

From Tagore to IT: India's changing presence in Latin America

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Abstract: From 1947-1991, links between India and Latin America were largely non-existent, with geographic and cultural distance as powerful barriers. However, the current wave of globalization, which some say started in 1980, triggered dynamics that are being felt to this day. The reform and opening up process in India kick-started in 1991; the end of the ISI approach to economic development followed in much of Latin America, and its replacement by an export-led model; and the emergence of Asia as a key growth pole in the world economy, all led to a surge in Indo-LAC links. The main breakthrough came in the 2000s, as the “Indian miracle” started to make headlines (the time of the “Global Indian Takeover”, in the somewhat over-the-top expression coined by The Economic Times). Quite apart from the economic “pull” factor, this period also provided two significant “push” factors: a) 9/11 and the subsequent War on Terror (WOT), which meant that Washington was otherwise engaged and utterly uninterested in what was happening in the region, leaving a wide open field for other actors; and b) the pink tide that swept the region from 1998 (with the election of Hugo Chavez in Venezuela) onwards. As a rule, the Right in Latin America is fixated on the US and on Western Europe. The Left is a bit more open-minded and more interested in the rest of the Global South. This led to the creation of IBSA and of the BRICS, to Chile's signing trade agreements with South Korea (2003), China (2005) and India (2006), to Venezuela's dramatic increase of oil sales to India, to Argentine soya deals with India, and other such developments. This chapter will trace this process, while also undertaking some comparisons with the policies followed by the “other Asian giant”, China, towards LAC.

Introduction

The rise of Asia in the backdrop of an increasingly globalized world economy has been a defining feature of geo-economics in the 21st century. While China may be the chief protagonist of this story, India's supporting role becomes fundamental in the long-term. India's population is forecast to cross China's by 2025, and the Indian economy is expected to outgrow the US by 2038.¹ Even the Latin American and Caribbean (LAC) region's economic heavyweights, Brazil and Mexico, will surpass every European nation's GDP (PPP) by 2050.

India-LAC relations should be viewed in this context, where the gains of the past two decades mark the initial stages of a long-term economic partnership. While India-LAC ties lack the vigor and intent of Sino-LAC relations, they are vastly different, and any comparisons would do little justice. Unlike China's government-led LAC policy, supported with copious amounts of financial aid and investment, India's presence in the region remains innocuous and undistruptive, and is driven by the private sector rather than by public policy. India's benevolent image and its non-alignment policy act as catalysts to work closely and freely with different political dispensations throughout the region.

The LAC region has become an important provider of resources for India's rapid economic growth and industrialization. The stagnating economies and slowing demand in the West has forced the LAC region to diversify, growing closer to Asian countries like India and China. Indian industry too is opening up more each year and integrating itself with regional and global markets. As a result, Indian companies are investing in Latin America's emerging manufacturing and services sectors, adding value to the local economies.

India-LAC ties are thus becoming ingrained in economic diplomacy, which reigns supreme in the current wave of globalization. As described in *The Oxford Handbook of Modern Diplomacy*, "the old (arguably artificial) distinction between the high politics of international security and the low politics of commerce has lost all significance since the end of the cold war...The increased importance of economic diplomacy has also come about as a result of the emergence of a multipolar world economy."

This chapter will focus first and foremost on contextualizing India-LAC relations in the modern era, identifying the reasons and motivations for a deeper engagement, revealing the 'ups and downs' of the relationship such as the honeymoon period of 2003-07 and the more recent sluggishness, marking the varied levels of bilateral engagements in distinct sectors of the economy, while presenting a Latin American perspective based on historical and contemporary events, and a summary of the results so far.

¹ Hawksworth, J., Audino, H., & Clarry, R. (2017). The long view: how will the global economic order change by 2050. PwC, February 2017. URL: <https://www.pwc.com/qx/en/world-2050/assets/pwc-the-world-in-2050-full-report-feb-2017.pdf>

Why this surge?

While there are some decisive domestic factors responsible for the rapprochement between India and the LAC region, they are eclipsed by an overarching theme that has shaped the world economy over the past forty years: globalization.

Both India and the LAC region, belonging as they do to the Global South, continue to feel the impact of the current wave of globalization. A co-publication of Oxford University Press and the World Bank in 2002 notes:²

The new wave of globalization, which began about 1980, is distinctive. First, and most spectacularly, a large group of developing countries broke into global markets. Second, other developing countries became increasingly marginalized in the world economy and suffered declining incomes and rising poverty. Third, international migration and capital movements, which were negligible during second wave globalization, have again become substantial.

A host of developing countries around the world, the so-called ‘new globalizers,’ which include Argentina, Brazil, Colombia, Costa Rica, the Dominican Republic, India, Mexico, Nicaragua, Paraguay and Uruguay, cut tariffs by 34 points on average post-1980. In addition to reduced trade barriers and liberalized foreign investment, these countries also benefitted from a gradual reduction in poverty, better health and education standards, and ultimately, increased economic growth and productivity.

