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## HIGHLIGHTS

- Political Developments
- Economic Developments
- FOCUS India-LAC

### Political Developments

**Brazil's** political crisis deepened with an appeals court confirming former President Mr. Lula da Silva's conviction, decreed in July last year, increasing the prison term from 9 to 12 years. The charges were that Lula accepted a property during his presidency from engineering company OAS, in exchange for helping that firm secure contracts with state oil company Petrobras. Seventy two-year old Lula condemned the decision and said this strengthened his resolve to run for president in October. The Supreme Electoral Tribunal will decide whether he is eligible. Lula currently leads the polls for the elections and has accepted the nomination of his Worker's Party.

**The Venezuelan** political crisis deepened in early February after the breakdown of talks between the government and opposition held in the Dominican Republic, under the auspices of former Spanish President Jose Luis Zapatero. After the suspension, President Maduro announced they will hold early elections on 22 April. The main opposition coalition, the Democratic Unity Roundtable (MUD), said on Wednesday that it will not participate in the April 22 presidential election unless the government makes substantial changes to the process.

Maduro's decision drew mostly adverse reaction internationally. Peru, which will host the **Summit of the Americas** – a hemispheric event held every 3-4 years – in April 2018, withdrew its invitation to Maduro. Peru was backed by foreign ministers of the Lima Group, twelve mostly conservative governments in the region advocating the restoration of democracy in Venezuela. Comprising Argentina, Brazil, Chile, Paraguay, Colombia, Peru, Panama, Honduras, Costa Rica, Mexico, Guatemala and Canada, the Lima Group was formed in 2017 after the refusal of the Caribbean bloc and allies to condemn Venezuela in the OAS. The group also called for a humanitarian corridor for Venezuela's suffering residents. According to the United Nations 5,000 Venezuelans have fled to Curacao, 20,000 to Aruba, 30,000 to Brazil, 40,000 to Trinidad and Tobago, and more than 600,000 to Colombia. Colombia has begun to monitor and regularize the stay of as many as possible, to weed out criminal elements and victims of narcotraffickers who use them as mules to transport cocaine, or even grow coca.

**US** Secretary of State, Mr. Rex Tillerson prefaced his tour of Latin America in February with a speech at the University of Texas, where he outlined US priorities and preoccupations. To a question on the Monroe Doctrine (of former US President James Monroe in 1823 opposing European colonisation of the Americas), Tillerson said: 'I think it clearly has been a success...I think it's as relevant today as it was the day it was written.' This was in sharp contrast to his predecessor John Kerry, who in 2013 declared the doctrine dead. Though Tillerson referred to the values and ideals of the US and the hemisphere in general, his remarks on Venezuela, the expanding presence and influence of China and Russia ('new

imperial powers'), made it clear he was targeting external powers and regimes that were not in line with US priorities and interests. Tillerson also sought a balance in his assessment. In contrast to Trump's attitude towards NAFTA, he underscored the \$14 billion U.S. trade surplus with the region. He openly admitted the United States' role 'as the major market for illicit drug consumption,' calling for 'shared approaches' to addressing transnational crime. His tour covered Mexico, Argentina, Peru, Colombia and Jamaica - countries aligned with US interests and broadly supportive of its policy towards Venezuela.

China's Foreign Mr. Minister Wang Yi participated in the second ministerial meeting of the **China and the Community of Latin American and Caribbean States (CELAC)** Forum, on 21-22 January in Santiago, Chile. The first meeting was in China in 2015. At the event, China proposed that LAC become a part of China's OBOR initiative. Since 2013, President Xi Jinping has paid three visits to Latin America. China has strategic partnerships with Brazil, Peru, Mexico, Argentina, Venezuela, Chile and Ecuador. China-LAC bilateral trade reaching \$233.76 billion in the first eleven months of 2017, an 18.3-percent year-on-year increase according to Chinese statistics. The economic relationship has gone beyond trade to include investment and China's involvement in massive and strategic infrastructure projects all over the region. This has softened China's image and enabled it to improve its political reputation as a responsible great power. One result has been that the number of countries recognizing Taiwan in LAC has dwindled to 11. Chile was the first to recognize the PRC in 1970, Panama was the latest in June 2017.

**Ecuador's** politics took an interesting turn after a failed attempt by former President Rafael Correa to expel his successor, President Lionel Moreno, a paraplegic, and his supporters from the ruling party Alianza País. On January 15, Ecuador's constitutional court recognized Moreno's continuing control of the party, prompting Correa to walk out with 28 of the 74 assembly members, leaving the ruling party with a minority in the national assembly. Correa's supporters formed a new party "Revolución Ciudadano" (Citizen Revolution). Moreno has been criticized by Correa for selling out the revolution the former presided over during his tenure (2007-2016). Moreno's government has moved towards the centre, seeking consultations with the opposition to maintain support in the assembly. His popularity, at 75 percent, is the highest in Latin America.

The founder of Wikileaks, Mr. Julian Assange who has taken asylum in the Ecuador embassy in London, was granted Ecuadorean citizenship in December (announced in January). Ecuador's attempt to give him diplomatic status was rejected by the UK government. On 4 February Moreno gained another victory when voters overwhelmingly approved 7 questions in a national referendum, including repeal of capital gains tax, oil drilling and mining in large parts of the Ecuadorean Amazon and in urban areas; banning of corrupt officials and of indefinite re-election (which bars former President Correa, Moreno's principal adversary from seeking re-election); and reform of social institutions.

