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MAY 2019 | VOL 04 | ISSUE 03 | BI-MONTHLY

HIGHLIGHTS

● Political Developments ● Economic Developments ● Focus India-LAC

Political Developments

Brazil's president Jair Bolsonaro made his first bilateral foreign trip, after assuming office in January, to the US 18-19 March accompanied by six Ministers. He met President Trump: the two have a lot in common. Both have emerged winners despite being marginal to their respective political establishments, appeal directly to their voting base and seem impervious to attacks on their personalities. Both have taken radical steps in pursuance of their campaign promises. Bolsonaro's controversial son, Eduardo, is a member of The Movement, a far-right Brussels-based group founded by Trump ideologue Steve Bannon.

Trump declared his intention to confer the status of major non-Nato ally on Brazil, which will encourage defence cooperation but impact Brazil's traditional policy of strategic autonomy. It is not yet clear what role Brazil's military establishment, which has increased its clout under Bolsonaro, will play in this renewed relationship with the US. Of the 17 countries worldwide - apart from Colombia, which has active and closer cooperation with Nato - only Argentina has this status in Latin America. Brazil will also provide US access to its space station for satellite launches, etc. This could save US satellite launch costs up to 30 percent. The announcement during the visit of Brazil lowering duties on wheat, pork and beef was welcomed by the US but protested by farmers in Argentina and Brazil. This is a dangerous step which involves Brazil stepping out of the MERCOSUR agreement to

unilaterally reduce tariffs. Bolsonaro also met the Secretary General of the Washington-based OAS, who is in the forefront of the campaign to remove Venezuelan President Nicolas Maduro. The US agreed to support Brazil's candidature as a member of the OECD. Brazil would become the fourth LAC member if approved, after Mexico, Chile and Colombia. Costa Rica has commenced the accession process while Peru and Argentina have expressed interest in joining OECD.

On 31 March, nine days before the Israeli elections Bolsonaro was received at the Tel Aviv airport by Israeli PM Netanyahu. The Brazilian Foreign Ministry announced: "Brazil decided to create an office in Jerusalem to promote trade, investment, technology and innovation as a part of its embassy in Israel". Bolsonaro had announced the shift of Brazil's embassy to Jerusalem during his campaign but had to defer to Brazilian commercial interests in the Arab world.

The Brazilian judiciary continued to flex its muscles with the arrest of Michel Temer, who handed over the presidency on 1 January, on 21 March on corruption charges related to the construction of a nuclear power plant. Temer, released soon after his arrest, was the Vice President when former President Dilma Rousseff was impeached in 2017, an event seen as a political execution. He left office with very low popularity ratings.

On 22 March President Trump met leaders of five **Caribbean** countries - Bahamas, the Dominican Republic, Haiti, Jamaica and St. Lucia — reportedly to discuss trade, energy investment and security issues. The US has been wary of China's growing presence and influence in the sub-region. Five Caribbean countries have signed up for Belt and Road funding: Trinidad and Tobago, Grenada, Dominica, Antigua and Barbuda, and the Dominican Republic. China has offered to build a port in the Bahamas for \$3 billion and is aggressively building infrastructure in Panama. Funding, with the usual strings attached, has been steady for infrastructure projects and resource exploitation. Another issue is Venezuela – both China and most of the 15-nation Caribbean Community oppose US-led efforts to recognize opposition leader Juan Guaidó as Venezuela's interim president and to remove President Nicolás Maduro from power. China and CARICOM are also silent about Nicaraguan President Daniel Ortega, criticised by the US as a dictator. South of the US border with Mexico, Central American migration continued to be an issue, with Trump threatening to close the border and on 31 March, ordering the suspension of aid payments to El Salvador, Guatemala and Honduras – which could amount to \$700 million - to pressure their governments to stop migration into the US.

