

India and Latin America: Where Ignorance is not Bliss

HARSH V. PANT
YAMINI SHARMA

ABSTRACT India and South America have barely managed to maintain minimal bilateral ties for the last several decades. Absent strong ties in geography, what India and South America have instead is a shared post-colonial history. Colonised by European powers for several centuries, both began their journey as independent countries under conditions of underdevelopment and having inexperienced polities with a limited foreign policy agenda. Today, it is not only economics that creates the rationale for strong bilateral ties between India and South America; there is also India's desire to diversify energy sources, and a growing Chinese influence in the region. This brief examines India's present state of relations with South America—and the larger community of Latin American nations—and argues for a more robust bilateral engagement.

BIG PROMISES, INADEQUATE EFFORTS

In 2014, the Indian Ministry of External Affairs set out on its agenda to improve New Delhi's ties with countries across the globe, as the Modi government was keen to underscore its proactive foreign policy. Since then, however, New Delhi has only been partially successful in revitalising the country's outreach to Latin America.¹ When Prime Minister Narendra Modi travelled to Brazil for the BRICS (Brazil, Russia, India, China and South America) Summit soon

after the 2014 general elections, his address hinted at a promise of greater engagement: "I have also had the privilege of sowing the seeds of personal relationships with each of the leaders. I look forward to seeing them blossom into deep and strong personal bonds in the days to come."²

He held bilateral talks with then Brazilian President Dilma Rousseff but failed to personally meet the eleven other South

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American leaders. As the Modi government embarks on its fourth year, the promise of robust India-Latin America ties remains unfulfilled, especially when compared to the country's engagements in other regions of the world.

Despite a highly energetic outreach to the rest of the world, and even under PM Modi—whose foreign-relations strategies are widely regarded as driven and ambitious—India still relegates Latin America to the backwater of diplomacy. Prime Minister Modi has not visited any Latin American nation after the BRICS Summit of 2014, and in 2016 he became the first Indian PM to have missed the Non-Aligned Movement (NAM) Summit, that year hosted by Venezuela. Further, while Modi has visited the United States three times since assuming office, the prime minister has not taken any of those opportunities to visit any of the Latin American countries.

Perhaps the high point of Indian diplomacy with Latin America remains then Prime Minister Indira Gandhi's visits to eight countries in the region in 1968. Half a century since, the state of diplomatic engagement is nothing less than abysmal. Political engagement, for one, has been minimal both ways: only five visits have been made by Latin American leaders to India since the Bharatiya Janata Party came to power in 2014;³ from New Delhi, there has been a solitary visit to the region (Brazil in 2014). These visits amount to only a token of a political engagement between India and Latin American countries.

In order for India and Latin America to develop greater understanding, it is imperative that they find ways to enhance linkages. India's Ministry of External Affairs has noted, for instance, the potential of higher volumes of trade: "India's exports to Latin America are

growing at a robust rate. Indian pharmaceuticals, automobiles, textiles, chemicals, machinery and other value added products have found dedicated customers all over the region. Indian companies – UPL, Godrej, Hero and others – have bought local companies or invested in greenfield projects. Over a dozen Indian software companies employ from a few dozen to several thousand software professionals in development and delivery centres all over Latin America. Latin America offers an essential alternative source for our raw material needs, and new markets for value-added exports of our goods and services, in an increasingly insecure and volatile international environment."⁴

Aside from the economic rationale, it is also in India's strategic interest to reduce its dependency on West Asia for its energy security, and increasingly look to other sources for its needs, including Latin America. At a time when the US is cutting down on its imports to boost domestic production of natural gas with the advent of the shale revolution, Latin America is also in dire need of countries willing to import its oil. Moreover, the Latin bloc has discovered many more domestic reserves of oil over the past few years, which suggests that Latin America has great potential to be a reliable long-term partner to India. With India showing keen interest in procuring energy from both North America and Latin America, both sides are set to benefit from the current state of the market.⁵

TRADE AND CULTURAL TIES

While the state of diplomacy remains virtually stagnant, efforts have been taken to strengthen ties in trade and commerce between the two regions. In May 2017, Ecuador expressed its interest in signing a preferential trade agreement (PTA) with India to enhance trade

linkages. Colombia has also shown interest towards collaborating in industries like food processing and agriculture.

