

India and Latin America – Bridging a Continental Divide

Historical contacts, the Indian diaspora, geographical proximity, as well as social and economic affinities, made it possible for the Indian official and private establishments to enjoy considerable interaction with the other principal regions of the world: East and South Asia; Central Asia; West Asia; West Europe; North and Sub-Saharan Africa, North America and Australasia.

Latin America, on the other hand, has been a distant frontier. There was scarcely any migration there from India historically. After the abolition of slavery in the early 19th century, the British ‘indented’ Indian labour for their colonial plantations all over the world. In the LAC region, Indian indentured labour was shipped mainly to the Caribbean: the former British colonies of Trinidad and Tobago and Guyana. The French overseas territories Martinique and Guadeloupe, and the Dutch Colony of Suriname also received migrant Indian labour during this period. Today the Indian diaspora accounts for between 35 and 50 percent of the populations of Trinidad, Suriname and Guyana. There were subsequent migrations by Indian businessmen and professionals to other countries of the region, but these were scanty, as mentioned in the Report of the High Level Committee on the Indian Diaspora, submitted to the Indian government in January 2002.¹

India has also been little known in most of LAC. Those populations tended to regard it as a distant, benign entity, with admirable spiritual and cultural traditions. It is also seen through the kaleidoscope of contrasting images of poverty and progress. Though there were important cultural encounters in the early 20th century, they did not result in durable and expanded contacts. A fascination for Indian spirituality and yoga has been growing since the early twentieth century in several Latin American communities. Translations of works of Gurudev Rabindranath Tagore and Vivekananda in Argentina, Gandhiji’s autobiography, and other works by and on India’s better known personalities, helped to project an image of a pacific and enlightened civilization. Pandit Nehru’s meetings with Latin American delegations, at the International Congress of Oppressed Peoples in Brussels in 1927, ignited interest on both sides. India’s leading communist ideologue, M.N.Roy played an important role in the creation of the Mexican Communist Party in 1917.

The first Indian Embassies were opened in Brazil and Argentina in 1948, and in other major countries over succeeding years. Argentina provided a famine-hit India with a shipment of 140,000 tons of wheat as early as 1946. The first high LAC dignitary to visit India was Argentine President Arturo Frondizi in December 1961. In 1968 Prime Minister Indira Gandhi made an extensive tour of the region, visiting Brazil, Uruguay, Argentina, Chile, Colombia, Venezuela, Trinidad and Tobago and Guyana.

Political and economic interaction, however, was still relatively limited. Latin America was absorbed with the US and Europe, and India focused on

¹ www.indiandiaspora.nic.in

Asian-African unity and the Non-Aligned Movement. Being a relatively closed economy, foreign trade and investment did not figure prominently in India's priorities. The inherent economic complementarities began to be discovered and examined by a tentative official establishment in the 21st century. A more important campaign was already under way, led by intrepid Indian business enterprises in search of alternative sources of fuel and raw materials, as well as markets for their booming automobile, pharmaceutical, textile, software and other industries.

India's diplomatic footprint in LAC has expanded to a lesser extent than in other parts of the world. There are fourteen Indian Embassies in the entire region covering the thirty-three nation States. Only recently it has been decided to open resident Embassies in Ecuador, Uruguay and the Dominican Republic, all of which have resident Embassies in India since several years. Twenty Latin American and Caribbean countries had resident Missions in India by 2013. Some have consulates and commercial offices in important Indian cities. India has a few Cultural Centres in the Caribbean, Mexico and Brazil, and a Consulate General in Sao Paulo, Brazil.

In the first fifty years of India's independence, there were only twelve Presidential visits from Latin America. In the decade 2001-2011, there were ten.² These visits served to cement the already benign political understanding and witnessed the conclusion of important agreements in economic, technological and cultural fields. They also heightened the interest of investors on both sides.

Attempts at composite political dialogue with the region date back to September 1995, when India's External Affairs Minister (EAM) met the Foreign Ministers of the then Troika of the Rio Group in New York. An agreement for Political Consultation and Cooperation was signed with the Andean Community during the visit of EAM to Lima, Peru in June 2003. An agreement was signed between India and the Caribbean Community (CARICOM) to establish a Standing Joint Commission for Consultation, Cooperation and Coordination, in November 2003. Foreign Ministers of the eight-member Integrated System for Central America (**SICA**) met EAM in Delhi in 2004 and again in 2008. There has however been little serious or substantive follow up to these initial contacts.

