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HIGHLIGHTS

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

COVID 19

As infections continue to rise, Latin America & the Caribbean appears one of the more threatened regions on the planet. By August, vaccinated populations ranged from 65 percent in Chile and Uruguay to 2 percent in Guatemala and 4 percent in Paraguay and Venezuela. Governments were scrambling to procure vaccine stocks before the expected onslaught of the Delta variant, with the WHO’s COVAX donation program seriously behind schedule.

Some countries have started building local production capacity. Argentina commissioned a plant to locally produce Russian Sputnik V. Cuba is exporting its homemade vaccine Abdala to Venezuela and may soon send it to Bolivia. Brazil’s Butanvac and Mexico’s Patria shots started clinical trials. Chile plans to package doses of China’s Sinovac vaccine. Chile, Colombia and Ecuador took steps to facilitate compulsory licencing of COVID vaccines despite the standoff on this issue at the WTO. Brazil’s government has opposed an IP waiver but Congress is close to approving a bill that would enable it to issue compulsory licences conforming to WTO agreements, permitting local firms to produce and export COVID-19 vaccines and therapeutics. Brazil had threatened compulsory licensing in the early 2000s to pressure pharmaceutical companies to lower HIV drug costs.

Political Developments

In the early hours of 7 July, armed gunmen burst into the residence of **Haiti’s** President Jovenel Moise and assassinated him, severely wounding his wife. The Prime Minister, Claude Joseph took charge and declared martial law, leading to a gunfight and killing of two of the alleged assassins shortly thereafter. Joseph himself was replaced by Ariel Henry (whom Moise had selected a day before his assassination) a fortnight later. With the Chief Justice of the Supreme Court – constitutionally the next in line – dead of COVID a month earlier, and no parliament in place after the 2019 elections were ‘postponed’, there was a power vacuum for a while. Haiti has been in political, economic and social turmoil for decades, made worse by a devastating earthquake in early 2010. A UN peacekeeping mission stationed there since 2004 – including 3 Indian paramilitary battalions – left the country no better off in 2017. The former President, Michel Martelly handed over in 2016 but chaos on the streets meant his successor Moise could only assume office in 2017. While the opposition alleged he had completed his 5-year term in February, Moise stayed on, ruling by decree. He was preparing to oversee highly controversial general elections and a constitutional referendum. Though backed by the US and the OAS, Moise had many enemies – allegedly vested interests whose power he sought to curtail - and paid the price. The assassination took on ominous overtones with the discovery and arrest of 18 Colombian mercenaries, mostly former soldiers, two Haitian Americans and an expatriate Haitian businessman. The prospects for a credible government after free and fair elections seem remote, according to most analysts. Meanwhile around 40 percent of the country faces food insecurity and there is no COVID vaccination program.

On 28 July Pedro Castillo was sworn in as President of **Peru**, after the election authorities finally rejected the claims of opposition candidate Keiko Fujimori. All eyes are on Castillo, whose mercurial political rise (his political party Free Peru only served as a vehicle to the presidency) was as controversial as his professed politics. With Free Peru holding only 37 of 130 seats in parliament, and the opposition spread among several smaller denominations, Castillo will need to tread carefully to avoid impeachment by his political opponents. Many consider him the new flag-bearer of ‘21st century socialism’ championed by Hugo Chavez of Venezuela, Evo Morales in Bolivia and other recent left-wing leaders no longer in power. Controversy continued after Castillo appointed Guido Bellido, a known doctrinaire leftist as his Prime Minister, and Pedro Francke, a centrist former World Bank economist as his Finance Minister. Analysts maintain that the contrary policy tendencies of the two main cabinet figures may force a more accommodative domestic policy, albeit emphasizing social justice, but may weaken Castillo, already under threat from a hostile Congress. His Foreign Minister was replaced barely a fortnight after his appointment.

In mid-July large protests broke out in **Cuba** – several hundred people at a time, going up to thousands. These were the largest in decades, and could not be easily suppressed. President Miguel Díaz Canel blamed it on US instigation, and the economic hardship that ordinary Cubans undergo – the main cause of the protests – on the US embargo. Hundreds were arrested, at least one killed, and mobile internet service across the island – which had facilitated the spontaneous uprising - was shut down for weeks. Though Cubans are no strangers to privation, the current situation has been aggravated by the COVID pandemic, which has almost halted tourism, on which large sections of the population depend; the economic emergency in Venezuela, drastically reducing oil supplies; and the sanctions re-imposed on the island by the Trump administration. The abolition of the dual currency – one equivalent to the US dollar, and the other ordinary peso – led to hike in prices. A tax on food and medicines brought by Cubans from abroad was abolished but did little to mollify desperate protesters calling for ‘freedom’. Their calls found echo across the Florida Straits.

In August Mexico’s President A. M. Lopez Obrador (AMLO) hosted talks in **Mexico** between the **Venezuelan** government of Nicolas Maduro and the opposition led by Juan Guaidó – now recognised as the legitimate acting president by 58 countries, including the U.S. Norway had attempted the same and is understood to be behind this latest attempt. After seven rounds of formal talks in Oslo and Barbados last year, the Norway-backed negotiations broke down in mid-September though, according to the International Crisis Group, both sides had reportedly accepted, at least in principle, close to 80 per cent of the action points based on the six-point agenda. Maduro made some conciliatory moves recently, winning over some opposition politicians, but the impasse continues, as do the international sanctions. The resumption of talks remains the best hope for averting a worsening humanitarian emergency and the risk of violence in and around Venezuela. The outcome of these talks will determine in the attitude of the hardline opposition to the important regional elections for 300 posts of governors and mayors in November.