National **Colombian** daily 'El Tiempo' published a report based on allegations and intelligence from government officials, including the Attorney General of Colombia, that Mexican drug cartels - especially Sinaloa - have over 100 operatives based in Colombia to oversee operations of cultivation of coca leaf (over 150,000 hectares), production of precursor chemicals, production and distribution of 99 percent pure cocaine, and money laundering activities. The presence of the Mexican cartels fills the vacuum created by the demobilized FARC and other Colombian drug cartels and is a preoccupation for the Mexican and US governments as well. The ceasefire between the armed forces and the ELN guerilla group ended in January with resumption of hostilities after President Juan Manuel Santos announced the guerillas had attacked the army and blown up an oil pipeline.

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## Economic Developments

**Chile's** low ranking in the World Bank's Index of Doing Business became controversial after the Bank's chief economist, Paul Romer declared that the reports which determined the ranking for Chile may have been biased against the left-wing government of President Michele Bachelet. Chile ranked 34 under the administration of right wing President Sebastian Pinera (2010 to 2014), who has just been re-elected, but as low as 57 during Bachelet's two terms in office, from 2006 to 2010, and from 2014 to March 2018. Economic policy has influenced the politics of Chile, the country with the highest development parameters in Latin America and a member of OECD.

China has started rewarding **Panama** for shifting recognition from Taiwan last year. Air China will commence flights from Beijing to Panama via Houston, a journey of 16.30 hours, from March 2018. Both

countries will also negotiate a free trade agreement, announced during the visit in January of President Mr. Juan Carlos Varela to Beijing, after his meeting with President Xi Jinping. During the visit, both sides signed an agreement for China to finance a study to link Panama with neighbouring Costa Rica by train.

The UN Economic Commission for Latin America and the Caribbean (ECLAC) said in a report released early February that trade between **China and Latin America** surged 22-fold between 2000-2013. Trade totalled \$266 billion in 2017. Under the 2015-2019 Cooperation Plan, the goal for 2025 is \$500 billion in trade between LAC and China. China provided some \$141 billion in financing to the region over the past decade, a figure that topped lending to Latin American nations by the Inter-American Development Bank (IADB) and the World Bank. Chinese investments amounted to \$25 billion in 2017.

On 23 January negotiators from 11 countries reached an agreement on the Trans-Pacific Partnership (TPP) trade deal. Now called **the Comprehensive and Progressive Agreement for Trans-Pacific Partnership**, it comes a year after U.S. President Donald Trump withdrew the United States from the pact concluded by his predecessor. Chile, Peru and Mexico will be members of the CPTPP once it is ratified in March. The original TPP would have covered about 40 percent of the world's GDP. The CPTPP's coverage is only around 13.5 without the United States, but it will create new opportunities, opening markets with a combined population of 494 million people and providing preferential access into Japan, the world's third-largest economy.

According to the Inter American Dialogue, a think tank based in Washington DC, **remittances to LAC** reached \$75 billion in 2017, an 8% increase from 2016. Remittances from expatriate communities are vital to LAC, especially Central American countries like El Salvador, with almost 3 million expatriates. 2 million Haitians abroad - in the US, Chile and Brazil – sent remittances accounting for 36 percent of Haiti's GDP.

**Venezuela's** oil minister and head of state oil firm PDVSA, Mr. Manuel Quevedo stated that oil production increased to nearly 1.9 million barrels per day (mbpd) after hitting a historic low of 1.834 mbpd in November 2017. At its peak early this century Venezuela was producing over 3 mbpd. Venezuela's bolivar crossed 200,000 to the dollar on the black market in January. The official rate of 10 to the dollar, under the DIPRO system was given up. The DICOM system places the Bolivar around 3500 to the dollar. President Maduro announced in January the pre-sale of the crypto-currency Petro backed by Venezuela's oil reserves. The initial reference price will be \$60 per Petro and the government contemplates a sale of 100 million Petros to institutional and individual investors to get \$6 billion.

**Argentina's** President Mr. Mauricio Macri on a state visit to Russia signed economic agreements, notably one which would allow Russia to mine uranium, and Russia's Rosatom to set up a nuclear power plant in Argentina. Argentina has the largest Russian-origin community in LAC – around 400,000. The Russian navy is helping trace a missing Argentine submarine.

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## Focus India-LAC

The Washington DC based Inter-American Development Bank (IDB) released in January a new study, "Latindia: The Future of Cooperation between India and Latin America," which covers issues such as export destination markets, strategic business areas, global value chains, productive synergies, and opportunities for market development between the two. The report estimates that trade between India and Latin America reached USD 30 billion in 2016 (from a peak of USD 45 billion in 2013), suggesting that there is great potential for economic ties to diversify and continue to grow in the medium term. It also estimates that 50,000 local workers are employed by the approximately 200 Indian companies that operate in the region. While the prescriptions are not new, it is notable that the institution, which published its earlier report in 2010: 'India: Latin America-s next big thing?' has revisited the economic relationship. LAC's share in India's total trade still remains low at 4.6 percent but up from 1.7 percent in 2000. The complexion of the relationship has changed, with higher Indian investment concentrated on services and value-added products like chemicals and pharma, unlike the Chinese which is mainly in natural resources.

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*(The views expressed are personal)*

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