Twenty-First Century Relations

With a combined territorial expanse over six times the size of India - Argentina is almost the size of India, while Brazil is more than two and a half times the size of India - the LAC region is endowed with seemingly inexhaustible arable land, fresh water, massive deposits of hydrocarbons, gold, iron ore, coal and other resources. Its other attractive features include a market of around 600 million inhabitants, with average per capita GDP of over \$10,000. One wonders why Indians know so little of, or paid such scant attention to, that part of the world.

² Heine, Jorge 'La Nueva India' El Mercurio/Aguilar, 2012.

New India started discovering New Latin America in the twenty-first century, first through Brazil. The Indian establishment entered into a number of collaborative projects with Brazil through dozens of agreements and MOUs on a range of subjects. The relationship with Brazil has grown exponentially and encompasses joint business ventures in defence, aviation, hydrocarbons, ethanol, agriculture and other areas of mutual interest. Brazil and India are partners in the effort by the G4, which includes Germany and Japan, to democratise the current multilateral framework and seek permanent membership of the UN Security Council. They also collaborated to form the IBSA and BRICS transnational groupings.

Decades of political and economic distance have come to an end with almost all countries of the region. In the financial year 2012-13, trade with Brazil stood at almost \$11 billion; with Mexico it was over \$5.6 billion; with Chile and Colombia it was around \$3.6 billion and \$3.2 billion respectively.³ Such figures would have been almost unimaginable just a few years ago. Trade volumes with Argentina, Venezuela, and to a lesser extent with Peru, have grown significantly, largely on account of fuel and commodity imports (crude oil, edible oil and copper, among others). India's export basket is a robust and versatile mix of engineering goods, pharmaceuticals, textiles and IT services.

To the Preferential Tariff Agreements (PTA) operational with Chile and the five-nation Mercosur, India's Ministry of Commerce is seeking to add Colombia, Peru and perhaps Mexico. The PTA with Chile has been renegotiated and covers 3000 tariff lines as against less than 500 negotiated originally. The Chilean government is keen on a Comprehensive Economic Partnership Agreement that will go beyond trade to cover all aspects of the economic relationship. Brazil also seeks to expand the scope of the India-Mercosur PTA but is being held back by a more protectionist Argentina. Several LAC countries seek to conclude economic and commercial agreements with India to avail of its stable regime and a long term market for their mineral and agricultural products, as well as their processed goods and manufactures.

India's trade with the region grew from a mere \$500 million in 1990-91 to around \$2 billion in 2001 and crossed \$32 billion in 2011-12, a 50-fold increase in 20 years, and a compound annual growth rate of over 30 percent over the past decade! LAC share of India's exports increased from 2.22% to 4.46% between 2000-1 and 2011-12. Its share in India's imports grew from 1.42% to 3.38% in the same period. By 2012-13, bilateral trade had crossed \$46 billion. Latin America and the Caribbean that year accounted for 5.05 percent of India's exports and 6.41 percent of India's imports. We need to keep in mind that the world economy in these years was experiencing a downturn, with several important economic zones actually in recession! Despite discrepancies in the trade statistics provided by the Indian

³ See table of trade statistics at the end. Figures supplied by India's Directorate General of Foreign Trade - www.dgft.gov.in.

establishment, and those from the LAC countries, both sides show similar levels of growth in trade.

The incredible increase in trade in recent years is largely accounted for by India's purchases of crude oil and other basic raw materials such as copper and edible oil. India's exports to the region, however, have also been growing, registering an increase of 11% in the year 2012-13 over the previous financial year. There is much more to come. India's appetite for industrial raw materials, fuel and food, combined with the increasing attraction of the LAC markets in a period of global downturn necessitate an intensification of commercial links. More recent statistics demonstrate an increase of imports of crude oil from Venezuela, and higher imports from Colombia, Mexico and Ecuador.

Indian investment in LAC stood at over \$16 billion in 2012, according to the Ministry of External Affairs. TCS, Infosys, Wipro, Mahindra Satyam, Iflex, and other Indian software companies operating in most of the region train and employ thousands of Latin Americans. The case of Tata Consultancy Services (TCS) in LAC is emblematic. Accounting for 5% of its global revenues in 2012, its LAC operations are among its fastest growing. Since its establishment in Uruguay about a decade ago, it is now also present in Argentina, Brazil, Chile, Colombia, Ecuador, Mexico and Peru. India's automobile companies Bajaj, Hero, TVS, Tatas, Maruti and Mahindras have a presence all over the region. Hyundai and Volkswagen are leveraging cost advantages to export cars to Latin America from their factories in India.

