

Current and Emerging Trends in the LAC region

The Latin American and the Caribbean region consists of three principal sub-regions: The South American continent; Central or Meso America from Mexico to Panama and the Caribbean. The region includes 40 very disparate countries from tiny island States to mighty Brazil. There are linguistic, historical, political and economic differences which have complicated efforts at regional integration.

2 However, in recent years, with the consolidation of democratic structures in almost all of these countries, with exceptions such as Cuba, and a desire to advance economic prosperity, leaders and governments have invested strenuous efforts to overcome difficulties and adopt more harmonious and coordinated policies.

3 Early efforts at integration through the ALADI (Latin American Integration Association); Andean Community; the CARIFTA (Caribbean Free Trade Association), and others met with limited success. More recent initiatives such as Mercosur (South American Common Market comprising Brazil, Argentina, Paraguay, Uruguay, with Venezuela awaiting full integration) and UNASUR (Union of South American Nations) comprising 12 South American countries, and to some extent, the Caribbean Community (CARICOM) have demonstrated the feasibility and the advantages of limited regional integration.

4 Loose regional forums such as the Rio Group and CALC (Latin American and Andean Community) served to provide a stage for the airing of disparate political and economic views by regional leaders. Nevertheless, in recent years, these forums have helped to lessen tensions, and promote solutions to regional problems such as Colombia-Ecuador-Venezuela; Honduras.

5 The advent of the Latin American left, whose ideological base was primarily provided by Cuba, and fuelled by Venezuela after Hugo Chavez

took power in 1999, led to the formation of the regional group (ALBA - the Bolivarian Alternative for the Americas) in part a reaction to attempts by the US to form the Free Trade Association of the Americas (FTAA) but also to consolidate the policies and orientation of its members - currently Cuba, Venezuela, Bolivia, Ecuador, Nicaragua, Dominica, Antigua and Barbuda, Saint Vincent and the Grenadines. ALBA has brought into sharp focus fundamental difficulties within the region and will have an impact on efforts at integration. This is particularly because some of its members particularly Venezuela, Bolivia and Ecuador, are resource-rich but have decided to fence off their economies from the ongoing wave of regional economic liberalization.

6 Conscious perhaps of the challenge posed by such fundamental policy differences and pan-regional issues, such as narco-traffic; organized crime, etc., Latin American leaders decided in February 2010 in Mexico to form the Community of Latin American and Caribbean States - CELAC. By the time we meet in Bogota, this forum should have held its first Summit on the island of Margarita in Venezuela and may well subsume the other two regional forums - the Rio Group and the CALC. There are ongoing negotiations over issues such as definition of democracy; terrorism; and others, mainly arising out of differences between ALBA on the one hand and countries such as Colombia, Chile and Mexico on the other.

7 Brazil continues to play a discreet regional leadership role and had managed to keep Mexico out of the prime regional institution, UNASUR. It now will have to maintain a balance between the opposing forces of the new pan-regional CELAC, which will include Cuba, and exclude the US and Canada.

India's interaction

8 India's recent attempts at collaboration with the region can be traced to September 1995 when EAM met the Foreign Ministers of the then Troika of the Rio Group in New York. It was decided to have an annual structured dialogue, which has unfortunately not been followed up.

9 An agreement for Political Consultation and Cooperation was signed with the Andean Community (CAN) during the visit of EAM to Lima, Peru in June 2003. There has been little follow up on this and related efforts towards economic cooperation.

10 An agreement was signed between India and the CARICOM to establish a Standing Joint Commission for Consultation, Cooperation and Coordination during the visit of Foreign and Trade Minister of Jamaica, then Chairman of the CARICOM Community Council, in November 2003 to India and the first meeting of India-CARICOM Foreign Ministers was held in February 2005.

11 On the positive side, we have negotiated Preferential Trade Agreements (PTAs) with Mercosur (in force since 2009) and Chile.

Conclusion

12 Although India's trade with the region has increased across the board, there is still much potential to be exploited. The decades of political and economic distance have come to an end with select countries such as Brazil and Mexico. Trade volumes with Argentina, Chile, Venezuela, and to a lesser extent, Colombia and Peru have grown significantly largely on account of fuel and commodity imports (crude oil, edible oil, copper etc.), even as India's export basket is a robust and versatile mix of engineering, pharmaceuticals, textiles and services such as infotech. Our core strengths need to be built on through assiduous and aggressive market oriented strategy, identifying local partners wherever possible, to enable our companies to penetrate the region.

13 It is also essential to identify areas where Indian investment can serve as a platform for promotion of our exports, taking advantage of regional integration, e.g. the assembly of vehicles in Manaus, Brazil, to service Mercosur, or in Mexico for Central America and Colombia. Investments will also serve to source critical raw-materials and inputs for India's economy such as oil, coal, agricultural products etc.

14 For all the above, the juridical infrastructure needs to be well established. This will require coordination through MEA with other ministries mainly, Commerce, Finance, Petroleum and other economic ministries such as Coal, Mines, Chemicals and Fertilizers, Communication and IT, Textiles, and the scientific departments. With several countries, we have successfully concluded and even ratified agreements on Investment and Double Taxation. We need to harmonize our efforts in this area and also leverage our technological skills and resources e.g. ITEC programme, financial assistance through LOCs etc., wherever possible.

15 India's relations with the region continue to be defined largely in bilateral terms. Attempts at dialogue with regional forums have been sporadic with little follow up. The draft declaration of the CELAC speaks of institutional dialogue with important countries. Since CELAC is set to become the apex forum in the region, it will be important to establish and follow up our interest in institutional and continuous dialogue with this forum, while pursuing economic and commercial initiatives bilaterally and with other regional grouping such as Mercosur, CAN and CARICOM.

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