The 21st century also brought about a new era, the ‘digital age,’ with information and communication technology (ICT) that helped integrate global supply chains. Coupled with the technological advancements in the global shipping industry, this resulted in a massive spike in global trade flows. Global container port traffic, measured in twenty-foot equivalent units (TEUs), has grown from 224 million TEUs in 2000 to 752 million TEUs in 2017.³

All these factors helped integrate India and the LAC region with the global economy. For instance, the trade-to-GDP ratio rose considerably from 1980 till 2017, from 15% to 41% for India and 30% to 43% for the LAC region. Similarly, FDI inflows as a percentage of GDP grew from 0.04% to 1.53% for India and from 0.86% to 3.02% for the LAC region.

Besides this process of globalization, the overlap of two domestic factors also brought India and the LAC region closer together.

First was the shift in the LAC region’s economic policies. The import-substitution-industrialization (ISI) approach to economic development, which many LAC countries followed from the 1950s to the 1980s under the tutelage of the United Nations Economic Commission for Latin America and the Caribbean (UN ECLAC)⁴, began to be replaced by an export-led model more conducive to the new era of globalization. “Beginning in the mid-1980s the primary development paradigm pursued by Latin American and Caribbean countries undertook a major shift from the concept of

² Collier, P. (2002). The new wave of globalization and its economic effects. *Globalization, Growth and Poverty: building an Inclusive World Economy*. World Bank, p23-51.

http://documents.worldbank.org/curated/en/954071468778196576/310436360_20050007015044/additional/multi0page.pdf

³ Container port traffic (TEU: 20 foot equivalent units). *The World Bank*. Retrieved from <https://data.worldbank.org/indicator/IS.SHP.GOOD.TU>

⁴ History of ECLAC. ECLAC - United Nations. Retrieved from <https://www.cepal.org/en/historia-de-la-cepal>

ISI to that of export-led growth and openness to international markets” notes Timothy G. Taylor in the *International Trade Journal* in 2003.⁵ The region’s exports grew substantially, from 14% of GDP in 1980 to 24% of GDP in 2004. Naturally, this exposed the LAC region to new markets around the world, including the two Asian giants, China and India, with a thirst for commodities matched by rapid economic growth.

Secondly, India undertook major economic reforms in the 1990s, opening the economy to foreign investment, consolidating industrial policy, and easing regulations and tariffs on trade. These reforms emerged out of India’s precarious balance of payments crisis in 1991, when the country was left with foreign reserves worth barely a couple of weeks’ essential imports. This brought an end to the ‘License Raj,’ a labyrinthine system of government regulations and licenses that made running a business a highly complicated matter. The Centre for Civil Society, a New Delhi-based think tank, reports that “the trade policy of 1 April 1992 freed imports of almost all intermediate and capital goods.”⁶

The deeper engagement between India and the LAC region thus remains rooted in economic grounds: both see each other as a means to diversify and as potential economic partners. The slowing demand for commodities in much of the Western world, juxtaposed with the corresponding rise in demand in Asia, primarily in the youthful populations of India and China, lured the LAC region closer to Asia’s economic orbit.

This growing economic partnership between India and the LAC region has not been accompanied by strong political support, as is the case of Sino-LAC relations. India’s geopolitical calculus remain limited to its neighborhood in Asia and strategic partners like the US and Russia, while Latin America’s political dispensations are still beginning to grasp India’s emergence on the world stage. In this context, perhaps only India and Brazil hold a political relationship that is worth mentioning, buttressed on multilateral groupings like the BRICS, IBSA and G20.

Nevertheless, the rise of Asia as a key growth pole in the world economy, and India’s place in it, is likely to catch the attention of the LAC region. This is manifest in Emerging and Developing Asia’s⁷ share of world GDP, PPP, which has increased from a mere 8.9% in 1980 to 33.25% in 2018. Going forward, India is poised to contribute 15.9% of global growth in 2022-23, nearly double the US’s contribution of 8.5% in the same time period.⁸

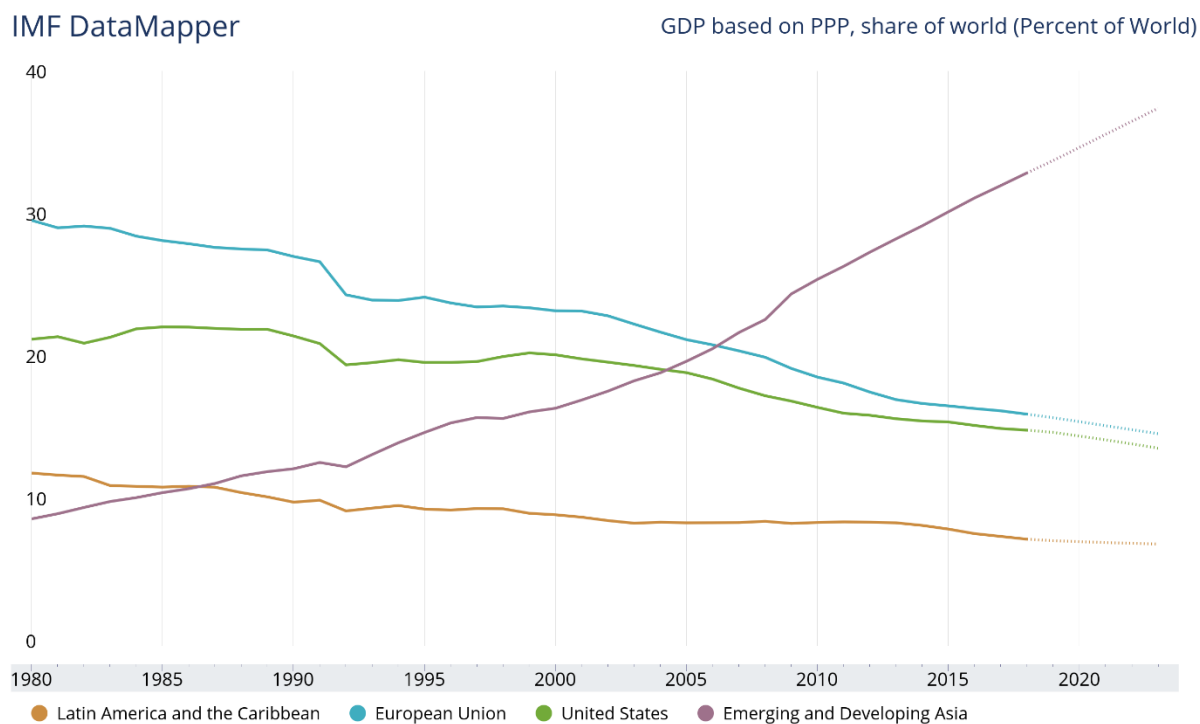
⁵ Taylor, Timothy. "Export diversification in Latin America and the Caribbean." *The International Trade Journal* 17.2 (2003): 101-128.

