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HIGHLIGHTS

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

Political Developments

China's increasing influence in the region was apparent during December with the visit by President Xi Jinping to Argentina and Panama. The only G-20 head of state to undertake a state visit to Argentina, Xi held his fifth meeting with President Mauricio Macri in three years and effectively positioned China as an export market, infrastructure financier and source of geopolitical support. 37 cooperation and commercial agreements on infrastructure, energy and finance worth \$3.35 billion were signed. A \$4.5 billion nuclear plant project is in the works. Also declared were a joint commitment to multilateral cooperation on global issues and a five-year bilateral action plan, positioning. In Panama 19 agreements were signed. China is investing heavily to make Panama its regional transport and logistics hub, including its largest port. Chinese company, CCCP won a \$1.4 billion bid to build the fourth bridge over the Panama Canal.

This was Xi's fourth visit to Latin America since 2013. He has visited 12 countries in the region, more in six years than Presidents Obama and Trump have in 10 years. The only reason a free trade agreement with Panama has not yet been signed is because of pressure from the US, whose Secretary of State, Mike Pompeo visited Panama shortly before XI. China's bilateral ties with El Salvador and the Dominican Republic, which also switched recognition from Taiwan this year, are strengthening. The former secured \$150 million in Chinese aid in November, and the latter held its first round of business talks with China in December. Central Americans are keen to tap the lucrative Chinese mainland tourist market. China's political and economic dealings contrast sharply with the public image of a US violently rejecting migrants at the Mexican border (read below).

On 12 December during a three day visit by President Lenin Moreno to Beijing, Ecuador formally joined China's **Belt and Road Initiative** (BRI). Soon after, on a visit to China, Carlos Holmes Trujillo, Foreign Minister of Colombia, one of the US's staunchest allies in LAC, declared that Colombia's relationship with China is 'growing... significant, diverse, and offers a wide scope of growth'. Colombia's entry in the BRI is undergoing "parallel discussion in Colombia so that at the time of taking the decision, it should result in a

consensus among different institutions.” China is the second largest destination of Colombian exports and an important investor.

Peru’s opposition leader Keiko Fujimori – daughter of imprisoned former dictator Alberto Fujimori – was sentenced to three years imprisonment pending trial by a Peruvian court. She was arrested on Oct. 11 for laundering donations from the Brazilian company Odebrecht – at the heart of the Brazilian corruption scandal – to her presidential campaign in 2011, when she narrowly lost. This was welcome news in a country inured to corruption and political immunity. Jose Domingo Perez, the young prosecutor investigating the case, is a superstar, along with others in the region like Sergio Moro of Brazil. Fujimori was considered to be Peru’s most powerful politician. Her party Fuerza Popular, which enjoys a majority in parliament, was instrumental in toppling President Pedro Pablo Kuczynski – who defeated her in the 2016 presidential elections – on voter fraud charges earlier this year.

The **Central American** migrants caravan, comprising several thousand determined to get to the US, was stopped at the Mexico border. In the midst of violence and arrests, Mexican President, Andres Manuel Lopez Obrador, who took office on 1 December, announced that Mexico would create a fund of \$30 billion to improve living standards and halt migration. The US will pitch in with \$ 5.8 billion to help the three countries of the Northern Triangle – Guatemala, El Salvador and Nicaragua. This is expected to be supported by the UN Economic Commission for Asia Pacific (CEPAL). AMLOs inauguration was attended by President Trump’s daughter, Ivanka and Vice President Mike Pence. Also present were the Presidents of Cuba, Venezuela and Bolivia, apart from leader of the UK Labour Party, Jeremy Corbyn. AMLO, who has declared he will not live in the presidential palace, opened the gates to the public for the first time.

Colombia’s President Iván Duque announced in November that his country will sever all diplomatic relations with Venezuela as of January next year when Nicolás Maduro, whom he considers to be a “dictator,” starts a new consecutive term as head of state. Accusing Venezuela’s government of supporting anti-Colombian guerrillas of the ELN movement, Duque alleged that Venezuela is in breach of Resolution 1373 of the UN Security Council on terrorism. Colombia is also dealing with an inflow of hundreds of thousands of Venezuelans migrating from a collapsing Venezuelan economy. Several Latin American countries have downgraded their diplomatic representation in Venezuela.

The 16th Summit of Heads of State and Government of the **Bolivarian Alternative for the Americas** (ALBA), on 14 December brought together in Cuba Presidents Nicolas Maduro of Venezuela, Evo Morales of Bolivia, Daniel Ortega of Nicaragua, who together with their Cuban counterpart Miguel Diaz-Canel made a call for unity against the upsurge of conservatism and interference from Washington. ALBA, created by former Presidents Hugo Chavez of Venezuela and Fidel Castro of Cuba in 2004, faces strong headwinds from newly elected rightwing regimes in the region and an aggressive US government. It has lost the loyalty of Ecuador, under the more centrist President Lenin Moreno. Santa Lucia, a Caribbean island member did not attend, indicating further dilution of the group’s influence.

