America as a strategic partner.

In parallel, energy security represents another area of collaboration with many opportunities. While Latin America stands out for its abundant natural resources, such as lithium, copper, and hydroelectric potential, Gulf countries bring top-notch expertise and massive financial resources to sustainable energy projects. Over the past decade, the Saudi conglomerate Abdul Latif Jameel, for example, has invested nearly $1 billion in greenfield renewable energy projects across Brazil, Mexico, and Chile (fDi markets and Datalogic). Additionally, the company has partnered with others in the *circular economy*, including ventures in water transportation and management.

At the geopolitical level, collaboration on food and energy security allows both regions to reduce their dependence on the great powers and strengthen their strategic autonomy. In food trade, the symbiotic exchange between Saudi fertilizers and Latin American agricultural products illustrates how these regions can build more resilient value chains. At the same time, strategic mineral reserves in Latin America, essential to produce batteries and clean technologies, position the region as a key partner for the Middle East in its transition to diversified and sustainable economies.

Establishing a coordinated bloc of countries in international forums that promotes joint policies on food and climate security can strengthen the global influence of both regions. In addition, the creation of logistics and technology hubs at strategic points in Latin America, connected to the Middle East, would facilitate trade in critical goods and renewable energy, optimizing supply chains and strengthening economic and political ties. The growing interdependence between Latin America and the Middle East in these sectors is not only a response to current challenges, but also an opportunity to build a deeper and more resilient relationship. By working together, these regions can not only meet the challenges of the present, but also lead in a multipolar and sustainable world.

3. Digital & green transition in LAC and Gulf countries: a transformative alliance

The global transition to a green and digital economy is reshaping the strategic priorities of all emerging regions. Latin America and the Middle East, with complementary natural resources, technological capabilities, and a growing interest in sustainability, have a unique opportunity to collaborate in innovative sectors such as technology, renewable energy, and digitalization. This alliance can not only benefit their economies, but also position them as leaders in shaping a rapidly evolving future.

The Middle East has invested significantly in advanced technologies, driving strategies such as *Saudi Arabia's Vision 2030*, *Qatar Vision 2030* and *We Are UAE 2031*, and *Kuwait Vision 2035*, which prioritize innovation and economic diversification. Latin America, rich in essential raw materials such as lithium, copper and nickel, key components for batteries and electronic devices, provides the critical resources for this transition. The combination of these elements creates an ideal platform for cooperation in renewable energy and technology projects.

Renewable energy projects have become a major focus for investment. A particularly promising area is green hydrogen, a clean fuel with transformative potential in the decarbonization of industries and transport. As mentioned before, UEA, through its sovereign wealth fund Mubadala, has already announced in 2023 a $2.4 billion project in Brazil to produce green hydrogen. These initiatives not only reinforce Latin America's position as a leader in renewable energy, but also provide the Middle East with a pathway to diversify its economy and move towards carbon neutrality.

The creation of joint energy sustainability certification standards would be a key step in building investor confidence and ensuring the integration of markets. This would not only strengthen the credibility of both regions, but it would also facilitate the export of clean energy to international markets. At the same time, binational research consortia can drive technological innovations that reduce production costs and optimize value chains associated with green hydrogen and other renewable energies. In addition, tax and financial incentives specifically designed to attract capital to green projects could complement these measures, ensuring a more favourable environment for investment. All of this requires a comprehensive strategic approach to foster investment and confidence in the markets.