Indian pharmaceutical companies are now selling generic medicines under their own brand names, employing their own sales force in several Latin American markets, with local companies clamouring for distribution rights. Other Indian investments range from manufacture and distribution of agro-chemicals by United Phosphorus in Colombia and Brazil, to acquisition of cosmetics companies in Chile and Argentina by Godrej, and the gigantic purchase of two sugar mills in Brazil by Shree Renuka Sugar Mills. In return, Latin American companies like Mexico's Cinépolis, Brazil's Marco Polo, Peru's AJE, and several others have set up shop in India. Recent visits by Indian officials and business delegations have revealed the potential for Indian investment in agricultural land in countries like Argentina, Paraguay and Uruguay. Prospects for Indian public and private sector companies are also being explored in mining for coal and iron ore in Colombia, Brazil, Peru and other LAC countries. Little wonder the region is represented in Delhi by its brightest diplomats, aware of India's promise and potential.

LAC countries are also attempting to diversify their trade away from their traditional partners in Europe and North America. China constitutes a very attractive and growing market for them. Its bilateral trade with that region crossed \$250 billion in 2011, almost ten times that of India. Chinese banks and state companies, backed by their government, have been extending concessional loans to several Latin American and Caribbean countries. Some of these funds come in the form of grants to construct stadiums or other infrastructure projects. Others are in the form of loans in exchange for

guaranteed supplies of oil or other commodities from the receiving country. China has cleverly and assiduously established a network of political and economic connections in the entire region which will be hard even for the US to match eventually. Nevertheless, the Latin Americans are aware that the Chinese cornucopia could be a double-edged sword, creating a dangerous dependence on large scale single commodity exports and financing.

Other global players such as Japan, South Korea, Russia, and even South East Asian countries such as Malaysia, have perceived the potential for mutually beneficial economic partnerships with the LAC region. Several free trade agreements have been negotiated, while investments by Toyota, Hyundai, Gazprom, Petronas and other multinationals from Asia and elsewhere, are increasing their profile in that region. Major Latin American countries such as Brazil have also recognised the importance of Africa in their global strategy.

LAC will play an increasingly important role in India's campaign to enhance **energy security**. There are several hydrocarbon-bearing zones onshore and offshore throughout the region. Venezuela has higher proven reserves of oil than Saudi Arabia. Fresh discoveries in other countries, particularly Brazil and Colombia, hold out exciting prospects. Other fuel resources include coal and uranium. The huge, sparsely populated South American landmass permits the demarcation of agricultural zones for cultivation of sugarcane, palm, jatropha and other crops dedicated to the production of biofuels such as ethanol and biodiesel. India's focus on clean, alternative and renewable energy, through programs such as wind and solar energy generation, addition of ethanol to petrol in vehicle fuel, is reflected in ample measure all over the LAC region.

Indian enterprise enjoys a positive image in the region and has developed active partnerships in the energy sector with Brazil, Mexico, Colombia, Chile, Venezuela and other countries. Geographical distance poses challenges but these are not insurmountable. China is further away but trades much more with LAC. In 2012, over fifteen percent of India's crude oil import (33 million tonnes) came from Latin America – principally Venezuela, Brazil, Mexico and Colombia.⁴ Two private sector companies, Reliance India Ltd. and Essar have mammoth refining capacities on the west coast of India, which receive growing quantities of Latin American and Caribbean crude. Natural gas is also imported from Trinidad.

Indian companies, mainly ONGC, but also private sector Reliance, Videocon and Gammon India, have invested in producing oil and gas fields in LAC. More fields under concession are being surveyed and analysed. Investment of several billion dollars is planned in existing Indian ventures over the next few years. The next area of interest should be the vast coal deposits in South America.

Not all Indian Business ventures in LAC have been successful. The example of the disastrous failure of the joint venture launched by Jindal Steel

⁴ Ministry of Petroleum and Natural Gas, Government of India

in Bolivia, which ended with the expropriation of its subsidiary, Jindal Steel Bolivia, in 2012 cannot be ignored.

Prospects for renewable energy collaboration exist through technology transfer/direct equity infusion in biofuel projects; wind energy; solar power. India's policy on ethanol blending for automobile fuel, announced a decade ago, cannot be sustained without imports, which can be more economical if Indian companies participate in projects to produce biofuels in LAC itself. Wind and solar energy projects in collaboration with partners in LAC provide essential technology and experience. Indian companies such as Praj Industries (ethanol), and Suzlon (wind energy) have a significant presence in the region. The government of India donated solar panels to energise the Tayrona National Park in Colombia in 2002, which still function admirably.