⁶ 1991: ECONOMIC REFORMS, India before 91: Stories of Life under the License Raj. *Center for Civil Society, 2019*. Retrieved from <http://indiabefore91.in/1991-economic-reforms>

⁷ Note: Emerging and Developing Asia is an IMF categorization of 31 developing countries in the Asia Pacific region. Retrieved from <https://www.imf.org/external/datamapper/PPPSH@WEO/DA/WE>

⁸ Tanzi, A., Wei Lu, "Where Will Global GDP Growth Come From in the Next Five Years?" *Bloomberg News*. October 28, 2018. <https://www.bloomberg.com/news/articles/2018-10-28/where-will-global-gdp-growth-come-from-in-the-next-five-years>

Select countries and region's share of world GDP, PPP (percent of world)



Source: IMF World Economic Outlook, accessible at <http://bit.do/IMFWEO>

When did it happen?

The India-LAC relationship began to unfold only in the 21st century, as India's economic growth story began to take off and the 'pink tide' was sweeping over the LAC region.

Prior to this, there was little stimulus for either party to begin a serious commercial or political partnership. For most of the second half of the 20th century, India was preoccupied with its own economy and the alleviation of poverty, while embracing a foreign policy rooted in non-alignment. At the same time, many Latin American economies adopted Raúl Prebisch's ISI approach, choosing to focus on their own industrialization. They were also caught in the crossfire of the Cold War, which brought about military rule in numerous countries and eventually led to the financial crises of the 1980s, known as '*La Década Perdida*' (the lost decade).

Two pivotal events in the 21st century pushed the LAC region closer to India. First were the September 11 terror attacks in 2001, which shifted the United States' global focus almost entirely to the Middle East, leaving a wide-open field for new actors in the LAC region. Washington DC's attention shifted from the 'war on drugs' in Latin America to a more urgent 'war on terror' in the Middle East. The extra-hemispherical actor that gained most from this change in focus is China, but India too caught the eyes of the Latin American region as a new economic partner.

Secondly, the LAC region began to be swept by the 'pink tide,' a slew of left- and center-left governments that came to power in 14 countries. While the right-wing in Latin America traditionally leans towards the US and Western Europe, the left has an affinity to the developing world. None were more enthusiastic than Brazil's President Luiz Inacio 'Lula' da Silva, who visited

India three times, including as chief guest at India's Republic Day parade in 2004. Lula was a passionate advocate for South-South cooperation and used platforms like the IBSA Dialogue Forum (an India-Brazil-South Africa Trilateral grouping) and the BRIC(S) to advocate for 'a new world order.'⁹

These regional events, coupled with India's economic growth story, gave impetus to better India-LAC relations. Following India's economic reforms in 1991 and Latin America's return to democratic rule and stable macroeconomic performance, Brazil became the first country from the region to seek India's favor, beginning with the visit of Brazilian President Fernando Henrique Cardoso in 1996, the first by a Brazilian president to India. Cardoso's visit was promptly followed by a series of ministerial visits from both sides, the opening of the first and only Indian Consulate General in the LAC region (in Sao Paulo), and by an invitation from Brazil's Health Minister to help Indian pharmaceutical companies set up shop in Brazil.

This set the stage for Indo-LAC ties in the 21st century, and many others followed Brazil's lead in the coming years. While no specific event or episode marks the gradual deepening of ties, especially since India's bilateral relationships in the LAC region are maintained at varying levels of engagement, it is apparent that India-LAC ties began to gain substantial momentum, both economic and political, between 2003 and 2008.

Coincidentally, this period was also marked by record high levels of economic growth in India, when the economy grew at an average of 8.8%, more than double the growth of the world economy at 3.9%. The world began to take notice of India's economic growth story during this period. India appeared on the cover of the Economist magazine on 3 June 2006, with the title "Can India fly?". The lead article went on to answer that question, by declaring that "the question is no longer whether India can fly, but how high."¹⁰ By 2007, India became a trillion-dollar economy, joining an elite club of select countries across the globe.