On 22 March the presidents of Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru

and an envoy from Guyana met in Chile to sign the Declaration of Santiago, proclaiming the creation of a new body to promote South American regional integration: **Prosur** - Forum for the Progress and Development of South America. The aim is “to build and consolidate a regional space of coordination and cooperation, without exclusions, to advance toward more effective integration”. Three other south American countries – Bolivia, Uruguay and Suriname – will have the option of signing on later, while Nicolás Maduro-governed Venezuela was obviously not invited. Prosur is clearly an attempt to sideline the left-wing forces in the region. Its predecessor – UNASUR – also uniting the 12 nations of South America, was subject to contrary pressures on political crises and barely managed to attain consensus in a few cases. Founded in 2008 as a mechanism for political agreement among all South American nations, UNASUR is moribund after the withdrawal (technically suspension of membership) in 2018 of Argentina, Brazil, Chile, Colombia, Ecuador Paraguay and Peru over the Venezuelan crisis which has divided the continent, with a majority of the 12 members backing the move to de-recognise President Maduro. Chile will hold the first rotating presidency of the grouping, followed next year by Paraguay.

The situation in **Venezuela** continued to worsen, with nationwide electricity failures leading to blackouts – attributed to hostile cyberattacks - and constant opposition protests. The pressure was redoubled by the international community, led by the US. In late March, Russia flew in about 100 military advisers, which led to an outcry in the media and warnings from US Secretary of State and President Trump himself that “Russia has to get out” of Venezuela. Russia is overtly challenging the Monroe Doctrine – reiterated by the Trump administration – that almost two centuries ago called on external powers to stay out of US sphere of influence in LAC. Moscow claimed that the arrival was linked to a military-technical cooperation deal of 2001, and did not require approval of the opposition-controlled parliament. Russia has supplied extensive quantities of military equipment, including the S 300 missile system, aircraft, a factory to manufacture AK 47 rifles, and is obviously keen to protect its strategic ally from the US, though it is not certain how far it is willing or able to go. China, on the other hand, has provided the Maduro regime with political, diplomatic and economic support, but will want to ensure its interests are not jeopardised if and when the opposition takes over.

The puppet Supreme Court and the officially sponsored Constituent Assembly both ruled to strip Juan Guaidó, the opposition Interim President – recognised by 54 countries as the legitimate Venezuelan President – of his parliamentary immunity for having gone abroad while under investigation by the Attorney General. Though Guaidó ignored the order, it could lead to his prosecution and arrest.

On 11 April, the Embassy of **Ecuador** in London revoked the asylum status of Julian Assange, the founder of Wikileaks, who had spent seven years in that mission after being accused and threatened with extradition by the UK government on requests from the US (on espionage charges) and Sweden (for sexual assault). The moderate government of Lenin Moreno had expressed Ecuador's unhappiness with Assange's activities months ago, and even restricted his internet access. Finally, it was decided to expel him, on condition he is extradited to a country that will not torture him nor which imposes the death penalty.

Economic Developments

Analyses of regional statistics revealed that **foreign remittances to LAC** increased in 2018 over 2017 by 10.2 percent to \$85 billion. The highest recipient by far was Mexico (\$33 billion, followed by Guatemala with \$9.29 billion). Remittances are a vital input for LAC economies, constituting up to 39 percent of the GDP of Haiti at \$3.34 billion, and 20 percent for Honduras at \$4.75 billion. Venezuela's battered economy also got a vital \$3.4 billion. India ranked highest globally with \$80 billion, followed by China with \$67 billion.

The World Bank estimates that **Venezuela's GDP** fell by 17.7 percent in 2018 and is expected to fall a further 25 percent in 2019. The cumulative GDP contraction since 2013, when President Maduro took over, would be 60 percent. Inflation by end 2019 would be 10 million percent, the same figure predicted by the IMF. The IMF meanwhile is reported to have suspended the Maduro government's access to \$400 million in Special Drawing Rights, in view of the uncertainty of Maduro's legitimacy. The regime has low reserves, mainly \$9 billion in gold which is difficult to liquidate because of the financial sanctions imposed by western countries.

Focus India-LAC

President Ram Nath Kovind visited **Bolivia and Chile** 28-31 March. While relations with Chile have been steady and indeed growing, Bolivia and India have been troubled by the collapse of the iron ore mining investment by Jindal Steel a decade ago and currently in arbitration. With the left in Latin America on the backfoot, and most countries increasingly wary of China's deep penetration in the continent, India offers an opportunity to diversify economic alliances. Chile and Bolivia form the **Lithium Triangle** – reputed to hold almost

half the known reserves of lithium in the world - along with Argentina, whose President was in India in February. Reports indicate exploration of lithium, crucial for the energy and telecom industries, could be taken up through the Khanij Bidesh India Ltd (KABIL), a joint venture formed in 2017 by three Indian public sector mining companies – NALCO, Hindustan Copper and Mining Exploration Corporation.