Negotiations over a PTA have started between India and Peru. In 2016, the PTA between India and Chile was broadened, with Chile offering concessions on some 1,798 tariff lines with a Margin of Preference (MoP) ranging between 30 percent to 100 percent and India offering concessions on 1,031 tariff lines with a MoP ranging between 10 percent and 100 percent. India's inroads have been significant to the extent that in 2016, its exports of pharmaceuticals to Latin America beat China's volumes.⁶

Brazil has overtaken Venezuela to become the leading trade partner of India with US\$6.69 billion. Trade with Venezuela was US\$5.8

billion, with Argentina US\$3 billion, Chile US\$2.6 billion, Colombia US\$1.69 billion, and Peru US\$1.52 billion. Colombia remained the third largest destination for India's exports, totalling US\$888 million, followed by Peru, Chile, Argentina and Venezuela. Among the smaller markets, exports to Guatemala totalled US\$256 million, US\$201 million to Panama, and US\$175 million to Dominican Republic. Venezuela has remained the largest source of imports in the region, with US\$5.7 billion, followed by Brazil, Argentina, Mexico, Chile, Colombia, Peru, Ecuador, Dominican Republic, Bolivia and Paraguay.⁷

Despite the noteworthy numbers, however, these efforts to expand trade ties have also been set back by obstacles. India's trade with Latin America reached US\$46 billion in 2013-2014, of which Gujarat contributed 60 percent of the total.⁸

Table 1. India – Latin America Value of Imports and Exports (in US\$M)

Year	Exports	Imports
2000-2001	831.39	301,441.31
2001-2002	751.95	943.98
2002-2003	1,084.81	980.53
2003-2004	891.65	1,118.77
2004-2005	1,792.45	1,972.17
2005-2006	2,550.81	2,568.63
2006-2007	3,729.97	5,340.29
2007-2008	5,081.66	5,368.62
2008-2009	5,513.04	8,240.44
2009-2010	5,614.40	9,356.30
2010-2011	9,324.24	13,042.52
2011-2012	12,276.75	16,141.02
2012-2013	13,517.94	27,497.09
2013-2014	10,791.54	28,128.07
2014-2015	11,528.41	26,951.76
2015-2016	7,530.80	17,691.79
2016-2017	7,258.30	17,290.63

Source: Department of Commerce, India

However, 2014-15 was marked by a drop in total Indian exports from US\$ 314,405.30 million (2013-14) to US\$ 310,338.48 million. Indian imports from Latin America dipped from US\$28,128.07 million to US\$ 26,951.76 million. Interestingly, Indian exports to Latin America rose from US\$ 10,791.54 million (2013-14) to US\$ 11,528.41 million (2014-15). Thus, India's exports saw a growth of 6.8 percent while the share of India's export to Latin America also increased from 3.4 percent to 3.7 percent in 2014-2015.⁹ In 2015-16, Indian imports from Latin America fell to US\$17,691.79 million from US\$26,951.76 million. Indian exports too, dropped from US\$11,528.41 million to US\$7,50.80 million. This marks the lowest point in the economic partnership when compared to the previous two years. Mercosur, a sub-regional bloc consisting of Argentina, Brazil, Paraguay and Uruguay, remains India's largest trading partner in the region with US\$15.9 billion in trade in 2016.

With culture as tool—language, food, and art, among them—people from India and Latin America can strengthen their understanding of each other. Cultural exchanges between the two regions have increased over the years, with several educational institutions offering scholarships, for example, in dance and music. Moreover, Latin American embassies in India organise music festivals and other cultural programmes in various parts of the country; these events have managed to attract sizeable Indian audiences. The Spanish embassy's cultural centre, for one, acts as a forum for hosting Latin American film festivals, as well as classes in cuisine and languages.¹⁰ While these efforts have received warm reception, they are in their nascent stages and leave plenty of room to be explored.

GROWING CHINESE PROFILE

While economic breakthroughs have arguably salvaged the relationship that India shares with

its Latin American friends, there are still several areas that need enhanced cooperation and efficient outcomes. If one compares the footprints of other countries in the region, the Chinese influence has been increasing exponentially over the last few years. At a time when the world is witnessing the rise of China as a major global player, its steadily growing presence and influence should be enough of an incentive to drive the Indian government to take the necessary measures to bolster the country's ties with South America.