Economic Developments

The **G20 summit** (30 Nov-1 Dec) was a bittersweet milestone for Latin America and host President Mauricio Macri of Argentina. Instead of the prestige associated with the event, there was an atmosphere of discord and skepticism. Consensus was barely achieved on the final day, with the US still standing apart. Of the three LAC countries members, Mexico's attendance by outgoing President Enrique Peña Nieto – who signed the revived NAFTA treaty with President Trump and PM Trudeau on his last day in office - was overshadowed on the second day of the summit by the swearing in of his successor Lopez Obrador, who has condemned the corruption under his predecessor. Brazil's President, Michel Temer, exiting the presidency a month later with abysmal ratings and under a cloud, will hand over to an unpredictable President-elect Jair Bolsonaro, whose attitude towards South-South cooperation is suspect.

President Macri held a bilateral meeting with President Trump to discuss Argentina's precarious economic situation, apart from Venezuela, the war on drugs, etc. The US sees Macri as an ally in a left-leaning LAC, with US-friendly regimes facing allegations of mismanagement and corruption, and popular movements in favour of radical change, apart from migratory pressures pushing northwards. Macri's meeting with Theresa May – the first British PM visit since the 1982 Falklands war – was a "frank dialogue in a positive ambience" though the British made clear that the sovereignty of the Falkland islands is not negotiable.

Media reports indicated that a joint venture refinery project between state companies CNPC of China and **Venezuela's** PdVSA will take off. The investment of over \$ 9 billion will be shared 60:40 by China and Venezuela and the refinery is expected to be erected in China's Guangdong province by 2021. The 400,000 barrels per day refinery will absorb ever more of Venezuela's dwindling oil production and provide China with yet another hold on the former's resources. Reports indicate that Venezuela, with the largest oil reserves in the world, is importing 300,000 bpd to fulfill its export commitments. Venezuela, which assumes presidency of the Organisation of Petroleum Exporting Countries (OPEC) in 2019, has reportedly been exempted from the recent cuts announced by OPEC of three percent, along with Iran and Libya at the 175th meeting in Vienna in December.

The UN Economic Commission for LAC (ECLAC) in its year-end report released on 27 December said the **LAC economy** would expand by just 1.2 percent in 2018, and 1.7 percent in 2019. "During 2018, emerging markets, including Latin America, showed a significant reduction in external financing flows, while at the same time sovereign risk levels increased and their currencies depreciated against the dollar." The worst performers were Venezuela, whose gross domestic product (GDP) declined by 15 percent, Dominica (-4.4 percent), Nicaragua (-4.1 percent) and Argentina (-2.6 percent). Venezuela, which has been racked by a severe economic crisis for years, is forecast to contract by a region-worst 10 percent next year, while Nicaragua (-2 percent) and Argentina (-1.8 percent) also are expected to remain in recession.

Focus India-LAC

Prime Minister Modi attended the **G20 summit in Buenos Aires**, Argentina end November. Apart from the summit meetings and others, including trilaterals with US and Japan, Russia and China, PM also met with Argentina's President Mauricio Macri, President Sebastian Pinera of Chile and the Prime Minister of Jamaica from the LAC region.

In early November **Venezuela's** national oil company PdVSA despatched a cargo of crude oil worth \$35 million towards its debt of over \$500 million to India's ONGC (Videsh) Ltd. (OVL). The shipment was reportedly made to Reliance Industries Ltd. which is the principal buyer of heavier Venezuelan crude from India. Reliance will pay OVL in turn. Venezuela which owed OVL \$449 million by 2013, is unable to service its debt to OVL and went back on an agreement to supply crude in exchange for the dividends it owes OVL in a joint venture project. OVL announced it was not going to invest any more in its Venezuelan venture as a consequence.

Brazil in December sought consultations at the WTO over India's subsidies to sugarcane producers, which it claims significantly impact prices in the sugar market and have affected Brazil's sugar production adversely. India has conveyed to the WTO that its sugar policy is a purely domestic issue and has not distorted international trade in the commodity in any way. According to the US Department of Agriculture, Brazil may concede its status as the world's top sugar producer to India in 2018. Indian production is expected to rise to 35.9 million tons against a 21 percent lower Brazilian production of 30.6 million tons. Brazil is expected to remain the top exporter, followed by Thailand. In 2017-18 India imported US\$ 919 million worth of sugar from Brazil.