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HIGHLIGHTS

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

COVID-19

The virus continued to ravage the region through July and August. Infections by end August are estimated to have crossed 7 million. **Brazil** led the pack with around 3.8 million cases and around 120,000 deaths; **Mexico** followed with around 600,000 infections and over 62,000 deaths. **Peru, Chile, Colombia and Ecuador** also continued to see infections rise. Apart from tiny Uruguay, almost all the countries continued with lockdowns in greater or lesser degree. Brazil's President Bolsonaro, who had downplayed the threats from the virus publicly, was diagnosed positive early July. Presidents of **Bolivia and Honduras**, and **Venezuela's** Vice President Diosdado Cabello also tested positive in July.

Politics prevailed as governments all over the region clashed with their experts over the pace of re-opening of economies. Health Ministers of **Brazil (two in a month), Panama, Chile, Peru and Ecuador** either resigned or were sacked when the number of cases surged. There has been a notable lack of leadership in most countries of the region, with responses varying according to domestic political priorities and exigencies.

The crisis has revealed the shallow levels of **regional integration** in LAC. In the words of researcher Ana Covarrubias, writing for the Inter-American Dialogue "...the pandemic has once more demonstrated the fragility of Latin American regional and sub-regional organizations... the weaknesses of domestic institutions, the lack of shared interests and values, and the dependence on foreign powers.... Months after the pandemic hit the Americas, national governments continue to act individually, underlining the region's political fragmentation. Moreover, there are no signs that regional leaders are contemplating the characteristics of a post-pandemic international order and the Americas' place in it." (http://go.pardot.com/e/827843/ysis-regionalism-and-covid-19-/5xgy1/75407272?h=zNYKY2_IVbrs3SmBmotDEIh1QQGQODVKn69nFIFi8Th0)

Political Developments

Elections in the **Dominican Republic** (DR) on 5 May changed to some extent the course of country's politics in this Caribbean country of 10.5 million. Considered a stable, progressive democracy, DR has seen smooth changes of government. The Dominican Liberation Party (PLD) held power for decades. The incumbent Danilo Medina (PLD), who served two terms, failed to win backing for a constitutional change to run again. His party's candidate Gonzalo Castillo was never a favourite. The main challenger, Luis Abinader of the Modern Revolutionary Party (PRM) – a businessman who never held political office - won in the first round with 52.5 percent of the vote and assumed office in August. His party also won a majority of 18 of the 32 Senate seats, reducing the PLD to 6. DR under Medina switched recognition from Taiwan to China in 2018. The US – which invaded DR in 1965 and installed the puppet regime of Joaquin Balaguer - has major stakes, with around 2 million DR immigrants, considerable trade and investment, a status China is keen to undermine. The new President will strengthen relations with the US (DR was the only country in the UN Security Council which voted in favour of the US resolution in August to extend the ban on arms sales to Iran) but will have to balance US influence with China's financial allure.

The election farce in **Guyana** went through more drama, with the Caribbean Court of Justice – the highest judicial authority – upholding in early July the election results in favour of the opposition People's Progressive Party/Civic (PPP/C). The incumbent President David Granger, supported by his party, refused to hand over, replying on an alleged 'recount' by a political ally (refer July Review). The United Nations advised restraint and a peaceful handover. The US called for Granger to "step aside", and imposed visa restrictions on "individuals who have been responsible for, or complicit in, undermining democracy in Guyana". The president of CARICOM condemned the intransigence of the ruling party. Finally, after attempts by the ruling clique to drag the matter out in the courts, the Guyana Election Commission ruled on 2 August that the opposition PPP/C had won a narrow majority of 33 of the 65 seats. Their candidate, Mohammad Irfaan Ali was sworn in as president. The delay in announcing the results threatened to impact production in Guyana's newly discovered offshore fields, which will add billions of dollars to the country's GDP. According to analysts, delays have already cost more than 50 million barrels of production that could have been achieved by 2030 if the project had been sanctioned in 2019. Production is currently at 120,000 barrels per day. The target is 750,000 bpd by 2025/26 (http://go.pardot.com/e/827843/ayara-pacora-offshore-project-/5xgy3/75407272?h=zNYKY2_IVbrs3SmBmotDEIh1QQGQODVKn69nFIFi8Th0)

On 2 July, a London High Court judge ruled more than \$1 billion in **Venezuela's** gold deposited with the Bank of England several years ago was legally controlled by the Guaido administration, dismissing a claim from President Maduro's Central Bank. The judge "unequivocally" declared that Guaido – recognised by the British Foreign Office as the acting President of Venezuela – had a claim to the gold. The Maduro regime reacted by issuing arrest warrants against representatives of the Guaidó 'regime', including its 'Ambassadors' in the US and UK. Earlier after the EU sanctioned seven officials of the Maduro administration, the latter expelled the EU Ambassador in Caracas, only to retract the order after a threatening telephone call from EU external affairs commissioner Josep Borrell.

