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HIGHLIGHTS

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

Political Developments

On 17 July 50 leaders from the European Union (EU), Latin America and the Caribbean (LAC) gathered in Brussels for the third **EU-CELAC** Summit. EU held six summits with LAC between 1999 and 2010. After the creation of CELAC (community of Latin American and Caribbean States) in 2011, the rubric of the summit was changed to EU-CELAC. It was held after a gap of eight years, under the EU presidency of Spain, the predominant former colonial power in LAC. The EU is trying to make up for lost time in LAC, with which it has historical links since the colonial era, but where it has seen its economic (and political) profile shrink before China's onslaught. The EU's efforts to step up cooperation with Latin America is also a recognition of LAC as a source of energy and critical raw materials which can help isolate Russia and diversify its supply chains to be less dependent on China. EU leaders want a closer political partnership and to ensure partner countries benefit fairly from the extraction of resources on their territory "with the highest environmental and social standards...", in deference to protests by environmental activists who decry the impact such economic links will have on the environment, especially deforestation.

The summit saw a commitment by EU of \$50 billion for 130 projects of the Gateway Program involving clean energy, health and education. There was discord over an attempt by the EU to insert language on **Ukraine**. Eventually the summit statement expressing "deep concern on the ongoing war against Ukraine", said the war was causing immense human suffering constraining growth, increasing inflation, disrupting supply chains, and heightening energy and food insecurity. Nicaragua expressly dissociated itself from this paragraph and several LAC leaders expressed their disquiet over the EU agenda on Ukraine. Ralph Gonsalves, prime minister of Saint Vincent and the Grenadines, holding the CELAC presidency, put it in words: "Historically we have had a lot of big-power activities against smaller, poorer countries - less powerful countries...Yet some of those same countries are the ones who are raising those very principles in Ukraine...We have to get rid of the hypocrisy". Venezuela, still under sanctions, was allowed to attend, represented by Vice President Delcy Rodriguez. Trade deals struck with Mexico in 2018 and with the Mercosur bloc of Argentina, Brazil, Paraguay and Uruguay in 2019 are still stuck, though agreements were signed on critical raw materials with Chile and two pacts to cooperate on energy, with Argentina and Uruguay.

Though the outcome could have been better, the summit revealed higher LAC political cohesion – the inclusion of Venezuela; reaction on Ukraine, etc. – and recognition by the EU of the need to deal with the region on more equal terms, if it wants to be a "partner of choice" for the region, as expressed by the European Commission President Ursula von der Leyen. Mexico's President Andres Manuel Lopez Obrador (AMLO), apparently still smarting from the refusal of Spain's King Felipe to accede to AMLO's demand to apologise for the Spanish colonisation of the Americas (ref. LAC Review May 2023), did not attend the summit.

On 20 August **Guatemala** voted Bernardo Arevalo in as President by a wide margin, a surprise for most who had expected the establishment candidate Sandra Torres to win. Arévalo, a former diplomat and the son of Guatemala's first democratically elected president, Juan José Arévalo, from the progressive Movimiento Semilla (Seed Movement) party and widely seen as an anti-corruption candidate, won 60.09 percent of the valid votes compared to Torres' 37 percent. The 64-year-old intellectual was born in Uruguay after his father was forced into exile by a CIA-backed coup in 1954, leading to decades of military rule. Guatemala has lost international prestige in recent years over political scandals, including the resignation of former President Otto Perez Molina in 2015, who was jailed for corruption. A United Nations-backed anti-corruption commission, known as CICIG, credited for assisting in hundreds of convictions, was dissolved in 2019. Prosecutors and judges associated with the commission were arrested and investigated and many have since fled the country. The chief prosecutor of the regime of the outgoing – and discredited – President Alejandro Giammattei, tried unsuccessfully to ban Arevalo's party from elections, a move that backfired spectacularly, though politico-legal manoeuvring may not stop before his swearing in January 2024. The Organization of American States recently revealed two plots to assassinate Arévalo and the vice president-elect. Three other rival parties were disqualified by the government before the elections, perhaps triggering the angry voter response. Arevalo's party will only control 14 percent of the Congress, making it difficult for him to fend off vested interests, including an entrenched bureaucracy. Guatemala has become increasingly important for India, with bilateral trade at \$ 475 million USD in 2022-23, Indian exports at around \$ 450 million.