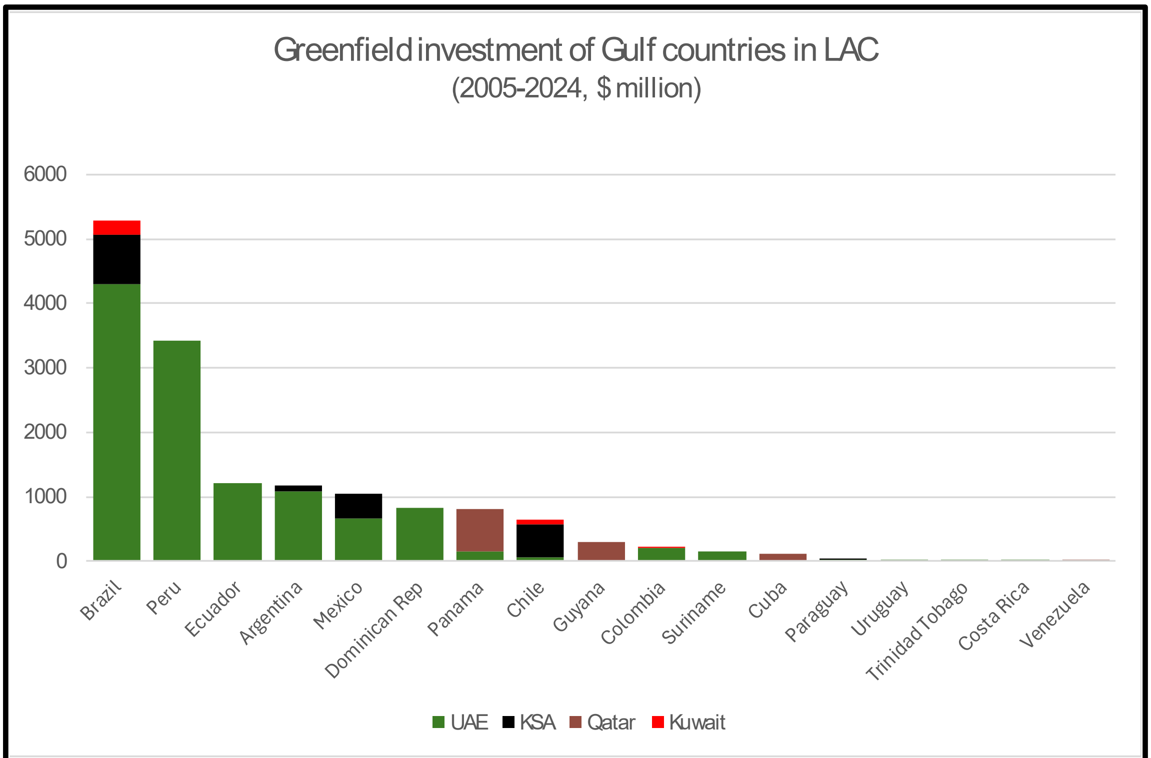
Digitalization and artificial intelligence are also emerging as areas of shared interest. Companies such as Abu Dhabi's G42, which specialize in artificial intelligence solutions, have demonstrated the transformative potential of these technologies in key sectors such as healthcare, logistics and resource management. Latin America, with its growing technological ecosystem, can benefit from strategic partnerships that promote knowledge transfer and local capacity building. By encouraging the exchange of technology and talent, both regions can accelerate their transition to more diversified and resilient economies.

In addition, the rise of *greentech* is another area where collaboration can generate meaningful results. Countries such as Chile and Argentina, with vast solar and wind energy resources, can attract Arab investments for innovative projects in clean energy generation. For example, KSA, through its Public Investment Fund, has shown interest in financing solar and wind projects in Latin America, strengthening the capacity of both regions to lead in this field.

The value chain of critical minerals for the green transition is another axis of strategic interest. Latin America, with significant lithium reserves in the so-called "lithium triangle" (Argentina, Bolivia, and Chile), is key to meeting the growing demand for batteries needed for electric vehicles and energy storage. The Middle East, with its infrastructure expertise and investment capacity, can play a crucial role in the development of these supply chains, ensuring stable and sustainable access to these resources.

Collaboration on innovation and green technologies not only has a direct economic impact, but also strengthens the geopolitical position of both regions. By leading in strategic sectors such as renewable energy and digitalization, Latin America and the Middle East can position themselves as key players in the international system, capable of influencing global norms and standards.

Finally, it is necessary to promote public policies that facilitate these collaborations. Tax incentives for innovation projects, bilateral technology transfer agreements and the establishment of joint research and development platforms are measures that can consolidate this strategic alliance. By acting in a coordinated manner, both regions can not only face current challenges, but also become benchmarks in the transition to a green and digital future.



Source: Authors´ calculations using fDi markets and Datalogic

4. Financing the future: development banks and Sovereign Wealth Funds recent alliances

Gulf countries sovereign wealth funds play a vital role in the region's global economic expansion strategy, and their growing interest in Latin America underscores opportunities to strengthen cooperation between the two regions. These funds not only represent financial vehicles, but also strategic tools that allow them to diversify their economies and forge alliances in key sectors such as infrastructure, technology, and renewable energy. The mobilization of this capital not only transforms host economies, but also positions these nations as essential partners in a global context of economic and energy transition.

Saudi Arabia's Public Investment Fund (PIF), with assets under management of approximately $925 billion according to Global SWF Tracker, is leading this strategy. The PIF has been a pillar of *Saudi Vision 2030*, which seeks to diversify the national economy by investing in sectors such as renewable energy, mining, and technology. In Latin America, the fund has shown interest in lithium-related projects, essential for the green transition, and has explored collaborations with Chilean and Brazilian companies. This approach complements the sustainability objectives of both blocs.

A recent and significant development is the agreement signed between the Development Bank of Latin America (CAF) and Saudi Arabia Exim Bank which marks a milestone in interregional cooperation. This agreement aims to enhance cooperation and strengthen economic ties between Saudi Arabia and Latin America, strengthening the country's role in financing development projects in the region. This agreement not only opens new sources of financing for the region, but also expands opportunities for Saudi funds to invest in infrastructure, logistics, and key technology sectors in Latin America, promoting a positive impact on regional economic development. The Saudi Fund for Development (embedded within the National Development Fund) is also a potential ally given its Latin America portfolio (Brazil, Cuba, and Jamaica) and focus on food, water, climate, and renewables.

