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HIGHLIGHTS

- Political Developments
- Economic Developments
- FOCUS India-LAC

Political Developments

Fidel Castro passed away on 26 November, ending an era. After he handed over power to his younger brother Raúl in 2006, because of ill health, and the presidency de jure in 2008, Cuba began changing slowly. The monolithic communist political economy Castro had overseen for almost half a century welcomed foreign investment and private enterprise, subject to conditions, and loosened restrictions on movement and ownership for its citizens. Castro saw the US government re-establish diplomatic relations and lift several restrictions on Cuba. His legacy may be more romantic than political, but he has earned his place in history. Castro's wish that no public place shall bear his name, nor any monuments or buildings be erected in his honour, became Cuban law on 27 December.

Donald Trump's election as US President has shaken many Latin American establishments. Mexico is likely to be most affected, with Trump's insistence on building a wall (to be paid for by Mexico) along the border to stop illegal immigration; deport illegal immigrants; and scrap free trade agreeements like NAFTA - which has boosted the Mexican economy – and the TPP. Trump's intemperate language about 'rapists, criminals, drug dealers, etc.', and other disparaging remarks, have alienated populations and governments across the region.

Central American countries, which have a free trade agreement with the US, are apprehensive about thousands of migrants in the US who will be shipped back, drying up vital remittances. Brazil, Argentina, Peru, with new right-leaning governments have been drawing closer to the US, but are unsure what to make of the new administration. The ongoing US rapprochement with Cuba may also be redefined, with more pressure on left-wing LAC regimes, according to some analysts.

Nicaragua's President Daniel Ortega was re-elected easily to his third consecutive term on 6 November, facing a weak opposition and considerable voter abstention. Opponents have accused the 70-year-old former guerilla fighter of trying to set up a "family dictatorship", with his wife as the Vice President and relatives in key posts.

Ortega represents the new, authoritarian left in Latin America. After his Sandinista National Liberation Front (FSLN) toppled dictator Anastasio Somoza in 1979, he led the 1980s civil war against US-backed Contra rebels, which killed around 30,000 people and unleashed an economic crisis. After losing the 1990 election, he won in 2006. He changed the constitution in 2014, ending presidential term limits. He has managed the economy relatively skilfully, reduced poverty, co-opted a pliable private sector, and kept Nicaragua in the left-wing ALBA grouping. He has avoided open confrontation with the US while enhancing relations with Russia and China.

On 24 November the Colombian government signed a revised agreement with the FARC insurgent group in Bogotá. The government calls it a "truly new accord…(which)… includes more than 80 percent of the concerns of those who voted 'no' " in an October 2 referendum on the original agreement. Opponents, led by former President Uribe, claim there are several unacceptable aspects. The new agreement, referred to the Congress – not referendum – for approval, was overwhelmingly passed, as was a law for immunity to FARC members and Colombian military from prosecution for minor crimes. Serious offenders will be tried by special tribunals. The FARC will also use its funds to contribute to reparations.

On 2 December, as it had warned earlier, Mercosur announced Venezuela's suspension on account of human rights violations and failure to adopt rules and norms of the bloc (which it joined in 2012) comprising Argentina, Brazil, Paraguay and Uruguay. Mercosur cited economic and immigration agreements Venezuela would be violating. The opposition in Venezuela appears under siege. The Supreme Court, packed with government nominees, refused to ratify a referéndum to recall the President this year and postponed local elections due in December.

Economic Developments

Peru hosted the 24th Summit of the 21-nation Asia Pacific Economic Cooperation (APEC) on 19-20 November. Attended by U.S. President Barack Obama, Russia's Vladimir Putin, China's Xi Jinping and Japan's Shinzo Abe, the Summit agreed "to carefully study the possibility for an Asia-Pacific Free Trade Area", an idea promoted by China and linked to the ongoing negotiations for an Asian RCEP. Even as the leaders sought to allay fears about the future of the Trans-Pacific Partnership (TPP), President-elect Donald Trump announced he would take the US out of the pact. The 12-nation TPP (all APEC members), a high standards economic and commercial agreement finalised in February 2016, must be ratified by the US to come into force.

