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## HIGHLIGHTS

- Political Developments
- Economic Developments
- FOCUS India-LAC

### Political Developments

On 5 August the **Venezuelan** Constituent Assembly (ANC) - all 545 members from the Chavista bloc - 'elected' to refashion the current constitution promulgated by Hugo Chavez in 1999, held its inaugural session. Widely regarded as President Maduro's ploy to strengthen his hold on power and further marginalise the opposition - which holds a two-thirds majority since December 2015 in the emasculated parliament - the election was preceded by violent protests by civil society and the political opposition, which had on 16 July held its own informal referendum, with over 7 million voting against it. Backed by the ANC, the government suspended the rebellious Attorney General who objected to the moves taken by the government and the Supreme Court, jailed political opponents and closed down TV stations, threatening to prosecute the opposition for treason. On 18 August, the ANC assumed "the power to legislate on (all) matters..."

Seventeen regional governments condemned the move by President Maduro. At the Mercosur Summit in Buenos Aires on 21 July, Presidents of Argentina, Brazil, Paraguay and Uruguay, accompanied by Chile, Guyana and representatives of Mexico, Peru and Colombia, called on the Maduro government to "not take any initiative that could divide Venezuelan society even more, or aggravate institutional conflicts." Bolivia - due for full membership of Mercosur - did not sign on. On 5 August Mercosur suspended Venezuela - a member since 2012. Twelve South American countries went further in early August in Lima, Peru whose government recalled its Ambassador from Caracas.

Venezuela is a prime battleground between the US/Europe and Russia/China. Russia has supported Maduro through oil deals and financing primarily by Rosneft. China issued a 'hands off Venezuela' statement end July. Both countries shipped food and other necessities and purchased Venezuela's dollar-denominated bonds. President Trump levied financial sanctions. His threat of a 'military option' was condemned even by Latin American governments opposing the Maduro regime.

On 12 July, a Brazilian judge sentenced former President (2003-10) Luis Inacio Lula da Silva (Lula) of the Workers Party to nine and a half years in prison for accepting services valued at \$1.1 million from a construction company that benefited from contracts with national oil company Petrobras. Brazil's first ex-President to be convicted, 71-year old Lula left office with very high approval ratings, is a leading candidate for re-election but faces four other cases of corruption. If the convicted is upheld, he cannot run in November 2018.

On 3 August, President Michel Temer, highly unpopular but a master politician, managed to survive a vote in Congress (263 to 226), that could have forced his resignation and sent him to trial. Corruption charges against him, based on testimony by a businessman, can now only be filed after he hands over on 1 January 2019. Other charges are being investigated.

The Brazilian corruption saga reverberated in **Ecuador and Peru** and elsewhere in Latin America. Ecuador's President Lenin Moreno divested Vice President Jorge Glas of 'all duties' till further notice on allegations of corruption. Glas and former President Rafael Correa are both been critical of Moreno, who is perceived as more centrist. Peru's former President Ollanta Humala (2012-16), was imprisoned along with his wife. Both cases involved bribes from Brazilian company Odebrecht.

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## Economic Developments

**Foreign Direct Investment (FDI) inflows to LAC declined by 7.9 percent to \$167.043 billion in 2016**, due to low commodity prices, sluggish economic growth and global trend of shifting investment in developed economies, according to the UN Economic Commission for Latin America and the Caribbean (ECLAC). At 3.6 per cent of the region's gross domestic product (GDP), against the global average is 2.5 per cent, investment by transnational corporations in the region's economies is crucial. Brazil got the lion's share: 47 per cent, a 5.7 percent increase; while Mexico at second place, fell by 7.9 percent.

The **IMF** in its quarterly update on Latin America & Caribbean forecast a gradual upturn for **Latin America's economy** in 2017 and 2018, based largely on Argentina's and Brazil's recoveries from their recessions. It postulates 1 per cent in 2017 (UN ECLAC estimates 1.1 per cent) and 1.9 per cent in 2018, which is still weak but more optimistic than a year earlier. The recovery will rely upon economic reforms and better governance –(for example: fight against corruption, anti-cyclical macro-economic measures, vigilant institutions, reasonable levels of foreign direct investment, a shunning of populism) - absent any major upturn in commodity prices. Greater regional integration has also helped.

US oil major Exxon announced in late July another significant find in offshore **Guyana**. The Payara field, which could pump 120,000 bpd by 2020, raises Guyana's estimated recoverable resources to about 2.25-2.75 billion barrels. On the South American Caribbean coast, with an Indian-origin diaspora up to 45 percent of its 700,000 population, Guyana neighbours Venezuela but has rejected the latter's claims in these waters.

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## Focus India-LAC

Venezuela's cash-strapped national oil company Petróleos de Venezuela S.A. (PdVSA) has offered India's ONGC Videsh Ltd (OVL) an extra stake in a joint venture, according to a July Reuters report. PdVSA is making slow payments under a recent agreement to OVL towards over \$500 million in pending dividends. PdVSA reportedly offered 9 per cent further equity to OVL, which holds 40 per cent in the project, currently producing around 23,000 barrels of heavy oil per day. The price of the deal is not known, but could face opposition from the National Assembly, whose constitutional right to veto such transactions was recently suspended by the government.

Chile's 21 million kg market was the focus of Indian Tea Association in July, given the 80 per cent margin of preference afforded by the recently expanded (preferential trade agreement) PTA in May, along with a lowering of freight rates. Chile is unique in Latin America for its preference for tea over coffee. British ships sailing between India and the US used to stop at Chilean ports in the absence of the Panama Canal, trading this beverage.

On 11 July, Axis Bank, India announced agreement with Inter-American Investment Corporation (IIC), acting on behalf of the Inter-American Development Bank (IDB), to participate in the Trade Finance Facilitation Programme (TFFP) as a confirming bank. The collaboration aims to foster bilateral trade relations by allowing ease of transactions in trade financing of business between Latin America and India.

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*(The views expressed are personal)*

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