On 2 August, the **Venezuela** opposition alliance of 27 parties (earlier named the Democratic Unity Roundtable – MUD) announced they would not participate in the 2020 elections to the National Assembly (NA - the unicameral parliament), to be held in December. Of these, three of the main parties - Popular Will, Justice First, and Democratic Action— had been banned from the elections a few weeks earlier, through decrees handed down by the Maduro-controlled Supreme Court. Maduro also increased the number of seats from 167 to 277. The opposition, in a rare show of unanimity, claimed the elections could not be free and fair in the current climate, and the increase of seats was not as per the constitution. The result of the 2015 election was a decisive defeat for Maduro's party, PSUV, which lost control of the NA for the first time since 1999. The MUD, composed of politicians opposed to the government of both Chávez and his successor, gained a supermajority of 112 seats against 55 won by the GPP, a PSUV-led alliance. After this defeat, the Maduro regime emasculated the NA by appointing a Constituent Assembly which assumed all law-making powers. With the Election Commission, the Supreme Court and all other institutions under his control, Maduro clearly wields power, though his legitimacy is increasingly questioned. He depends on the largesse of Russia and China and the support of Cuba, Iran and a few other countries also on the US hit-list.

In July **Brazil's** Ministry of Defence presented to Congress the National Defence Policy and the National Defence Strategy, as well as a White Paper on evaluation of resources available to achieve objectives. The documents are revealing of the policy thinking as well as the clout of the armed forces in the present dispensation. This is the fourth edition of policy statements, with a new focus on actors 'exogenous' to the region, including China and Russia. France is seen as a potential concern, being a neighbour through its presence in French Guiana on the northern border of Brazil, and given President Macron's aggressive stance towards Bolsonaro's policies in the Amazon rainforest. The documents mention China's growing presence in South America and the BRI. Russia's support to the Maduro regime in Venezuela is also a preoccupation. Brazil's defence budget is around 1.3 percent of GDP, versus 18 percent for education and 15 percent for health. In 2019 the country spent about US \$20 billion on defence, of which 80 percent went to personnel. Brazil has always been conscious of the need to protect the Amazon region, but is increasingly aware of its strategic responsibilities in the southern Atlantic. The present government has vacillated over open support to US policy. The military managed to resist US pressure on Brazil's diplomats to intervene in Venezuela, according to media reports.

Economic Developments

According to the United Nations Economic Commission for Latin America and the Caribbean (**ECLAC**), the virtual halt in economic activities due to the COVID-19 pandemic will result in the closure of 2.7 million formal businesses in Latin America, most of them micro-enterprises, a situation leading to the destruction of 8.5 million jobs.

The Trump administration is reportedly working on a '**Back to the Americas**' initiative that would include getting some US establishments currently in China back to the United States, and basing others in Latin America and the Caribbean in a drive for more so-called nearshoring, according to Mauricio Claver-Carone an adviser to President Trump and US candidate for president of the Washington-based Inter-American Development Bank, to be elected in September. The initiative would build on provisions aimed at protecting workers included in the U.S.-Mexico-Canada trade agreement that entered into force in July. Claver-Carone also called for improvement in transparency over Chinese lending in Latin America.

LAC is also a battleground between the west and China over Chinese telecom giant **Huawei's** presence in the region. While the company faces trouble in US, UK and several other countries, major Latin American regimes do not appear to have any qualms. According to an Ericsson report, 49 per cent of Latin America was connected to 4G network in 2019. It forecast that 64 per cent of mobile devices will be on 4G network by 2025, and 18 per cent will upgrade to 5G. Brazil claims the firm is a "private company", unrelated to the Chinese authorities. Six out of seven 4G mobile networks were constructed by Huawei over the last 21 years, with a factory producing telecommunications infrastructure in the state of Sao Paulo. A new \$800 million smartphone plant has been promised with a view to the country's upcoming 5G auction. Mexico is also advancing rapidly, as are Argentina (heavily indebted and dependent on China), Peru, Chile and Colombia, towards 5G auctions, which have been delayed this year by the pandemic. China is bound to exert maximum pressure on the region to allow Huawei in. It is difficult to fathom Latin American opinion – if there is such a thing. The current overwhelming Chinese economic presence, the need for China's finance and markets, and a general disillusion with the current US establishment, combine to create a situation where governments of the region will take decisions that may not prioritise human rights or a threat of Chinese infiltration, if the alternative is a more expensive network.

