

HIGHLIGHTS

- **COVID-19**
- **Political Developments**
- **Economic Developments**
- **Focus India-LAC**

COVID-19

"Latin America is the new epicenter of the coronavirus pandemic, and Brazil is the most troubling country," said Michael Ryan, the World Health Organization (WHO) executive director. By end June Latin America, with close to two and a half million cases, accounted for 25 percent of the total global infections, and 250,000 deaths. The World Food Program warned of a 'hunger pandemic' in the region and the UN indicated LAC could be staring at another 'lost decade' after a previous downturn during the 1980s that took Latin America 25 years to recover 1979 per-capita income levels. Health, hunger and poverty were priorities in a region that has little time to think of economic growth in the present circumstances.

Brazil acquired in May the dubious distinction of the country with the second highest number of cases – close to one and a half million by end June, with almost 60,000 deaths. **Peru, Ecuador, Chile and Panama** are also grappling with massive caseloads. **Mexico** also recorded increasing coronavirus deaths, with cases going past 200,000. Several countries and cities in the region re-imposed strict controls and lockdowns after resurgence of cases. Most of the countries in the region had a fatality rate well over 3 percent, with Mexico crossing 12 percent.

Political Developments

In early May, the Maduro government reported an attempted coup in **Venezuela** by US former army veterans, along with a few dozen anti-regime militants. One of the veterans was filmed admitting he was hired by Juan Guaidó, the 'Interim President' supported by the opposition, the US and over 50 countries, to secure control of the airport in Caracas and make it possible for embattled incumbent Nicolas Maduro to be put aboard a plane bound for the United States. He also claimed the operation was sanctioned by Trump, who promptly denied involvement. Guaidó's adviser J J Rendon, however admitted having spoken to the mercenaries, and signed an "exploratory" contract to seek the capture of several regime officials and "deliver them to justice." Eight militants were killed in the botched operation off the north-western coast of Venezuela and the US mercenaries captured with their passports. All this was widely publicised by the Maduro regime. Guaidó himself said that the regime had acknowledged its infiltration of Operation Gideon – the name given to the failed maritime incursions – and claimed they went ahead "to kill and apprehend Venezuelans who were in exile, justify more repression."

In **Brazil**, the political polarisation deepened. Health Minister, Nelson Teich resigned less than a month after he was appointed. Though he made no controversial statements, it seemed clear he could not function under a president who constantly berated governors and mayors over the lockdown and publicly flouted the calls for social distancing, etc. The ultra-right-wing Education Minister, who called judges 'bums' also had to resign. He fled to the US – nominated by the government to the World Bank - with a diplomatic passport, out of reach of potential prosecution. President Bolsonaro accused the Supreme Court of targeting his political allies. A suggestion in a leaked cabinet meeting, where a Minister said Supreme Court justices should be put in jail, provoked the chief justice to open a probe into alleged financing of a "fake news" network by persons close to Bolsonaro's sons. Calls by Bolsonaro supporters, tacitly backed by the president, to suspend the constitution and Supreme Court and impose military rule, have provoked reactions from senior Supreme Court judges who have started looking into Bolsonaro's actions to prosecute him for criminal and anti-constitutional behaviour. Instead of trying to calm the waters, Bolsonaro dug deeper into his military constituency to seek support, eliciting oblique comments from his Vice President and a Minister (both ex-military) to hint that there were limits to judicial oversight of the executive. This in turn led the Chief Justice to claim that the 1988 Constitution (promulgated after the end of military rule in 1985) does not permit the armed forces to arbitrate in political issues any more.

Meanwhile Bolsonaro, much like his northern role model Trump, played to his shrinking but volatile constituency, riding a policeman's horse during a demonstration of his supporters, openly disregarding his own government's safety guidelines during the pandemic! Bolsonaro's message to grieving families was: "I regret all the dead, but it is everyone's destiny..." He even threatened to leave the WHO, claiming it was ideologically slanted. After the government abruptly stopped publishing historical statistics of infections and deaths early June, putting out only information on 24-hour basis, the Supreme Court ordered full disclosure, on a petition by opposition parties. A federal judge ordered Bolsonaro in late June to wear a mask in public.