India's expeditious economic growth prompted many Latin American countries to upgrade ties. In 2004, India signed its first major trade agreement with the LAC region, a Preferential Trade Agreement (PTA) with the Mercosur grouping, comprising Brazil, Argentina, Uruguay and Paraguay, that cut tariffs on a host of products. These South American nations now received preferential access to a large and growing consumer market hungry for agricultural products. Chile followed suit with its own PTA, becoming the first LAC country to sign a bilateral trade agreement with India in 2006. This was part of Chile's overall outreach to Asia: the Andean nation signed a Free Trade Agreement (FTA) with South Korea in 2003, becoming the first Latin American nation to sign an FTA with an Asia Pacific country, and signed another with China in 2005. India was merely the cherry on top.

Brazil formally upgraded political ties to a "strategic partnership" during Indian Prime Minister Manmohan Singh's visit to Brasilia in 2006. Their joint communique outlined that the new strategic dialogue would cover "regional and global issues of mutual concern such as energy security and the international security situation."¹¹ In the same year, Brazil opened its Consulate General in Mumbai, aimed at courting Indian businesses in the country's financial center. Mexico was next:

⁹ Agencies, "BRIC must create a new world order: Lula," *Indian Express*, 16 April 2010.

<http://archive.indianexpress.com/news/bric-must-create-a-new-world-order-lula/607274/>

¹⁰ "Can India fly?", *The Economist*, 1 June 2006. <https://amp.economist.com/leaders/2006/06/01/can-india-fly>

¹¹ "India - Brazil Joint Communique", *Ministry of External Affairs, Government of India*, 12 September 2006.

<https://mea.gov.in/bilateral-documents.htm?dtl/6335/India++Brazil+Joint+Communique>

President Felipe Calderon visited India in 2007 and subsequently announced that the two countries “were now entering a dynamic and qualitatively new phase of Privileged Partnership.”¹²

It was also during this time that India began importing sizeable quantities of crude petroleum oil from Venezuela, something that never bore fruit in the four previous decades since India opened its Embassy in Caracas in 1961. In 2006, India imported 1 million metric tons (MMT's) of crude oil from Venezuela, which jumped to 6.6 MMT's in 2008.

The deepening of India-LAC ties between 2003 and 2008 had a notable commercial impact: trade increased from only \$2 billion in 2002 to \$17 billion in 2008, assisted in part by a commodity boom¹³ during the same period. It was expectedly followed by an increase in cross-border investments between India and the LAC region. The diplomatic relationship also reached new levels: LAC countries opened 13 diplomatic missions in India in the 21st century. In contrast, only 11 LAC missions were opened in India between 1947 and 2000.

It is evident that India-LAC commercial ties, measured primarily by trade and investment figures, remain steadfast in the 21st century. The political relationship, if measured by high-level visits by Heads of Government between India and the LAC region, has also gained momentum. There has been a visible increase of high-level visits from the LAC region, with 16 in the 21st century, compared with 12 from 1947-1999. This is reflective of the increase in India-LAC commercial ties, with the pull factor of India being the dominant export market for the LAC region and an increasingly important investor in the LAC region.

However, there has been a visible slump during Indian Prime Minister Narendra Modi's administration: only three LAC heads of government have visited India, and Modi has made official visits to only three LAC countries (two of which were for multilateral summits, the BRICS and G-20, and the other a short four-hour working visit to Mexico).

Political visits between India and the LAC region

<i>LAC high-level visits to India</i>		
	<i>1947-1999</i>	<i>2000- Present</i>
Argentina	1961, 1985	2009, 2019
Brazil	1996	2004, 2007, 2008, 2012, 2016
Chile		2005, 2009
Colombia		2001
Cuba	1973*	
Guyana	1975	2015
Mexico	1962, 1975, 1981, 1985	2007
Nicaragua	1986	
Paraguay		2012
Peru	1987, 1997	
Suriname		2003
Trinidad & Tobago		2012
Venezuela		2005

¹² “Joint Statement by India and Mexico on the State visit of H.E. Mr. Felipe Calderon Hinojosa, President of Mexico,” *Ministry of External Affairs, Government of India*, 10 September 2007. <https://mea.gov.in/bilateral-documents.htm?dtl/5897/Joint+Statement+by+India+and+Mexico+on+the+State+visit+of+HE+Mr+Felipe+Calderon+Hinojosa+President+of+Mexico>

¹³ See Helbling, Thomas, V. Mercer-Blackman, and K. Cheng. "Commodities in boom." *Finance and Development* 49.2 (2012): 30-31. <https://www.imf.org/external/pubs/ft/fandd/2012/06/pdf/helbling.pdf>

Total visits	12	16
<i>India's high-level visits to the LAC region</i>		
	<i>1947-1999</i>	<i>2000-present</i>
Argentina	1968	
Brazil	1968	2006, 2010, 2014
Chile	1968	
Colombia	1968	
Guyana	1968	
Mexico	1961	2016*
Trinidad & Tobago	1968	
Uruguay	1968	
Venezuela	1968	
Total	9	4
* Indicates Other visits, such as Working Visits or Transit Visits. All other visits indicated above are State Visits or Official Visits made by the respective Heads of Government		

Source: Ministry of External Affairs, Government of India. Note that the table excludes summit visits such as the G-20, G-15 and Non-Aligned Movement Summits.

Where is it mostly felt?

