



HIGHLIGHTS

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Political Developments

Brazil's President Ms Dilma Rousseff was formally removed from office on 31 August. The Senate, after an impeachment trial, voted **61-20** against her. A second vote did not render her ineligible for public office for 8 years, seen as a partial victory for her defence. On 29 August, in a 14 hour appearance before mostly hostile Senators, in an impassioned defence, she criticised the 'parliamentary coup' and illegitimacy of the process, with several the Senators judging her either being proceeded against for corruption or under a cloud. Dilma herself was not accused of corruption, but of a 'crime of responsibility' for manipulating state accounts to conceal government expenses.

The **Olympic Games** were inaugurated at a gala ceremony in Rio de Janeiro on 5 August, highlighting Brazilian diversity and creativity. The games concluded on 21 August without a hitch, despite warnings about faulty infrastructure, the Zika virus, violence, even terrorism. Acting President Michel Temer avoided the closing ceremony, reportedly apprehending protests by those who question his legitimacy. At 75, he was sworn in on 31 August as the oldest of all 41 Brazilian presidents.

After four years and an intense week of final talks, the government of **Colombia** and the FARC announced on 24 August in Havana the conclusion of the final agreement – running into 297 pages - for an end to the 52-year long civil war. Earlier the Constitutional Court ratified the government's proposal for a plebiscite – scheduled for 2 October - to approve the final agreement with a minimum positive vote of 13 percent of the electorate, or just over 4 million votes. The final agreement is expected to be signed in September by President Santos and the FARC chief Rodrigo Londoño, alias Timochenko.

The agreement has wide international support, with the UN to provide a force to monitor the handing over of weapons by the FARC. Norway and Cuba are guarantors, while Venezuela and Chile are facilitators of the negotiations and the agreement.

Political turmoil in **Venezuela** cast a shadow on relations with its partners in Mercosur (Common Market of the South). Venezuela was admitted to the bloc in 2012 but has been unable to integrate into the common market and had not implemented the common external tariff by the due date of 12 August. Brazil, Paraguay and Argentina insisted Venezuela could not take over the rotating presidency in July. The resistance largely stems from Venezuela's incongruence within a currently market-friendly Mercosur.

Brazil, Paraguay and Argentina also support the political opposition in Venezuela which, despite holding a two-thirds parliamentary majority, is virtually toothless. Shortages and hyper-inflation have increased support for an immediate recall referendum against President Nicolas Maduro. On 12 August, 13 Latin American countries - Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru and Uruguay - joined Canada and the US at the Organisation of American States to call *inter alia* for 'the realization of the Presidential Recall Referendum without delay'.

Maduro in turn has tightened his grip by giving the military more control. On 12 July, he appointed Defence Minister General Vladimir Padrino head of the economic cabinet, above pro-business Economy Minister Miguel Perez Abad, who was replaced. In August, another general, Nestor Reverol – indicted by the US for drug trafficking - was appointed Interior and Justice Minister.

On 13 August, Cuba celebrated **Fidel Castro's 90th birthday**. In an article titled 'My Birthday' (www.cubadebate.cu) he outlined the problems of the modern world like overpopulation, nuclear weapons and the importance of education. Despite the establishment of full diplomatic relations with the US, he continues to refer to it as 'the empire', and to China and Russia as 'great powers'.

Economic Developments

The **Economic Survey of Latin America and the Caribbean 2016**, of the UN Economic Commission for Latin America and the Caribbean, released on 26 July predicted that LAC will undergo a -0.8 percent contraction in its growth rate in 2016, a steeper decline than the 0.5 percent in 2015 (www.cepal.org). The economies expected to contract are: Venezuela (-8.0%), Suriname (-4.0%), Brazil (-3.5%), Trinidad and Tobago (-2.5%), Ecuador (-2.5%) and Argentina (-1.5%).

Colombia has suffered a decline in GDP growth on account of a fall in commodity prices, a pattern in most of LAC. Contribution from oil and gas to government revenues fell from 19.7 percent in 2013 to 7.5 percent in 2015 and is projected at 1.9 percent this year (Colombia Finance Ministry). Lower investment saw production fall well below 1 million barrels per day in 2016. The high cost of commitments to the peace process with the FARC will require higher taxation and reduction in government expenditure on other essential services.

Exploration in the Liza field in offshore **Guyana** by US oil company Exxon is expected to yield "a recoverable resource of between 800 million and 1.4 billion oil-equivalent barrels", half the entire volume of oil discovered in 2015. Venezuela, which disputes the boundary with neighbouring Guyana, has protested the grant of these concessions but the Guyanese government is proceeding with the exploration.

Igor Sechin, head of Russian hydrocarbons giant Rosneft, visited **Venezuela** in July and signed agreements to monetise gas projects, apart from terms for oil swap. Rosneft is negotiating purchase of a 49 percent stake in India's Essar Oil's Vadinar refinery with a capacity of 20 million tonnes per annum. The agreement would involve supply of 100 million tonnes of oil over the next 10 years. Some of this oil could come from Venezuela.

