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HIGHLIGHTS

- **Political Developments**
- **Economic Developments**
- **Focus India-LAC**

Political Developments

The political fallout in **Brazil** of the ongoing 'Car Wash' investigations into corruption deepened, with the publication of a conversation in which President Michel Temer allegedly colluded with an accused businessman to defend the former Speaker of the Parliament, now in prison. A leading Senator of the main opposition Social Democratic party and potential presidential candidate, Mr Aecio Neves, was similarly exposed and is being tried by the Supreme Court. All this happened as former President Lula defended himself in court over allegations of bribery. Lula is a leading candidate in the 2018 elections in the deeply divided country.

On 9 June, the Supreme Electoral Tribunal provided President Temer temporary relief by clearing him and former President Dilma Rousseff of charges they had received illegal campaign contributions for the 2014 election. The 4-3 vote was made possible by the presiding judge, who claimed any sentencing would lead to instability.

On 13 June, **Panama** broke off diplomatic relations with Taiwan in favour of the People's Republic of China, during a visit of Vice President Isabel de Saint Malo to Beijing. Panama was one of the important countries of 11 in Latin America and the Caribbean (and 20 worldwide) to maintain relations with Taiwan. China has ended an informal truce with Taiwan (since 2008) not to woo countries recognising the latter, after the election of President Tsai Ing Wen, who visited Panama earlier this year.

A private Chinese businessman signed an agreement with nearby Nicaragua in 2015 to construct a canal

through its territory that would rival the Panama Canal. The \$50 billion cost and environmental issues had slowed it down and the latest development has rendered it moot. China recently began the construction of a container port with natural gas facilities in Panama and is the second most important customer of the Panama Canal. Chinese conglomerate Hutchison Whampoa enjoys port concessions since 1999. Panama's acceptance of the 'one China principle' could encourage others in the region to switch from Taiwan, whose leverage cannot match that of PRC. This poses an ever growing challenge to US influence in the region.

The crisis in **Venezuela** deepened, with President Nicolas Maduro announcing in May he will convene a National Constituent Assembly to draft a new constitution. The pliant National Electoral Council announced that elections for 540 seats to this assembly will be held in July. Separately the Council also announced it would hold elections for regional assemblies and governors in December, a year behind schedule. Protests continued unabated with deaths, injuries and arrests mounting.

On 31 May, the 29th Consultative Meeting of Foreign Ministers of the OAS considered two resolutions. One proposed by CARICOM (The Caribbean Community) and supported by Venezuela's allies Nicaragua, Bolivia, Ecuador, and El Salvador, urged the OAS to refrain from interventionist actions in Venezuela. The other, proposed by Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Honduras, Guatemala, Mexico, Panama, Paraguay, Peru, the United States, and Uruguay condemned the proposed Constituent Assembly which would undermine Venezuelan democratic institutions. Neither got sufficient votes, but they revealed the divide between the supporters (most Caribbean countries receive discounted oil from Venezuela) and opponents of the Maduro regime. The same divide prevented passing of a resolution of the OAS Foreign Ministers on 21 June in Cancun, Mexico which failed by 3 votes to get the 23 necessary (two-thirds) to urge Venezuela to desist from convening a Constituent Assembly.

Colombia's President Juan Manuel Santos was an early visitor to the United States in May. His meetings with President Trump were cordial and inter alia resulted in the US administration maintaining the figure of \$450 million military and civilian aid under Peace Colombia, the new avatar of Plan Colombia that since 2000 had provided \$10 billion to fight the guerillas, narco traffic, etc. The peace process with the FARC (Revolutionary Armed Forces of Colombia) guerillas, signed in October 2016, has progressed slowly and sceptics claim the government does not have the political nor administrative heft to see its commitments through. FARC members have laid down their arms, as certified by the UN monitoring mission in Colombia. Dissident elements and the ELN, the smaller guerilla group that is negotiating a similar peace deal, have however been making trouble. Also on the agenda were the situation in Venezuela - US levied sanctions on several officials of the Venezuelan government in May - and the alarming rise in cultivation of coca leaf, from 42000 hectares in 2012 to 188,000 hectares in 2016, according to the State Department.

Economic Developments

Presidents of **Argentina and Chile** both attended the **One Belt One Road (OBOR)** Summit in Beijing in May, adding on bilateral visits to sign agreements. Chinese President Xi Jinping's meetings in 2016 with Bachelet and Macri launched the China-Chile Comprehensive Strategic Partnership and agreement on two nuclear plants to generate over 1200 MW of electricity in Argentina. China is the largest trading partner of Brazil, Peru and Chile, and the second largest for still more LAC countries.

Pre-feasibility studies are being undertaken for a 19,000 km trans pacific, fiber optic, submarine, cable between China and Chile, a first between Asia and South America and

one of the longest in the world. Chile and Bolivia were admitted as members of the Asian Infrastructure Investment Bank.