India's outreach to the LAC region is by no means evenly distributed.

Today, the political relationship is heavily tilted towards Brazil, the only LAC country with which India enjoys an annual dialogue at the highest political level, primarily through the BRICS Summit. A somewhat regular political dialogue has also been maintained with Argentina and Mexico, members of the G20 grouping.

A study of the high-level visits between India and the LAC countries, from India's independence in 1947 till 2019, shows first and foremost that these exchanges have been few and far between. A large number of visits have taken place in the background of large multilateral summits hosted in India or the LAC region. These include the Non-Aligned Movement Summits, the G-15 and G-20 Summits, the North-South Summit, the Commonwealth Heads of Government Meeting, and the Earth Summits in Rio. These are rarely, if ever, termed bilateral visits, and include the participation of dozens of countries and discussions of thematic and multilateral issues, leaving little space for bilateral exchanges. We have thus excluded summits from our calculations, with the exception of the BRICS and IBSA, which allow for bilateral discussions and are often combined with bilateral state or official visits.

After excluding summit visits, there have been a total of 41 high-level visits between India and the LAC region (see table below).

High-level Visits between India and the LAC region

	Visits from India	Visits from LAC country	Total Visits
Brazil	4	6	10
Mexico	2	5	7
Argentina	1	4	5
Chile	1	2	3
Guyana	1	2	3

Colombia	1	1	2
Peru	0	2	2
Trinidad & Tobago	1	1	2
Venezuela	1	1	2
Cuba	0	1	1
Nicaragua	0	1	1
Suriname	0	1	1
Paraguay	0	1	1
Uruguay	1	0	1
Total Visits	13	28	41

Source: Ministry of External Affairs, Government of India

It is apparent that LAC countries have made more of an effort to court India, with a total of 28 visits since India's independence in 1947. However, India's prime ministers have not yet been able to reciprocate the gesture, having made only 13 visits to the LAC region, a full eight of which were by Indian Prime Minister Indira Gandhi in 1968.

The Heads of Government of 10 LAC countries have visited India in the 21st century, while Indian Prime Ministers have made official bilateral visits to only two countries, Brazil and Mexico. Brazil accounts for roughly one in every four high-level visits between India and the LAC region, with 10 high-level exchanges, followed by Mexico with seven and Argentina with five. This is another sign that India's entente is still mostly focused on the bilateral and limited to the region's heavyweights, and a regional strategy is yet to take root. This is not entirely surprising: after all, the LAC region does not fall under the direct purview of India's Foreign Minister nor the Foreign Secretary but is instead designated to India's Minister of State for External Affairs, akin to a Deputy Foreign Minister.

Even as India's political relationship with the LAC region rests on the region's heavyweights, the commercial relationship tells a slightly different story. India's relationship with the numerous countries of the LAC region can be classified into three tiers:

1. The strategic tier: These include three countries, Brazil, Mexico and Venezuela. India formally established its 'strategic' partnership with Brazil in 2006, and is on a similar path with Mexico, its 'privileged partner.' Brazil is the only salient political partner, and India's private sector has a natural affinity towards the region's largest market. Mexico is part of multiple global and regional value chains that India has a stake in, such as automobiles, pharmaceuticals and ICT. Both countries were understandably India's largest trade partners in 2018 and remain the most important destinations for Indian FDI in the LAC region.

Venezuela's strategic relevance is owed entirely to its massive oil reserves, the largest in the world, making it a long-term partner for securing India's energy needs. Since 2009, roughly 10% of India's total crude oil imports have been met by Venezuela.¹⁴ These imports are

¹⁴ Data calculated from Trade Map, International Trade Centre, www.trademap.org, and Export Import Data Bank Version 7.1 – TRADESTAT, Department of Commerce, Ministry of Commerce & Industry, Government of India, <https://commerce-app.gov.in/eidb/>

almost entirely by two of India's private oil companies, Reliance Industries and Nayara Energy (formerly Essar Oil), whose complex refineries are capable of processing heavy Venezuelan crude. India's public oil companies have also placed long-term bets on the country by investing \$2.5 billion in Venezuela's vast oilfields.¹⁵

2. The complementary tier: This tier comprises four South American nations – Argentina, Chile, Colombia and Peru – that enjoy a complementary commercial relationship with India, i.e. there is little conflict of interest or threat of disruption when it comes to trade with India. Evidently, all four have actively courted India to sign trade agreements: while Argentina, as part of Mercosur, and Chile already have PTAs with India, Peru and Colombia are in the process of signing bilateral trade agreements with New Delhi. Together, they account for 26% of India's trade with the LAC region from 2001 to 2018.¹⁶ They are also becoming notable destinations for Indian exports, accounting for \$3.4 billion in 2018, roughly equal to India's exports to Brazil.¹⁷ We can expect trade and investment ties between India and this tier of countries to increase substantially in the coming years.
3. The contingency tier: This third tier includes countries that have only recently begun to interact frequently with India, such as Ecuador, Guatemala, Bolivia, Paraguay, Dominican Republic and a host of Central American and Caribbean countries. In fact, nine of these countries opened their embassies in New Delhi only in the 21st century. There is already some progress on the commercial front. For instance, Ecuador has become India's largest supplier of teak wood and cocoa beans, and 62% of Bolivia's gold exports were sent to India in 2018.¹⁸ Whether these countries are able to take their relationship with India to the next level will depend on their ability to create and foster new commercial opportunities with India.

