

THE HINDU Business Line

Diplomacy beyond commodities

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Looking for Latin America: Vice-President Hamid Ansari with former Cuban leader Fidel Castro.

The mineral wealth of Latin America and the Caribbean holds tremendous potential for India Inc.

Vice-President Hamid Ansari's visit to Peru and Cuba (October 26-30) commemorated the 50th anniversary of India's relations with Peru, and was the highest-level bilateral visit to Cuba.

His meeting with President Ollanta Humala in Lima and the establishment of a joint commission with Peru set the stage for a durable and profitable friendship.

The Cuban side reciprocated by enabling a meeting with the iconic but reclusive Fidel Castro, who receives even heads of state selectively.

Peru has been on the margins of India's economic forays, although this is changing fast.

Regular visits — two presidential, several ministerial from each side — apart from official-level meetings, have led to wide-ranging cooperation in agriculture, science and technology, business, tourism and other areas.

Bilateral trade went up to \$1,166 million in 2012-13. Defence cooperation — like India, Peru has a lot of Russian hardware — is also on the bilateral agenda. Unlike its partners Mexico and Colombia, Peru has supported India's claim to a permanent seat in the UN Security Council, reiterated during this visit.

Peru is a leading producer and exporter of agricultural produce.

It is the world's largest producer of silver, second largest of copper and zinc and between the third and fifth of tellurium, tin, lead and gold. Yet three-fourths of its territory remains unexplored.

Its natural gas reserves of 12.5 trillion cubic feet are a draw, but need to be transported over difficult terrain. India's Reliance, the Jindals and other companies had shown interest in it, but have since seemed reticent.

Observer status

Peru's gold has been coming to India indirectly, through Switzerland.

The launch of the Indian Chamber of Commerce symbolised the interest on both sides. Peru's AJE has been selling Big Cola in Maharashtra for years.

Peru is a member of the Andean Community, a long-standing customs and trade bloc, which at its peak included Chile, Bolivia, Ecuador, Colombia and Venezuela. It is committed to the more recent Pacific Alliance, along with Chile, Colombia and Mexico, which Costa Rica and Panama are poised to join.

This market-oriented group has lowered trade and other barriers between its members with remarkable alacrity, and have offered India observer status.

The joint statement on October 29 “underlined that a Free Trade Agreement between Peru and India will have a positive impact...”

Despite frequent high-level and official contacts and the resultant political goodwill, Cuba’s singular political orientation, bureaucratic inertia, and its unequal struggle with the US, have restricted prospects for economic cooperation.

Its inability to offer sovereign guarantees has hampered Indian projects for which \$120 million in Indian credits have been on the table for several years.

India, on the other hand, has been unable to follow the Chinese or Brazilian models of financing and constructing refineries, ports and other essential infrastructure on the island. Cuba possesses extensive offshore oil reserves.

ONGC (Videsh) Limited is present although its future in Cuba is a moot point. Ansari’s visit, which included the donation of astro-turf and a commitment to supply buses, would have served to reassure an old friend that India stands committed to the relationship.

In January 2013, the National Assembly of Cuba elected Miguel Diaz-Canel first Vice-President of the council of state. President Raul Castro, re-elected for another five-year term, named him his successor in 2018.

The youthful Diaz-Canel is well qualified to steer Cuba through a difficult but essential transition.

Economic reforms, under way since Raul Castro took over in 2006, have been slow, but seem headed in the right direction. Indian enterprise should be able to deal with a new Cuba on terms it is more familiar with.

Latin America and the Caribbean (LAC) have been somewhat neglected by the Indian establishment. Diplomatic relations commenced in 1948, with Brazil and Argentina. There are now 14 Indian embassies in the region, with three more planned, and 20 Latin American embassies in Delhi.

Trade has grown at a compound annual rate of around 30 per cent over the last decade. Much of this is due to the massive import of hydrocarbons by India — over 33 million tonnes in 2012 — along with copper and edible oils. LAC enjoys a significant trade surplus which seems likely to increase in the near future.

Great potential

Early this century, Indian Inc began to perceive the economic complementarities. It gradually discovered the potential of the 33 states, with a population of 600 million and per capita GDP of around \$12,000.

Indian two-, three- and four-wheeler manufacturers have a strong presence there, as does the pharmaceutical industry. The Tatas were the first Indian multinational to establish a region-wide presence through their software operations, currently in 8 countries, including Peru.

The Aditya Birla group has an industrial presence in aluminium, chemicals, and yarn. Reliance Industries plays an important and growing role in the hydrocarbon trade with Brazil, Venezuela and Colombia.

The visits undertaken this year, culminating with that by the Vice-President, establish that India is taking its role as an emerging power seriously enough to reach out to a region which has been at its periphery for too long.

Political relations with almost all the countries have been impeccable.

It is the economic matrix that will dictate the pace at which India can bridge the continental divide with Latin America. Industry and business on both sides need to look beyond resources and markets to exploit the synergy that is evident.

(The author was India's ambassador in seven Latin American countries.)

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