The relationship between **Mexico** and the US is undergoing a process of redefinition, according to analysts. One symptom is the **Merida Initiative**, named after the Mexican city where a bilateral plan was initiated in 2007 by the Bush administration with President Felipe Calderon, who declared a war on drug cartels. US officials defended the plan, under which the US contributed almost \$ 3 billion to fight drug trafficking, gun running, money laundering, and strengthen the judiciary, extending beyond the territories of both countries. Critics point out that drug trafficking has increased, organized crime has grown: homicides have risen in Mexico from eight per 100,000 inhabitants to 23, with 85,000 disappearances. (<http://go.pardot.com/e/827843/ive-failed-the-u-s-and-mexico-/wp9tt/308359682?h=Ju1AOt4m02ZDUmorZorK-FaqqT5J-CntksBFDj1CIDM>). They also refer to the scandals over the capture of Mexican General Genaro Garcia Luna, who oversaw the federal Mexican police, and the even more serious capture in 2020 - and subsequent release under Mexican pressure - of former Mexican Defence Minister, General Salvador Cienfuegos, labelled the don of the drug mafia in the US, which set back relations between the US Drug Enforcement Administration and Mexico. US funding, which has tapered off in recent years, and its priority on illegal immigration from the south, as well as the Mexican attitude, will determine what was referred to by Roberta Jackson, a senior US official who helped found the Merida Initiative, “a culture of security cooperation between Mexico and the United States”.

Economic Developments

The Economic Commission for Latin America and the Caribbean (ECLAC) in July raised its **2021 growth forecast** for the region from 3.7% estimated last December to 5.2%, a figure that will still be insufficient to regain the 2019 gross domestic product (GDP) level. The IMF pegged growth at 5.8%, led by better performance in Mexico and Brazil. ECLAC also put the figure of Foreign Direct Investment (FDI) at \$ 105.5 billion, 34.7 percent below 2019. In June UNCTAD put the figure lower at \$ 88 billion. FDI to South America more than halved to \$52 billion, with flows to Brazil and Peru reaching their lowest level in two decades. In Brazil inflows plunged by 62% to \$25 billion, drained by vanishing investments in oil and gas extraction, energy provision and financial services. In the rest of South America flows were dragged down by the oil price crash in the first part of the year. In Central America FDI inflows declined by 24% to \$33 billion, partly shored up by reinvested earnings in Mexico, where they dipped by only 15% to \$29 billion.

In July **Chile** joined the China-based Asian Infrastructure Investment Bank as a full member. After Ecuador, Uruguay, Brazil and Argentina, Chile is the fifth Latin American country to join the bank, which now has 103 members. In 1970, it was the first country in South America to establish diplomatic relations with the People’s Republic of China. Later, it was the first country in the region to support China’s bid to join the World Trade Organization, the first to support China’s status as a market economy, and then, in 2005, the first ever country to sign a free trade agreement with China. Since then, bilateral trade has increased five-fold, from \$8 billion to \$40 billion in 2020, making Chile China’s third-largest trading partner in Latin America. China is Chile’s biggest trading partner and its largest foreign investor, with \$4.8 billion of FDI in 2020. With population centres along the coast, and mineral and agricultural resources further inland, China is poised to be a key partner for the southern cone – Chile, Argentina, Bolivia, Paraguay, Uruguay and Brazil, in constructing connectivity projects linking the Atlantic and Pacific seaboard, as well as the hinterlands in these countries to the coasts. All has not been smooth sailing, however. Chile got caught in the crossfire of the US-China cold war when in 2019 US Secretary of State Pompeo torpedoed a submarine cable project between Shanghai and Valparaiso (refer LAC Review July 2021), and then a railway line venture was cancelled by the Chilean government. The was a hiatus when the Chinese Ambassador, recalled in October 2020 (there was no high level Chinese representative for the celebration of 50 years of diplomatic relations that December), was replaced only in February 2021. Despite some commercial retaliation by China, the relations were balanced especially with Chinese supplies during the COVID pandemic.

Recent discoveries by Total and Apache Corp. of shallow oilwells in **Suriname’s** offshore basin boosted the Caribbean country’s status as a potential hydrocarbons hotspot. After discoveries – and exploitation - in recent years in neighbouring Guyana, whose per capita income has rocketed as a result, Suriname stands to benefit enormously, with oil companies – Total, Chevron, Qatar Oil, Exxon – lining up to take advantage of the relatively investor-friendly terms offered by the Suriname government, including 30-year production-sharing agreements and lower royalties. Suriname exploration is more recent than Guyana, but currently estimated recoverable reserves around 600 million barrels of mostly light crude, which could grow, exploitable at a cost around \$ 35 to 40, are very attractive at today’s prices.

Focus India LAC

The domestic controversy in **Brazil** over corruption in the import of COVAXIN by the Brazilian government (refer LAC Review July) took its toll on the prospects of the Indian manufacturer Bharat Biotech. After suspending the trials of the vaccine, the Brazilian regulatory agency ANVISA, revoked the import licence issued in June for import of 4 million vaccines, the first tranche of the total 20 million on order. Bharat Biotech meanwhile, in an apparent attempt to distance itself from the controversy, announced termination of its contract with the Brazilian representative, Precisa Medicamentos. Bharat Biotech may be blacklisted in Brazil by a Senate inquiry into the scandal.

Meanwhile the company announced it has commenced Phase II/III trials of its Chikungunya vaccine in Costa Rica, to be followed by Panama, Colombia, and Guatemala. The clinical trial launch marks the beginning of a multi-nation study funded by the Coalition for Epidemic Preparedness Innovations (CEPI) with support from the Ind-CEPI mission of the government of India’s Department of Biotechnology.

The previous issues of Latin America & Caribbean Review are available here: [LINK](#)