With several countries in LAC, India has successfully concluded and even ratified agreements on investment and double taxation. India's attempts at providing lines of credit however, have not met with success. This is largely because, as India's EXIM Bank, the administrator of these agreements itself admits, India is unable to provide attractive rates of interest. Furthermore, with the volatility of the currencies in that region, most Latin American banks offered such lines of credit do not want to assume the exchange risks.

Attempts are being made to achieve greater physical and virtual connectivity through Air Agreements and tourism tie-ups with Brazil and other countries. There is still some way to go before India can establish sufficient single-stop connections to all the important destinations, leave alone direct flights to LAC. Similar problems need to be addressed in the area of shipping. With the expansion of the Panama Canal, Indian shippers and their collaborators need to plan for direct sailings between Indian and LAC Atlantic and Pacific ports, to reduce the high freight costs and take advantage of the post-Panamax capacities that will be available after 2015.

Latin Americans are increasingly conscious of India's technological prowess and its capacity to develop and apply modern technology. India's official establishment has already taken the lead to leverage technological skills and resources through instrumentalities like the flagship ITEC programme (which provides fully paid scholarships to several hundred Latin Americans every year)⁵, and the Commerce Ministry's FOCUS-LAC Program – extended since 1997 till 2014 currently - that funds and subsidises visits by business delegations, trade fairs, etc.⁶

Significant potential exists in the tourism sector. Producers of Indian films have been exploring locales in Latin America, where a few film scenes were shot over the past decade. While cultural agreements exist with several LAC countries, they serve more as statements of good intent. There is also considerable scope for educational exchanges.

⁵ www.itec.mea.gov.in

⁶ <http://commerce.nic.in/flac/flac1.htm>

The Political Dimension

India's political relations with the region are trouble-free. These however, continue to be defined largely in bilateral terms.

The Community of Latin America and Caribbean States (CELAC) - identified India and China as its first external partners. The Foreign Minister of Chile, holding the pro-tempore Presidency, led the CELAC Troika - Chile, Venezuela and Cuba - to India in August 2012. Their meeting with India's External Affairs Minister resulted in a Joint Declaration that defined, for the first time, the principal features of India's relations with that region, and drew up an elaborate roadmap to consolidate interaction across the board, in business, science and technology, agriculture, education, culture, research, etc. It was also agreed to hold annual meetings at the level of Foreign Ministers.

Major countries in LAC also interact with India in multilateral forums such as the G20, where India's leaders meet regularly with those of Mexico, Argentina and Brazil. Several LAC countries are members of the Non-Aligned Movement and the G-77 group of developing countries. India makes common cause in these and other forums, such as the WTO and Climate Change negotiations, with LAC countries that share its concerns.

India needs to seize the moment. Latin America, a vibrant, stable and friendly region, is receptive to Indian partnership in areas of common interest and investment in its economy. It needs to institutionalise this friendship through instrumentalities that have already been identified and defined. The return on our investment, both official and private, is bound to pay higher dividends than it can imagine.

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Annexure**India's Trade with Latin American Countries for 2011-12 and 2012-13**Values in US \$ Millions
(P) Provisional