India seeks membership of APEC, which counts Mexico, Peru and Chile among its members, though inclusion of new members is still under a moratorium. This forum will influence the evolving international economic and commercial architecture, with challenges posed by protectionist sentiments in the US, in contrast to the prevailing mood for freer trade in LAC itself.

XI Jinping made his third visit as President to LAC, visiting Ecuador and Chile as well. On 24 November China published its second Policy Paper on LAC. The first was published in 2008. The paper outlines 'five salient features… sincerity and mutual trust in the political field, win-win cooperation on the economic front, mutual learning in culture, close coordination in international affairs, as well as mutual reinforcement between China's cooperation with the region as a whole and its bilateral relations with individual countries in the region.' Though China's trade with LAC fell in 2015 to around $230 billion, with fall in commodity prices, its economic engagement is thriving. Even new right-wing regimes in Brazil, Argentina and Peru have reaffirmed their interest in Chinese business and investment.

On 5 December Mexico concluded a successful bidding round for 9 large deepwater oilfields. President Peña Nieto's comprehensive reform, in December 2013, inter alia eliminated the 76-year monopoly of the state owned PEMEX, whose peak production of 3.4 million barrels per day (bpd) has fallen to around 2 million bpd currently. The current round could yield $41 billion in investments and ramp up production significantly. Mexico has among the largest shale reserves in the western hemisphere but limited experience in the regulatory sphere. India's ONGC (Videsh) Ltd has an office in Mexico and was pre-qualified in June 2015, but was unsuccessful in the first round. In 2015-16, of $2.3 billion of India's import from Mexico, $1.4 billion was crude oil.

On 15 December Venezuela announced that it would replace 100 bolivar (highest denomination) currency notes with new denominations of 20,000, 10,000, 5,000, 2,000, 1,000 and 500 bolivars, and 100-, 50- and 10-bolivar coins. The largest denomination of 20,000 Bolivars, officially around $35, is worth under $5. Hyper-inflation and currency hoarding in neighbouring Colombia were given as the main reasons for the move. On 17 December, after widespread riots over unavailability of cash, President Maduro claiming the scheme was being sabotaged and postponed the changeover.

On 4 November, India's ONGC (Videsh) Ltd – OVL and Venezuelan national oil company PdVSA signed two agreements. PdVSA currently owes ONGC about $600 million and will 'give a volume of crude every month... total dues will be squared off in a couple of years.' Funds from crude oil sales by PdVSA are to be deposited in an escrow account. ONGC agreed to invest $ 318 million to increase production in the Orinoco San Cristobal field, from around 18,000 bpd to 27,000 bpd. India holds a 40% stake in the Petrolera Indovenezolana joint venture since 2008. These agreements, after years of Indian diplomatic lobbying, should help OVL recover its dividends and stay in the highly promising Venezuelan oilbelt.

Venezuelan oil production has been falling. It is on the 3-nation committee set up on 30 November to monitor OPEC's decision to reduce production by 1.2 million bpd from 1 January 2017. Venezuela itself is to reduce production by 95,000 bpd. Indian oil imports from Venezuela have also fallen. From April to September 2016 India imported only $2.2 billion, compared to $5.68 billion in 2015-16. PdVSA, heavily in debt, has mortgaged or sold a number of its foreign assets recently, and is fighting suits over assets expropriated by the Chavez regime.

On 28-29 November the Ministry of External Affairs, CII, the United Nations Economic Commission for Latin America and the Caribbean, and the Government of Jalisco, Mexico, jointly organised an India-LAC Conclave in Guadalajara, Mexico. The Indian delegation of 70 members, including Indian companies operating in the LAC region was led by MOS External Affairs, Gen V K Singh. Mexico is increasingly a focus of Indian business.

A report titled 'Doing Business in Latin America and the Caribbean' by India's Engineering Exports Promotion Council, released in November, aims to spread awareness about the opportunities in Latin America for Indian businesses. Pointing out that more than 100 Indian companies have invested over $12 billion in the LAC region in mining, metals, agriculture, petrochemicals, pharmaceuticals, plastics and manufacturing, the report, after a recent EEPC visit to the region, calls for more attention to prospects in LAC for Indian business.

(The views expressed are personal)