The IMF forecasts **Latin American growth** to expand by 1.1 percent in 2017 and 2 percent in 2018, following stagnation in 2015 and 1 percent contraction in 2016. Over the medium term, growth is expected to remain subdued at 2.6 percent. Some of India's principal economic partners are struggling: Brazil will grow at only 0.2 percent; Chile and Mexico at 1.7 percent; Peru, Colombia and Argentina will do a little better. The good news is that Brazil is expected to grow at over 1 percent in 2018, with lower inflation and interest rates, and economic reforms on the anvil. Much of this will depend on the outcome of the political processes referred to above.

Focus India-LAC

On 21 June, the first meeting of the **India-Peru Joint Commission**, set up in 2013, was held in Lima at the level of Secretary/Vice Minister. Peru is an important and growing market for Indian exports. It is a member of the Pacific Alliance where India has observer status, which it seeks to upgrade to Associate Member status. Peru has agreed to negotiate a free trade agreement with India and signed up to the India based International Solar Alliance and other accords on renewable energy and intellectual property. Peru supports India's membership of the UN Security Council.

On 23 June, India and **Mexico** held the seventh Joint Commission meeting and the fourth round of Foreign Office consultations in Mexico City at Secretary/Vice Minister level. The relationship is labelled a Privileged Partnership, in contrast to the strategic partnership with Brazil. India's trade with Mexico surpassed that with Brazil for the first time last year, with exports close to \$3.5 billion. Strategic issues discussed included Mexico's support to India's bid for NSG membership, which had been committed during PM Modi's brief visit to Mexico last year. A conference on regional and global disarmament will be organised, harking back to the Rajiv-Gandhi led six nation disarmament initiative of the 1980s, in which Mexico was a participant.

The amplified preferential trade agreement (PTA) between India and **Chile** came into force officially on 16 May. Under the PTA in 2006 India offered tariff concessions to Chile on 178 items while it received tariff concessions for 296 products. Chile has offered India a margin of preference (MoP) — the percentage by which identified imports from one country are subject to lower tariffs than the regular rate offered to all other trade partners — of 100 percent on 556 items. On 736 items the MoP is 80 per cent. India has offered 100 percent MoP on 10 per cent of Chilean items, and on 60 percent an MoP between 60 per cent and 100 per cent. Chile was India's third largest trading partner in 2015-16. Trade of \$2.64 billion: exports at \$680 million and imports at \$1.96 billion. India's exports to Chile consist of transport equipment, drugs and pharmaceuticals, yarn of polyester fibres, tyres and tubes, manufacture of metals, apparel, organic/inorganic and agro chemicals, textiles, ready-made garments, plastic goods, leather products, engineering goods, imitation jewellery, sports goods and handicrafts.

India's Commerce Secretary Rita Teotia led an official and business delegation to Colombia and Ecuador 16-19 May. She co-chaired the First Meeting of the Joint Economic and Trade Committee (JETCO) in **Ecuador**, which conveyed interest in a Preferential Trade Agreement. Bilateral trade stood at \$716 million in 2015-16: exports at \$153.20 million and imports \$563.77 million. India imports 99 percent of the teakwood exported from Ecuador, which can also supply gold and silver. Ecuador offers preferential commercial access to regional markets and the US dollar is its official currency.

In **Colombia**, Commerce Secretary co-chaired the third Meeting of the Joint Committee for India Colombia Business Development Cooperation. India's bilateral trade with Colombia stood at \$1695.89 in 2015-16: exports at \$888.11 million and imports \$807.79 million. Imports have fallen with the fall in prices of crude oil, a major item of import. In focus are telecommunication, infrastructure development, metals, hydrocarbons, information technology & industrial technology, pharmaceuticals, bio-technology products, chemicals, textiles, two wheelers, automobiles & auto-parts, mining of coal, gems & jewellery, minerals, machineries, and non-conventional energy. Colombia wants to diversify its export basket in agriculture and food processing. Its major export commodities include petroleum, coal, emeralds, coffee, nickel, cut flowers, bananas and apparel. India's gold imports from Colombia, at \$ 442 million in 2015-16, surpassed even crude oil.

Brazilian aerospace major **Embraer** has partnered with Air India Engineering Services Limited, a subsidiary of Air India, to set up a maintenance, repair and overhaul (MRO) facility in Secunderabad, to maintain its brand of private and business jets in the entire Southeast Asian region. Embraer has not made a big dent in India, selling VIP and surveillance aircraft to the government, for which it is under investigation for bribes by the CBI. Air Costa, now defunct had two Embraer aircraft and a few other customers have purchased executive jets from the company.

(The views expressed are personal)

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