The United Arab Emirates also plays a leading role, managing sovereign wealth funds such as the Abu Dhabi Investment Authority (ADIA; $1.100 Bn assets) and Mubadala ($302 Bn), which have diversified their portfolios into sectors such as clean energy and technology. Mubadala, for example, is leading the aforementioned green hydrogen project in Brazil valued at $2.4 billion, reaffirming its commitment to the energy transition and the opportunities that Latin America offers in this area. In addition, investments in ports and logistics networks have strengthened interregional supply chains, facilitating trade and knowledge transfer. In UAE, the federal Emirates Investment Authority (EIA, $91 Bn), with significant investments abroad in telecommunications shows potential.

The UAE has also been enhancing its economic ties with Latin America through bilateral agreements. A notable example is the recent signing of a Comprehensive Economic Partnership Agreement (CEPA) with Costa Rica. This agreement marks a significant step in the growing trade and investment relations between the two nations. The CEPA aims to reduce trade barriers and enhance collaboration in sectors such as agriculture, technology, tourism, and renewable energy. In addition, the UAE is negotiating a similar agreement with Ecuador and has signed an agreement on AI with Colombia.

Finally, CAF and the Abu Dhabi Fund for Development (ADFD) – just signed a landmark agreement aimed at enhancing collaboration to promote sustainable economic growth and reduce inequalities in Latin America, via joint initiatives in project co-financing, investment and information exchange. These actions join the *memory of understanding* CAF signed with the Kuwait Fund for Arab Economic Development (KFED) back in 2022.

On a more global perspective The IDB and OPEC Fund signed a *Benchmark Exposure Exchange Agreement* to reduce credit risk and increase their portfolio diversification and lending capacity. More recently, the same OPEC Fund renewed its partnership with CAF, pledging up to US$1 billion for cofounding infrastructure projects for climate action and food security, sharing expertise, with a focus on Bolivia, Brazil, Colombia, Costa Rica, Dominican Republic, Mexico, Panama, Paraguay, Peru and Uruguay.

On the other hand, Qatar potential looks untapped. The Qatar Investment Authority (QIA, $510 Bn), although smaller compared to its Saudi and Emirati counterparts, has focused its investments on strategic sectors such as food, health, and technology. Qatar has established partnerships with agricultural companies in Brazil and invested in fintech initiatives, reinforcing the diversification of its portfolio, and strengthening ties with Latin America in areas of common interest.
To unlock the full potential of sovereign wealth funds in Latin America the region should establish clear regulatory frameworks and minimize political uncertainty to create an environment that encourages long-term investments. For their part, sovereign wealth funds should enhance transparency and governance in some host markets. Clear agreements and robust accountability mechanisms can further strengthen these investments, paving the way for greater impact and sustainable growth.

Bilateral investment agreements, such as the one facilitated by CAF and Saudi Arabia, can serve as models for building mutual trust. The creation of joint investment platforms could channel capital into strategic sectors, while the establishment of interregional forums would allow for the alignment of priorities and the coordination of high-impact projects. In addition, clear sustainability and governance standards would ensure that investments have a positive impact on the environment and local communities.

Sovereign wealth funds not only represent a critical source of financing, but also a tool for transferring knowledge, building local capacities, and generating high-skilled jobs in Latin America. These investments also help the Middle East diversify its economies and ensure access to strategic resources, cementing an interdependent and mutually beneficial relationship.

Ultimately, these recent agreements reflect tangible progress towards deepening ties between these two regions. This strategic cooperation not only strengthens the economic relationship, but also establishes a solid foundation to jointly face global challenges in sustainability, development, and economic resilience.

Conclusion: towards a strategic alliance in a multipolar world

Growing global polarization and the transformation of economic systems require the construction of strategic alliances based on complementarity and cooperation. Latin American and Caribbean and Middle East Guld countries, with different trajectories and resources but common goals, have a unique opportunity to consolidate a relationship that transcends trade and addresses the challenges of the 21st century. By acting together, they can position themselves as a "third bloc" on the international stage, with the ability to influence the global agenda.

Traditional sectors, such as agriculture and energy, offer a solid foundation on which to build. Latin America, as a reliable food supplier, can meet the growing demands for food security in the Middle East, while Gulf countries provide advanced technology and financing to strengthen agricultural value chains. Similarly, joint investments in renewable energy reflect a shared commitment to the green transition and sustainability, critical areas for the future competitiveness of both regions.

The integration of innovation and advanced technologies marks a step forward in this relationship. Investment in green hydrogen, digitalization and green technologies not only generates immediate economic benefits, but also positions both regions as key players in the transformation towards low-carbon economies that are resilient to climate change. In this context, Middle Eastern sovereign wealth funds function as catalysts, mobilizing capital for strategic projects that strengthen the economic and technological connection between the two regions.

The recent agreements signed and ongoing negotiations between countries – notably Saudi Arabia and United Arab Emirates - and development institutions in the two regions are tangible examples of interregional engagement. These agreements not only facilitate new investments in infrastructure and sustainable development, but also reinforce the role of both regions in multilateral forums, promoting a joint agenda on global issues such as food security, climate change and energy transition.

In a multipolar world, where cooperation between complementary regions is essential, Latin America and the Middle East have the potential to lead with an approach based on sustainability, innovation, and equity. By working together, these regions will not only be able to meet the challenges of the present, but also shape a more balanced and prosperous future.