Suriname held elections for its parliament on 25 May. A four-party opposition coalition, led by the Progressive Reform Party (VHP), headed by Chandrikapersad "Chan" Santokhi, won a majority. Santokhi, of Indian origin, is a former police commissioner and former minister of justice and police. He oversaw a long legal process that led to the conviction of outgoing President Desi Bouterse on murder charges during his military regime from 1980 to 1987. Bouterse has also been convicted in absentia in the Netherlands (the former colonial power) of drug trafficking, which he denies. A Santokhi government would contribute substantially to improved ties with Europe and the US, given Bouterse's reputation. Santokhi is also expected to dilute Suriname's dependence on the PRC. In 2018, Bouterse aligned Suriname with China's BRI. He established a strategic partnership with Beijing during his visit there in November 2019, anchored by loans worth over \$500 million, and more to come in a country saddled with debt. The Chinese population has been increasing in the Caribbean country of less than 600,000 (about 35 percent of Indian origin). Also at stake are significant hydrocarbon deposits offshore, after EXXON started exploiting massive deposits in the seas off neighbouring Guyana.

The results of the parliamentary election in neighbouring **Guyana**, held in March (refer LAC Review May 2020), and held up due to dirty politics of the ruling coalition led by President David Granger, were in contention after the chief electoral officer, an appointee of the government, citing irregularities, declared that the results did not meet the standard of fair and credible elections, and invalidated 115,000 votes. An independent 3-member team of the Caribbean Community (CARICOM – the regional organisation of 15 Caribbean countries), which oversaw the recount of the ballots over several weeks, said that it has seen nothing "preventing the election results and its declaration by GECOM (Guyana Elections Commission) from reflecting the will of the voters". The main opposition People's Progressive Party/Civic (PPP/C) claimed that it showed it had won the elections by more than 15,000 votes, while the ruling coalition, A Partnership for National Unity (APNU) claimed there were numerous instances of irregularities and anomalies. The Washington based Organisation of American States called for the government to accept the recount and hand over power. The stakes are high in this sparsely populated country on the north-eastern corner of the south American continent. It is a neighbour of Venezuela, with which it has a long-standing territorial dispute. It is also the country with the highest growth rate in the world, thanks to significant offshore oil discoveries, and an Indian-origin population around 40 percent.

Economic Developments

Amid doubts over the recovery from the pandemic, the International Monetary Fund on 26 June drastically reduced its forecast for **2020 economic growth** for LAC to -9.5 percent for Brazil; -10.5 percent for Mexico; -7.5 percent for Chile; -7.8 percent for Colombia; -13.9 percent for Peru and -20 percent for Venezuela. The predictions are also bleak for Central America and the Dominican Republic, with the region expected to record negative GDP growth of -5.9 percent, three and a half percent lower than the April forecast.

Argentina confronted another major problem - \$65 billion in foreign debt. An offer to creditors in early May was rejected and the country entered a technical default though negotiations continue, with a new deadline set for 24 July.

Through May and June, 5 Iranian tanker ships brought around 1.5 million barrels of gasoline to **Venezuela**. The country which has the highest reserves of crude oil in the world, and where fuel hitherto sold for a song, is suffering from fuel shortages. Its refining capacity is crippled by sanctions and a litre of gasoline sells for 3 dollars in the black market. The Iranian ships had to run a gauntlet of US warships virtually blockading the Venezuelan coastline, after the US indicted President Maduro and several other high officials for drug trafficking to the US. The arrangement suits Iran, which has a surplus of petroleum products it cannot export. Iran is also supplying daily necessities and opening supermarkets in Venezuela with Iran-made products. Venezuela's oil production peaked in 1970 at 3.7 million bpd. 12 years ago, state oil company PDVSA -- once among the world's top five oil enterprises -- was producing 3.2 million bpd. Shipping companies worldwide are backing off from loading Venezuelan crudes as US sanctions are further tightened and monitored. The US squeezed further, imposing sanctions on 4 Mexican and Russian firms allegedly trading in Venezuelan oil, sending the country's exports tumbling to below 500,000 barrels per day in May. May also saw historically low Venezuelan crude oil production of around 570,000 bpd, the lowest since 1943 (<http://go.pardot.com/e/827843/2020-07-02/2cykv/53237171?h=FpFl4yr7sC6Z3-nl8LNyFWGvqKfkPu-K7eOWso05VI>). China however continues to import Venezuelan oil, using ship to ship transfers.

Focus India-LAC

India stepped up aid for the **COVID 19 pandemic** to LAC in May. Five million hydroxychloroquine tablets were released for export to Peru, Venezuela, Ecuador, Guatemala, Cuba, Bolivia and Haiti. In April these were supplied to Brazil, Argentina, Chile and some Caribbean nations.

The noose of sanctions around **Venezuela** finally tightened to the point where Indian companies Reliance and Nayara stopped receiving crude oil shipments after May. Nayara had been relying on Russia's Rosneft – its owner – which had kept supply lines open till the US sanctioned its owners (refer Review May 2020). Reliance, which bought 25 percent of Venezuelan crude in 2019, and reduced its imports to around 118,000 barrels per day in 2020, has reportedly stepped up purchases of crude from Colombia and Ecuador.