In 2016, China's exports to Latin American & Caribbean countries was US\$113 billion, while imports stood at US\$103 billion as compared to US exports of US\$135,963.5 million and imports of US\$ 107,651.7 million. India, on the other hand, exported US\$7,258.30 million and imported US\$17,290.63 million worth of goods from Latin America and Caribbean.¹¹

China overtook the US to become the largest export destination for Latin American countries like Brazil, Chile and Peru, and replaced the European Union (EU) as the second largest trade partner of the region in 2017. With a target of US\$500 billion in trade and US\$250 billion investment in the region by 2025, China is working to establish itself as the dominant economic power in the region. Massive infrastructure projects in the region have been announced by China, such as the Bi-Oceanic Railway between the ports of Santos in Brazil and Callao in Peru, and the Canal project in Nicaragua. Indeed, China is setting the bar high for other powers to measure up to.¹²

China's 'Policy Paper on Latin America and the Caribbean', released last year, strives towards evolving and augmenting "cooperative partnership featuring equality, mutual benefit, and common development" in the region. The

target areas for cooperation include trade, infrastructure, customs, quality inspections, and agriculture.¹³

There is hardly any doubt that China's aggressive global agenda views Latin America as an important theatre. The benefits that China stands to reap are manifold. On the symbolic front, greater engagement with the Latin bloc serves to challenge the hegemony long exercised by the United States in the region. Economically, Latin America has a lot to offer: for one, Beijing looks to the region to meet its oil needs, with Venezuela and Brazil becoming important elements in China's oil strategy.

As a manufacturing giant, China has huge requirements for raw materials of which Latin America has reserves: among them, copper, iron, silver and tin. Further, in order to meet the demands of its growing population, China aims to import large quantities of agricultural produce from Latin American countries, such as crops including soybean.

Therefore, Latin American nations stand to reap significant gains from further engagements with China. Among the obstacles, however, is the Taiwan question. China's White Paper on Latin America and the Caribbean (2008) and Policy Paper on Latin America and the Caribbean (2016) both hinge Beijing's willingness to bolster ties with the region on these countries' recognition of only one China. Paraguay, for example, as well as Haiti, Dominican Republic, El Salvador, Republic of Guatemala, Nicaragua, and Panama, have prioritised their national interests and have adhered to Beijing's condition by not recognising Taiwan as a sovereign state. This stroke of diplomacy has assured these countries of China's favour, and further opportunities for economic engagement. Today, while Latin America is not included in the massive Belt and

Road Initiative (BRI), China has labeled its Marshal Plan as "open and inclusive" where all countries could participate. It is in the interest of Latin America to take the opportunity that promises infrastructure development and connectivity. For India, however, the overreaching claws of the BRI threatens its efforts at building greater rapport with Latin America.

At a meeting held in Beijing in March 2017 to approve Chile and Bolivia's bids for membership to the Asian Infrastructure Investment Bank (AIIB), Chilean President Michelle Bachelet expressed her interest in mapping the road to development with China. "We think there are a lot of projects that can link Asia with or through Latin America," Bachelet said, adding that she had spoken with Chinese President Xi Jinping about the possibility of investing in a Trans-Pacific optic-fiber cable network to improve digital connectivity between Asia and Latin America. "The cable could be considered a part of the 'One Belt, One Road Initiative' and transform the Pacific Ocean into a bridge between our regions," President Bachelet said. Other investments could include tunnels and highways across the Andes Mountains and ports to create a nexus between South America to Asia.¹⁴

CONCLUSION: OPPORTUNITIES FOR INDIA

The challenge for India is how to engage in a region that China has similarly set its eyes on. In April 2010, when Argentina put restrictions on Chinese imports, China stopped buying Argentine soybean oil. By promptly tripling their imports of this oil, India helped Argentina avert a serious blow to its oil industry in monetary terms.¹⁵ The trade spat between China and Argentina remains unresolved and India

must make use of this opportunity. Brazil, which is part of the BRICS grouping, is also confronting the realities of a much more powerful China trying to make BRICS an extension of its own economic heft. India can carve out a much more equitable partnership with Brazil that underscores its credentials as a responsible global stakeholder.

Further, if India could obtain membership to the Alianza del Pacífico (Pacific Alliance), it could help enhance its economic ties with the bloc and assist in balancing China's aggressive Belt and Road Initiative. The Pacific Alliance, a Latin American trade bloc, currently has four member states—Chile, Colombia, Mexico and Peru—that all border the Pacific Ocean. India was granted observer status in the bloc in 2014.