It is worth noting that although India's imports from the LAC region consist mainly of commodities, Indian investment in the region is heavily focused on value-added and manufacturing sectors. Of the 200-odd Indian companies with a presence in the LAC region, only a small handful are in extractive sectors.

While there has been a discernable increase in political and commercial ties between India and the LAC region in the 21st century, there has been a slowdown in momentum over the past few years. This can be attributed primarily to the economic slump in numerous LAC countries and the Modi administration's fixation on traditional and strategic partners, leaving little room for Latin America. Until the Government of India formulates a concrete policy for Latin America, India's engagement with the region will be limited to its chief commercial partners, and only intermittent exchanges with the remaining countries, lacking a solid base for a regional partnership. Here New Delhi can take a page from China's book and formulate a comprehensive strategy for the LAC region, either through 'white papers' or a special envoy responsible for the region.

¹⁵ Seshasayee, H. "India-Venezuela Relations: A Case Study in Oil Diplomacy," Woodrow Wilson International Center For Scholars, February 2019. <https://www.wilsoncenter.org/publication/india-venezuela-relations-case-study-oil-diplomacy>

¹⁶ Data calculated from Trade Map, International Trade Centre, www.trademap.org

¹⁷ Ibid.

¹⁸ Ibid.

What is the Latin American perspective?

The LAC region has little historical linkages with India, limited mostly to Indian-origin indentured workers in the Caribbean and the Portuguese colonization of parts of Brazil and India, and sporadic exchanges in the early stages of post-independence India. Thus, for the most part, Latin America's perception of India has been shaped by cultural elements such as spiritualism and the Indian religions (Hinduism, Buddhism and Sikhism), literary linkages through Latin American writers and poets like Pablo Neruda and Octavio Paz or Indian luminaries like Rabindranath Tagore, and a view of India through the lens of Bollywood cinema. This helped create a benevolent image of India, personified by Mahatma Gandhi, the non-violent leader of India's independence movement. To be sure, these literary and cultural linkages did not deepen considerably over the years, yet they sustained a feeling of nostalgia amongst the peoples of India and the LAC region.

In the past two decades, the LAC region's perception of India has caught up with the contemporary reality. News of India in the region tends to focus more on the nation's economic growth story, ranging from the start-up ecosystem in Bangalore, India's own 'Silicon Valley,' to the advances in space technology. The offices of Indian automobile, pharmaceutical and ICT companies that dot numerous cities in the LAC region are helping create a new image of India, highlighting the potential to develop the region's local economies through partnerships and joint ventures. Slowly, India and Latin America are bridging this perception gap, bringing present-day realities to the fore.

In this context, the Latin American perspective remains positive. The region has taken the initiative to invite Indian investment in various sectors to strengthen the local economy. Indian companies in the pharmaceutical sector have helped increase the share of generic medicine in the LAC region and bring down the government's costly public healthcare expenditure. India's ICT companies employ thousands, besides helping the LAC region integrate into the global ICT value chain.

Another area that can perhaps benefit most from India's valuable input in the LAC region is space cooperation. India's space agency, Indian Space Research Organisation (ISRO), has formal agreements with numerous LAC countries, and has already launched satellites built by Argentina, Chile and Colombia. More recently, Bolivia, Costa Rica and Paraguay have announced their intention to cooperate with India's space and research agencies.

India's capacity-building role in these sectors and the LAC region's enthusiastic response is reflective of a larger regional trend: the presence of Indian companies in Latin America's value-added sectors can help the region decrease its dependence on extractive and commodity-based industries.

Even so, there is an apparent dichotomy at play: while India invests nearly entirely in value-added sectors in the LAC region, its imports are still highly focused on commodity-based products. A cursory look at the LAC region's top five exports to India, all commodity-based products, shows that they account for 83% of the region's total exports to India.

The LAC region's top 5 exports to India

No.		<i>LAC region's top 5 exports to India, 2018 (in billion USD)</i>	<i>% share of the LAC region's total exports to India, 2018</i>
1	Crude petroleum oil	13.13	50.37%
2	Gold, unwrought	4.34	16.65%
3	Crude soya-bean oil	2.09	8.02%
4	Copper ore	1.61	6.18%

5	Raw cane sugar	0.56	2.16%
	Total	21.73	83.38%

Source: Trade Map, International Trade Center, www.trademap.org. Data based on 4-digit HS codes

Five LAC countries, Venezuela, Mexico, Brazil, Colombia and Ecuador, account for roughly 20% of India's total oil imports.¹⁹ There exists a natural complementarity with India as one of the world's largest buyers and the LAC region as a major exporter of crude oil. Gold is a surprisingly new element of trade between India and the LAC region: until 2011, nearly all of India's gold was routed through intermediaries like Switzerland, but today 21% of India's total gold imports (by quantity) come directly from five countries in the LAC region. Vegetable oils form an integral part of the Indian diet, and India has since 2014 been the world's largest importer of edible oils. It's no surprise that India buys over \$2 billion of soybean oil from Argentina and Brazil each year. Mineral ores like copper, iron, molybdenum and manganese are also sourced from Latin America, and make up 35% to 40% of India's mineral ore imports.²⁰ Lastly, sugar: only one Indian company, Shree Renuka Sugars Limited (SRSL), is responsible for this entire trade in raw sugar. SRSL's four mills in Brazil can crush 13.6 MMTs of sugarcane per year but have no refining capacity, so the company exports raw sugar from these mills to two port-based refineries on India's east and west coast for refining and re-exports.