The visit reaffirmed Bolivia's support for India's permanent membership of the UNSC and other issues such as terrorism. President Kovind was conferred the highest award – the Condor of the Andes. Eight MOUs were signed, centered around mining and energy though discussions included cooperation in space, renewable energy (Bolivia has joined the India-based International Solar Alliance), IT and infrastructure, including the Chinese-backed transcontinental highway linking Brazil's Atlantic ports to the Bolivian Pacific. Possibilities exist in lithium exploration, supply of lithium carbide to India, and manufacture of lithium batteries in India, with current imports over \$700 million annually. A joint venture between KABIL and Bolivia's state owned Yacimientos del Litio Bolivianos (Bolivian Lithium Deposits) (YLB) Corporation, involves downstream manufacture of the batteries but the Bolivian side insists it be located there. This project is key to India's mission to popularise electric cars with lithium-ion batteries. Bolivia also has extensive reserves of natural gas and will explore possibilities of export to India. India committed a concessional Line of Credit of \$100 million. Trade in 2018 was around \$875 million, in favour of Bolivia, which exported around \$700 million of gold to India. It remains to be seen if Indian industry has recovered its confidence in the Bolivian regime's attitude towards foreign investors after the Jindal affair. The left-wing President Evo Morales may well be re-elected for another term in office later this year.

In Chile three MOUs were signed. There was coincidence of views on terrorism, support for India's candidature for permanent membership of the UN Security Council, and non-permanent seat 2021-22. Though China is Chile's largest trading partner, there was oblique allusion to the South China Sea in the joint declaration through a 'vision of Indo-Pacific based on international rules-based order that respects sovereignty and territorial integrity of nations, ensures freedom of navigation and overflight... seeks peaceful resolution of dispute in accordance with universally recognized principles of international law, notably the UNCLOS.' Chile is an important member of the International Solar Alliance. Bilateral trade in 2017-18, at \$2.8 billion is growing with the entry into force in May 2017 of the expanded preferential trade agreement, covering over 3000 lines. Chile joined several LAC nations permitting Indian visitors visa-free entry if they have a valid US visa.

Vice President Venkaiah Naidu visited **Paraguay and Costa Rica** between 5 and 11 March.

Trade with Paraguay was around \$ 334 million in 2017/8, evenly balanced, though 90 percent of Paraguay's exports to India comprise soya oil. India's exports, mainly engineering and pharma, are doing well. Paraguay is a member of Mercosur, the 4-nation trading bloc including Argentina, Brazil and Uruguay, with which India has a partial trade agreement which both sides are negotiating to amplify. The highest-level visitor since relations were established 58 years ago, VP discussed with President Mario Abdo Benitez terrorism, India's candidature to the UN Security Council – which Paraguay supports – trade, development support which India provides in the form of scholarships, an IT Centre in Paraguay, etc.

The visit to Costa Rica seems to have been ceremonial. VP was conferred an honorary doctorate. Trade around \$200 million a year mostly covers Indian automobile exports and some pharmaceuticals. Costa Rica, which counts an Indian expatriate community of a few hundred, is an important member of the Central American trade grouping SICA. The last meeting between India's External Affairs Minister and the SICA members was held in New York in 2016 – a convenient venue during UN sessions - and postponed thereafter in 2017 and 2018.

US pressure on India to stop imports of **Venezuelan** crude was openly displayed by US envoy Elliot Abrams. According to media reports, Foreign Secretary Vijay Gokhale also faced the same questions during his meetings with US State Department early March. Reliance Industries, which imported up to 270,000 barrels per day (bpd) from Venezuela said in a statement to the press that it was reducing its imports and stopping supply of diluents for Venezuelan oil extraction.

According to the Central Bank of **Mexico**, bilateral trade with India crossed US\$ 10 billion in calendar year 2018, making Mexico the largest trading partner of India in LAC and India the 9th trading partner of Mexico. Crude oil at \$3.8 billion constituted the bulk of India's imports from Mexico of \$4.92 billion. India's exports amounted to \$5.23 billion.