In July the Russian Parliament ratified an agreement between Russia and **Venezuela** on repayment of Venezuela's debt. Russia – primarily the state oil company Rosneft - has loaned Venezuela \$ 17 billion since 2006. In 2018 it was agreed that Venezuela would repay an amount of \$ 3,120 million between 2019 and 2026. Venezuela is to pay \$ 133 million annually from 2019 till 2022 and \$ 684 million annually from 2023 till 2026. Meanwhile Venezuela's capacity to repay has shrunk, with June production falling to 280,000 barrels per day (bpd) from the already historic May low of 570,000 bpd. US sanctions on joint ventures and shipments, combined with unavailability of critical spares and non-availability of drilling rigs, has led to the shutdown of several producing wells.

In early August, the government of **Argentina** finally reached an agreement with its creditors to reschedule its 65-billion dollar debt. After repeated extensions, Argentina made its final offer amounting to average net present value of 54.8 cents on the dollar. The settlement will enable the crisis-ridden economy to recover. This deal is a political and economic win for Argentina and relief for most of its creditors. The next step is for Buenos Aires to renegotiate its 50-billion dollar debt to the International Monetary Fund, which is expected to demand fiscal and monetary reform. Argentina's GDP is expected to shrink between 10 and 15 percent this year and the fiscal deficit is approaching an unsustainable 10 percent of GDP. Inflation is high and rising due to massive monetary emission, and 50 percent of the population is slipping into poverty.

Major European investment firms have reportedly threatened to pull out investments from **Brazil's** beef production, grains traders and government bonds if they do not see advances in protecting the Amazon rain forest. The investors' concerns follow an 11-year high in Amazon deforestation in 2019. Brazil's government responded on July 9 by announcing a ban on fires in the Amazon for 120 days. An 'Amazon Council' under Vice President Hamilton Mourao has been ineffective, while the Environment Minister is widely reviled. Brazil desperately needs foreign investment in infrastructure, health, sanitation and urban development, a reality laid bare by the Covid-19 pandemic. President Bolosonaro, however is facing political pushback and is unlikely to confront the agrarian caucus in Congress. The government has dismantled Ibama, an autonomous environment protection agency. Brazil has the world's second-largest agribusiness industry but utilizes only 7.8 percent of its land, compared to 57 percent in Germany. Brazil also has a very strict forestry code. More than 63 percent of land is virgin, compared to 1 percent in Europe. The Brazilian Amazon region alone has 107 million hectares of Indigenous reserve. Brazil recently announced that its agribusiness industry will hit a high in production in 2020, at 245.9 million tons. Meanwhile, China is increasing investments in this sector.

Focus India-LAC

On 13 July, an MOU was signed by JEMSE, an **Argentina** state-owned enterprise, and Khanij Bidesh India Ltd. (KABIL), a joint venture of three Indian public sector companies - Nalco, Hindustan Copper and Mineral Exploration Company Ltd. – to enable scientific and commercial development of lithium deposits in that country. The MOU paves the way for a strategic alliance for the exploration, exploitation and subsequent commercialization of mineral products. Argentina is ranked third among nine countries that produce lithium, given its sizeable reserves of 128 million tonnes of lithium carbonate. In 2019 the country produced 37,500 tons. By 2023, the target capacity is 290,000 tons. Lithium is crucial for longer life batteries for electric cars and other industrial applications. India currently relies heavily on imports of lithium-ion cells mainly from China, Japan and South Korea. Argentina is part of the Lithium Triangle (with Bolivia and Chile), with lithium brine concentrated deposits that make exploitation extremely profitable. About 67% of proven lithium reserves, and about half of the global offer is concentrated in this region.

According to Reuters, quoting reliable sources from Reliance Industries Ltd. and contrary to earlier reports, Reliance loaded almost 2 million barrels of **Venezuelan** crude in July in exchange for diesel. The cargo was permitted by the US Office of Financial Assets Control (OFAC), despite the sanctions, since it falls under a clause that permits sale of crude in exchange for fuel and food or to repay debts. This window, however is soon closing as the US tightens its sanctions grip on Venezuelan exports.