India's appetite for commodities is bound to increase in the coming years as the economy develops and consumer demand rises. However, there is a silver lining to this issue of commodity-based exports: India's import capacity goes well beyond commodities, and there remains much potential for the LAC region to export more value-added products and services. Latin America can target its exports to India's growing consumer class. Countries like Chile have taken the lead by exporting fruits like apples, walnuts, kiwis and grapes to India. Another example is Peru's AJE Group, a non-alcoholic beverage producer, which established a manufacturing plant in India in 2010 to capture a slice of the enormous consumer market.

In the larger global context, India's commercial engagement with the LAC region lags far behind China's. Sino-LAC trade crossed \$300 billion in 2018, while India's trade stood at just about \$40 billion; New Delhi's political will for the LAC region too pales in comparison with Beijing. But India can break from the so-called 'Avis syndrome,' of being number two to China and trying to keep up and learn to "not compete with its competitor, but embrace its second-place status."²¹

What are the actual results?

India-LAC relations have reached a new normal in the 21st century, transcending years of benign neglect and non-committal exchanges. Although India's place in Latin America's foreign relations is yet to reach the level of strategic relevance that China, the US and Europe enjoy, it is a big leap forward compared to India-LAC relations in the 20th century.

The results of the past two decades' cooperation are evident in India-LAC commercial ties. Today, India is a serious destination for Latin America's exports and has since 2014 been the third-largest export partner for the region, behind only the US and China. Nearly two-thirds of India's trade

¹⁹ Data calculated from Trade Map, International Trade Centre, www.trademap.org

²⁰ Data calculated from Trade Map, International Trade Centre, www.trademap.org

²¹ Richards, Katie. "How Avis Brilliantly Pioneered Underdog Advertising With 'We Try Harder'," *Adweek*, 24 July 2017. <https://www.adweek.com/creativity/how-avis-brilliantly-pioneered-underdog-advertising-with-we-try-harder/>

with the LAC region from 2001 to 2018 has been with Brazil (25%), Venezuela (22%) and Mexico (15%), followed by Chile (8.5%), Argentina (6.9%), Colombia (6.4%) and Peru (4.1%).

	India's top 10 trade partners in the LAC region, 2001-2020	Trade in USD Billion	% of India-LAC Trade, 2001-2020
1	Brazil	\$112.82	24.63%
2	Venezuela	\$94.73	20.68%
3	Mexico	\$73.82	16.12%
4	Chile	\$37.31	8.15%
5	Argentina	\$33.67	7.35%
6	Colombia	\$29.00	6.33%
7	Peru	\$21.03	4.59%
8	Ecuador	\$7.66	1.67%
9	Panama	\$5.45	1.19%
10	Dominican Republic	\$5.23	1.14%
	Remaining LAC countries	\$37.29	8.14%
	Total India-LAC Trade, 2001-2020	\$458.06	100%

Source: Trade Map, International Trade Center, www.trademap.org

While these numbers pale in comparison with China-LAC trade, Latin America is nonetheless becoming an increasingly significant trade partner for India, accounting for roughly 5% of India's global trade. The trade balance is heavily tilted towards the LAC region: India's exports stood at \$13 billion in 2018, just half of the \$26 billion in imports.

More than 200 Indian companies now have offices scattered across the LAC region, accounting for \$16 billion in investment and employing 70,000 people.²² India's private sector has eagerly advanced to Latin America over the past two decades, and in most cases, they have been welcomed with open arms. Indian investment in the region is concentrated mostly in value-added and manufacturing sectors, such as automobiles, pharmaceuticals and ICT:

- **ICT:** At first, some Indian companies invested in the region due to its proximity to the United States, but they stayed much longer than they first intended because they were able to tap Latin America's growing consumer class. Besides building up the domestic and regional ICT industry, these 30-odd Indian companies also employ a large local staff – Tata Consultancy Services alone has 16,000 people in the LAC region.²³
- **Pharmaceuticals:** About 30 pharmaceutical companies from India have established manufacturing units, warehousing facilities and representative offices in Latin America, nearly all of whom are present in Brazil, with a sizeable number in Mexico, Argentina, Colombia and Peru. These companies contribute to the region's foreign investment and force local competition to provide more affordable healthcare goods and services.
- **Automobiles:** The experience of the automobile sector highlights the vast potential for joint manufacturing between India and the LAC region. India's Tata Motors and Brazil's Marcopolo produce buses for India's vast public transport system, while Samvardhana Motherson group, India's largest autoparts company, operates 15 manufacturing facilities

²² Seshasayee, H. "How to Avoid the Primirization of Trade," *Integration and Trade Journal*: Volume 21: No. 43: December, 2017, p 226-236. LATINDIA: The Future of Cooperation between India and Latin America. *Inter-American Development Bank* (2017). <https://publications.iadb.org/en/integration-and-trade-journal-volume-21-no-43-december-2017-latindia-future-cooperation-between>

²³ Ibid. p 226-236.

in Mexico alone that employ 22,000 people.²⁴ India's car companies like the Mahindra Group and Tata Motors, which owns Jaguar Land Rover, also have assembly units in Brazil, and India's Hero Motorcorp, the world's largest motorcycle producer, chose Colombia as the destination for its first international manufacturing plant.