Though diplomatic relations between **Cuba** and the US have been normalised, the economic embargo largely persists. Cuba nationalised property and assets of US and Cuban origin US nationals after the 1959 revolution and "the satisfactory resolution of property claims...remains an essential condition for the full resumption of economic and diplomatic relations" (1996 Helms Burton Act). US claims cross \$10 billion, almost 13 percent of Cuba's 2013 GDP. The Cuban government demands \$121 billion for economic damages and \$181 billion as human damages from the embargo.

Full restoration of relations will depend on whether they can come to an agreement on the lines of those reached by Cuba with Canada, France, Switzerland, and Spain between 1967 and 1973, after which these countries established normal economic relations with Cuba.

On 31 August the first direct commercial flight of Jet Blue landed in Cuba from Florida. Earlier only charter flights were permitted between the two countries, with passengers screened to meet migratory norms. Eventually 110 flights are planned daily between US and 9 destinations in Cuba.

Focus India-LAC

Ms Delcy Rodriguez, Foreign Minister of Venezuela visited Delhi and met External Affairs Minister Ms Sushma Swaraj to hand over the invitation to the **XVII NAM Summit being held in Venezuela on 17-18**

September, 2016. She was accompanied by the Venezuelan Minister of Petroleum, Mr Eulogio del Pino who met Minister of Petroleum and Natural Gas, Mr Dharmendra Pradhan.

The Indian side reiterated its long-standing proposal for an oil-for-export mechanism for payment of pending dues of Indian companies, notably \$ 600 million of ONGC's dividends from its investments in Venezuela. India imported almost 24 million tons of crude – around 12 percent of its total – from Venezuela in 2015-16. ONGC Videsh Ltd. (OVL) has a 40 percent stake in the San Cristobal oilfield, currently producing 28,000 barrels per day, down from 38,000 bpd 2 years ago. A consortium of OVL, Indian Oil, and Oil India has 18 percent stake in the gigantic Carabobo field currently producing 16,000 bpd, expected to rise to 90,000 bpd by 2017, with potential of up to 400,000 bpd. Cash-strapped Venezuela has to come up with funds to finance its share of capital expenditure to realise the full potential of these projects.

Commerce Secretary Ms. Rita Teotia visited **Mexico** 13-15 July for the Fourth High Level Group on Trade, Investment and Economic Cooperation. During the visit FICCI and Telecom Equipment and Services Promotion Council (TEPC) organised seminars on India-Mexico Investment opportunities and Buyer-Sellers Meets in Mexico City and Guadalajara.

Though a free trade agreement with Mexico is not on the horizon, it is an increasingly important economic and commercial partner. India's exports to Mexico at \$ 2.865 billion in 2015-16, with imports at \$2.283 billion, left India with a trade surplus for the first time in several years. There are over 40 Indian companies active in Mexico and 13 Mexican companies in India. Mexico's hydrocarbons sector has recently opened up to foreign investment.

A Science and Technology delegation from India visited Mexico City for the VI Mexico India Joint Committee Meeting on Science & Technology and had a very useful discussion with Mexican officials on cooperation from 18-19th July 2016. The Mexicans have expressed interest in several sectors including outer space.

In July, the Ministry of Commerce and the secretariat of **Mercosur** exchanged lists of approximately 3000 tariff lines each for a possible expansion of the existing preferential tariff agreement (PTA) signed in 2004, effective since June 2009. The four original members of Mercosur – Brazil, Argentina, Paraguay and Uruguay – should commence formal discussions on further negotiations in the near future.

India's trade with Latin America and the Caribbean (minus Mexico) amounted to \$ 38.48 billion in 2014-15. Of this, Mercosur accounted for \$ 14.24 billion, or 37 percent. The balance was favourable for Brazil and Argentina, largely due to massive imports of crude and edible oil respectively. In 2015-16, trade with Mercosur fell to around \$10 billion, reflecting the fall in crude prices and in diesel exports by India.

On 17 July, **Essel Propack** inaugurated a new plant in Cali, Colombia to manufacture 180 million tubes per year. Part of the USD 2.4 billion Essel Group, Essel Propack is a specialty packaging firm, manufacturing laminated plastic tubes catering to the FMCG and pharma industries. Located in a special economic zone, the facility will also cater to the adjacent Andean markets of Ecuador, Peru, Bolivia, Venezuela and Chile.

French construction company Bouygues has 200 Indian engineers and technicians in hotel construction projects in Cuba (<http://in.reuters.com/article/cuba-economy-labor-idINKCN1011S5>) and plans to employ more. Recent Cuban foreign investment laws (2014) contain "special regulations" concerning foreign workers under "exceptional circumstances." The Indian workers, who get around 1500 Euros a month, will train local tradesmen in Cuba in addition to working directly on the projects themselves.

Author

Ambassador Deepak Bhojwani, Adviser, Latin America & Caribbean, Ananta Centre
& Former Ambassador of India to Colombia, Venezuela and Cuba
(The views expressed are personal)