India may find in Latin America a willing partner as nationalist and anti-immigration sentiments sweep through the global North. India's need to strengthen ties with the region becomes even more crucial at a time when the US under Donald Trump's presidency seems poised to retreat from crucial global treaties in the guise of serving "America First". India's eminence is rising on the global stage but this has not yet found an expression in Latin America. With two hostile neighbours on both sides of the border threatening to challenge India's bid to become a regional power, and a seeming power transition underway between the US and China, there is an urgent need for India to reconsider its relations with Latin America with a seriousness of purpose.

India has the potential to become Latin America's major Asian partner if it starts engaging with the region on a consistent, rather than ad-hoc, basis. Equally important is the role of the mass media in reporting initiatives taken by both sides to build stronger ties. The lack of appreciation in the popular media should also be of concern as it underscores a lack of a connect between the two regions. The fact that four visits by national representatives of Latin American countries since the beginning of 2015 were largely ignored in the media underlines the challenges in upgrading India-Latin America ties.

Compounding the problem is that India's diplomatic corps is notoriously small; this capacity weakness hampers New Delhi's outreach to as much of the world that it hopes to nurture ties with. But what is striking is how negligent India has been of Latin America even under an otherwise energetic and focused Modi government. India needs engagement with Latin American states, as the scope to strengthen relations is seemingly limitless. Platforms like the India - Latin America and the Caribbean Conclave must be used to revitalise ties and increase areas of cooperation and mutual agreement. More significantly, Prime Minister Modi must see the need for making an official visit to Latin America to usher in a new era in bilateral relations. It is in India's interest to enhance its profile in a region that, while geographically remote, offers a range of possibilities which have so far remained underexplored. 

ABOUT THE AUTHORS

Harsh V. Pant is a Distinguished Fellow and Head of Strategic Studies Programme at ORF.

Yamini Sharma is a second-year undergraduate student at Ashoka University where she intends to study Political Science, with a minor in International Relations. She worked on this brief while interning at ORF.

ENDNOTES

1. Includes the geographically defined region of 'South America', and other nations that geographically belong to North America but speak a Latin language. There are 12 countries in South America, and 19 Latin American, overall.
2. Prime Minister Narendra Modi's Statement at the Plenary Session of the 6th BRICS Summit: "Inclusive Growth: Sustainable Solutions", Ministry of External Affairs, 15th July 2014, <http://mea.gov.in/Speeches-Statements.htm?dtl/23636>
3. The Vice President and Minister of Foreign Affairs of the Republic of Suriname came to India in January 2017 and 2015, respectively; the Minister of Foreign Affairs of Uruguay visited in October 2015; the President of the Cooperative Republic of Guyana, in January 2015; and the President of Brazil, in October 2016 for the BRICS Summit.
4. Deepak Bhojwani, Why Latin America, Ministry of External Affairs, 13th October 2014, <http://mea.gov.in/in-focus-article.htm?24084/Why+Latin+America>
5. India has embarked on the journey of industrialisation on a scale that has created a towering demand for energy supplies. Furthermore, New Delhi is also seeking to expand its renewable energy sector and in this regard, Latin America's renewable energy sector has shown promising results, which makes it an attractive partner for investments. With Canada also cutting into Latin America's share in the US market, the region is hankering for opportunities that can bolster its economy. In this regard, the Indian market is capable of helping Latin America meet its fiscal and monetary goals with its demand for various energy commodities.
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11. Rebecca Ray and Kevin P. Gallagher, 'China-Latin America Economic Bulletin 2017 Edition', Boston University, https://www.bu.edu/pardeeschool/files/2014/11/Economic-Bulletin.16-17-Bulletin.Draft_.pdf
12. R. Vishwanathan, Trump Triggers Greater Latin America Interest in India, The Wire, 9th March 2017, <https://thewire.in/115239/donald-trump-triggers-greater-latin-american-interest-in-india/>
13. The Chinese juggernaut has become a formidable force in Latin America as evident in its quest of dominating different realms of power - from the aviation and tourism industry to the agricultural and manufacturing industry.

Michael Diaz Jr., Robert Q. Lee, China's Rising Interest in Latin America, China Business Review, 1st September 2009, <https://www.chinabusinessreview.com/chinas-rising-interest-in-latin-america/>

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20, Rouse Avenue Institutional Area, New Delhi - 110 002, INDIA
Ph. : +91-11-43520020, 30220020. Fax : +91-11-43520003, 23210773.
E-mail: contactus@orfonline.org
Website: www.orfonline.org