While these investments bolster domestic industry and provide employment to the local population, a handful of companies from the LAC region have invested in India to capture the large consumer class and join the regional value chains in Asia. A dozen companies each from Brazil and Mexico, and a few others from Argentina and Peru, have entered India over the past two decades. These investments are diverse in nature, ranging from Brazil's steelmaker Gerdau and its software giant Stefanini to Mexico's cinema operator Cinopolis and edutainment theme park company Kidzania. Competition is fierce, but many multinationals are still positioning for India, betting for success in a country with twice the population of the LAC region. One of the latest entrants is Mexico's Bimbo, which already entered the Chinese market a few years ago.

The results of the India-LAC political relationship over the past few years have not been as appealing. Even as the LAC region continues to curry favour with New Delhi, political exchanges remain limited due to India's lack of clarity towards a regional policy for Latin America. Still, there have been some notable advances with Brazil, through mechanisms of South-South cooperation such as the BRICS and IBSA. The BRICS Bank, formally known as the New Development Bank, has already approved loans worth \$8 billion since 2016, and has an AA+ credit rating from S&P Global and Fitch Ratings. India also has the opportunity to make its presence felt with the Pacific Alliance grouping, of which it is an observer member.

India's lost opportunity with the LAC region is perhaps most apparent when compared with the gains in the India-Africa relationship in the past few years. The India-Africa Forum Summit helped take political relations to the next level: the 2015 summit in New Delhi saw the participation of all 54 African nations, 40 of which were represented by heads of state or government; Modi himself has travelled to African countries nine times.²⁵ Furthermore, as India-Africa trade peaked at \$75 billion in 2014, New Delhi announced the opening of 18 new diplomatic missions in Africa. This is in stark contrast to India-LAC ties, which lacks a bilateral summit-level platform, and India's announcement in 2010 to open three new embassies, in the Dominican Republic, Ecuador and Uruguay, has yet to bear fruit. An India-LAC meeting at the level of heads of government or even at a Ministerial level, once in three years, would certainly pay dividends. This is also apparent in the case of Sino-LAC relations, where political exchanges are becoming more frequent and China's LAC policy is routinely updated by way of policy papers published by the Chinese government.²⁶

Conclusion

From Washington DC's point of view, there is a paradox at work in India-LAC relations: as opposed to some other non-regional actors like China, Iran or Russia, which are viewed as outright threats, India simply does not fall into that category. One would expect this to open more possibilities for New Delhi to engage and deploy both its foreign policy and commercial and

²⁴ Personal interview with Embassy of India, Mexico and executives of Motherhood Group.

²⁵ Bhatia, Rajiv. "Is India's Africa policy working?," *Gateway House*, 30 August 2018.

<https://www.gatewayhouse.in/is-indias-africa-policy-working/>

²⁶ See China's Policy Paper On Latin America And The Caribbean, published in 2009 and 2016, available at

<https://china.usc.edu/chinas-policy-paper-latin-america-and-caribbean> and

<http://en.people.cn/n3/2016/1124/c90000-9146474-6.html>

financial resources in the LAC region. However, this has yet to happen, and India's footprint in the LAC region is still relatively small, and almost entirely associated with the private sector.

The vibrancy and speed of Indo-LAC links witnessed in 2003-2007 is no longer present today, as bilateral ties stagnate amidst changing domestic priorities. India's top commercial partners in the region, Brazil, Mexico and Venezuela, are all going through internal transformations. Brazil is struggling to recover from its worst recession in recorded history, flanked by a divided populace. Mexico is attempting to fix its increasingly strained relationship with the United States, while newly-elected leftist president Andrés Manuel López Obrador (better known as AMLO) embarks on a path of austerity and marked economic reforms. Venezuela's future is growing more uncertain by the day, as oil exports dwindle after US sanctions and the economy spiralling towards hyperinflation estimated to reach 10 million percent in 2019. At the same time, India is focusing even more on Asia, partly due to the conflagration with Pakistan (which plays to the current administration's vote base) and also to hedge against China's economic influence in the region.

Ultimately, as we have observed in the previous sections of this chapter, India-LAC relations have gone through various periods of "ups-and-downs" over the past thirty years. The current slowdown seems to be a temporary one, emanating from factors beyond the current bilateral and regional dynamics of Indo-LAC ties. Besides, even as political ties have stagnated, commercial relations remain upbeat and in some cases are even entering new ground.

At a time when the question of "outside powers" in the Western Hemisphere has acquired new prominence, India's role is three-fold: it is first and foremost an economic partner, whereby ideology and politics become secondary; it has a benign presence, free from the neo-colonial critique often reserved for global powers like China and the United States; finally, it is a developing economy with much in common with the LAC region. These three traits, combined with India's growth trajectory, poised to top the list of fastest growing economies till 2025, can eventually pave the way for transformational India-LAC ties in the years to come.²⁷

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²⁷ "New 2025 Global Growth Projections predict China's further slowdown," *Center for International Development (CID)*, Harvard University, 28 June 2017. <https://www.hks.harvard.edu/announcements/new-2025-global-growth-projections-predict-chinas-further-slowdown>

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