On 9 August **Ecuador** was shocked by the assassination, in broad daylight, of Fernando Villavicencio, one of 8 candidates in the presidential election that took place on 20 August. Ecuador has seen political turmoil in recent years, most recently with the resignation of President Guillermo Lasso who, facing impeachment, dissolved parliament and called elections about 18 months in advance. Villavicencio was not the front-runner but was a popular figure, outspoken against corruption and drug cartels and was under open threat from some cartels operating with relative impunity. Ecuador is sandwiched between Colombia and Peru, the two largest producers of cocaine, and has reportedly become a base for several Latin American cartels. These have expanded by recruiting in Ecuadorean prisons, where brutal violence between gangs has shocked the nation. It is an oil exporting country which has adopted the US dollar as its currency, but economic conditions since the pandemic are parlous and society continues to suffer from the same racial and political divisions as in most Latin America. The first round was not decisive, with Ms Luiza Gonzalez leading the race. She is the candidate of former President Rafael Correa, currently in exile in Europe after accusations of corruption during his presidency in the past decade. She will face off in the next round on 15 October with Daniel Noboa, a business magnate who was a dark horse candidate. The election was simultaneous with a referendum in which Ecuador also voted to halt drilling in one of the most biodiverse corners of the Amazon in a victory for a decade-long fight by environmental activists to bring the binding referendum to a vote.

Economic Developments:

Statistics on Foreign Direct Investment (FDI) showed contrary trends between India and LAC. The latter received record flows of foreign direct investment (FDI) in 2022, mostly into services, manufacturing and energy as spending recovered after the pandemic. A report by the U.N. Economic Commission for Latin America and the Caribbean (ECLAC) found that FDI surged 55% from 2021 to hit about \$225 billion last year, the highest level ever recorded. "FDI flows to the region had not surpassed \$200 billion since 2013, so the 2022 recovery marks a major investment milestone for the past decade." Cross-border investments last year largely centered on the region's services, oil and gas, and manufacturing sectors, ECLAC said, helping push up the contribution FDI brings to the region's gross domestic product (GDP) to four percent. Brazil was the fifth highest global destination, drawing \$86 billion. By contrast, the Reserve Bank of India (RBI)'s monthly bulletin showed that during the last financial year, "after adjusting for repatriation and disinvestment by foreign investors, direct inflows were 27% lower at \$41.6 billion". The UNCTAD report released in June placed the FDI in 2022 at close to \$50 billion.

The International Monetary Fund's **(IMF's) latest forecast for LAC** revised growth up 0.3 percentage points to 1.9 percent. **Brazil and Mexico** are now expected to grow 1.2 and 0.8 percentage points more than expected. Yet the upside reflects external shocks, not internal dynamism. The surge in food commodity prices with Russia's war in Ukraine combined with a record soybean harvest has boosted Brazil's agriculture exports nearly 40 percent. Mexico's recovery has much to do with US-China rivalry, which has boosted investment there and also resulted in a record export of \$ 450 billion to the US in 2022.

Focus India LAC:

In July **Argentina's** Defence Minister, Jorge Taiana met India's Defence Minister to discuss, *inter alia* the possibility of acquisition of India's Tejas light combat aircraft and helicopters. Argentina's relationship with India has been upgraded recently, and an MOU on defence cooperation signed in 2019 forms the basis of this dialogue. Argentina has also signed an agreement on engine repair and purchase of spares for its helicopter fleet during Aero India 2023. The Minister visited the installations of Hindustan Aeronautics Ltd. (HAL) which signed an MOU with Argentina's Fabrica de Aviacion de Argentina in June. They signed a Letter of Intent (LOI) expressing Argentina's interest in acquisition and cooperation on light and medium utility helicopters. Taiana also visited Brahmos Aerospace and met with over a dozen representatives of Indian start-ups.

End-August the Empresa Brasileira de Aeronautica S.A. (EMBRAER) **Brazil's** national aeronautics company, was displaying its wares in India. The event coincided with a visit to India by the commander of Brazil's army, General Tomas Paiva, who held talks on defence cooperation with India's top military brass. Brazil is bidding specifically for India's tender for Medium Transport Aircraft (MTA) with its C 390 Millennium cargo plane, with a capacity of 26 tons, somewhere between the Russian Antonov and the American Globemaster. With a healthy political relationship, bolstered by Brazilian President Lula, and the background of collaboration between Embraer and India's HAL and air force, this could be a viable option. Embraer is also popular with India's civil airlines.

A three-day symposium on India-LAC economic and commercial relations saw attendance by several delegations from that region, but time will tell whether concrete results were achieved. The National Security Advisor of **Guyana** declared that they will buy two Dornier aircraft and are interested in patrol boats, armoured vehicles, radars and drone systems. In his speech External Affairs Minister Jaishankar spoke of the scope to hike trade with the region from the present \$ 50 billion to \$ 100 billion. There are discussions ongoing with some countries, especially Peru and Chile, to remove trade restrictions.