S.N o.	Country	2011-2012				2012-2013(P)				% Growth	
		Exports	Imports	Total Trade	Trd.Bal.	Exports	Imports	Total Trade	Trd.Bal.	Exports	Imports
	Latin America										
1.	ANTIGUA	0.87	0.06	0.94	0.81	1.36	0.23	1.59	1.13	55.85	265.97
2.	ARGENTINA	473.63	1,052.61	1,526.24	-578.98	539.38	1,168.54	1,707.92	-629.16	13.88	11.01
3.	BAHAMAS	2,243.52	3.49	2,247.01	2,240.03	2,669.85	102.35	2,772.21	2,567.50	19.00	2,833.92
4.	BARBADOS	7.55	0.83	8.37	6.72	5.87	0.09	5.96	5.78	-22.21	-89.26
5.	BELIZE	26.10	0.09	26.19	26.01	23.56	0.19	23.76	23.37	-9.70	111.10
6.	BERMUDA	1.02		1.02	1.02	1.35	0.06	1.40	1.29	31.26	
7.	BOLIVIA	24.84	4.04	28.88	20.80	57.39	7.26	64.65	50.12	131.00	79.71
8.	BRAZIL	5,769.75	4,321.99	10,091.74	1,447.76	6,047.34	4,746.03	10,793.37	1,301.31	4.81	9.81
9.	BR VIRGN IS	1.04	0.50	1.54	0.55	0.55	0.77	1.32	-0.22	-47.18	54.61
10.	CAYMAN IS	0.98	0.01	0.98	0.97	0.39	0.00	0.39	0.39	-60.44	-98.70
11.	CHILE	522.09	2,058.06	2,580.15	-1,535.97	690.20	2,986.17	3,676.37	-2,295.96	32.20	45.10
12.	COLOMBIA	892.42	559.04	1,451.46	333.38	912.06	2,340.70	3,252.76	-1,428.64	2.20	318.70
13.	COSTA RICA	65.53	204.11	269.65	-138.58	74.24	207.78	282.02	-133.55	13.28	1.80
14.	CUBA	36.67	4.11	40.78	32.56	35.86	3.14	39.01	32.72	-2.21	-23.53
15.	DOMINIC REP	103.43	7.87	111.30	95.56	108.83	10.85	119.68	97.98	5.22	37.89
16.	DOMINICA	2.82	0.28	3.09	2.54	2.40	1.59	3.99	0.81	-14.78	477.62
17.	ECUADOR	231.55	62.35	293.90	169.20	262.85	875.00	1,137.85	-612.16	13.52	1,303.44
18.	EL SALVADOR	37.52	11.13	48.65	26.38	56.04	8.31	64.35	47.74	49.38	-25.40
19.	FALKLAND IS	1.39	2.35	3.73	-0.96	0.00	1.44	1.44	-1.44	-99.91	-38.77
20.	FR GUIANA	1.62	106.47	108.10	-104.85	52.85	1.38	54.23	51.48	3,154.68	-98.71
21.	GRENADA	1.03	0.03	1.06	1.01	0.85	0.00	0.85	0.85	-17.52	-96.12
22.	GUADELOUPE	7.09	1.89	8.99	5.20	6.58	0.42	6.99	6.16	-7.28	-78.04
23.	GUATEMALA	191.29	7.33	198.62	183.95	224.59	9.16	233.75	215.44	17.41	24.89
24.	GUYANA	21.53	8.68	30.21	12.84	21.94	4.73	26.67	17.22	1.94	-45.53
25.	HAITI	48.30	2.06	50.36	46.23	63.72	1.20	64.92	62.52	31.94	-41.87
26.	HONDURAS	91.66	7.68	99.34	83.98	109.99	16.77	126.76	93.22	19.99	118.29
27.	JAMAICA	26.66	1.62	28.28	25.04	29.67	2.39	32.06	27.28	11.31	47.22

28.	MARTINIQUE	6.46		6.46	6.46	5.88	0.04	5.92	5.85	-8.91	
29.	MEXICO	1368.21	2577.65	3945.86	-1209.44	1627.6	4039.76	5667.36	-2412.16	18.96	56.72
30.	MONTSERRAT	0.28		0.28	0.28	0.04		0.04	0.04	-86.63	
31.	NETHERLANDANTIL	39.31	54.34	93.65	-15.04	59.84	22.23	82.07	37.60	52.23	-59.09
32.	NICARAGUA	45.70	1.02	46.73	44.68	59.26	75.59	134.85	-16.33	29.66	7,286.35
33.	PANAMA REPUBLIC	232.17	163.19	395.36	68.99	226.39	117.68	344.07	108.71	-2.49	-27.89
34.	PARAGUAY	66.93	11.43	78.36	55.50	82.84	9.07	91.92	73.77	23.78	-20.62
35.	PERU	564.30	470.16	1,034.46	94.14	637.71	529.15	1,166.85	108.56	13.01	12.55
36.	ST KITT N A	0.66	0.09	0.75	0.57	0.63	0.00	0.63	0.63	-4.53	-99.67
37.	ST LUCIA	1.32	0.45	1.77	0.87	1.03	0.41	1.44	0.62	-21.90	-9.07
38.	ST VINCENT	0.61		0.61	0.61	0.35		0.35	0.35	-42.67	
39.	SURINAME	10.43	4.58	15.01	5.85	30.34	13.30	43.64	17.04	190.86	190.35
40.	TRINIDAD	82.46	205.25	287.72	-122.79	81.51	8.73	90.24	72.78	-1.16	-95.75
42.	TURKS C IS	0.17	0.01	0.18	0.16	0.32		0.32	0.32	92.36	
43.	URUGUAY	140.68	30.55	171.24	110.13	143.19	27.85	171.04	115.34	1.78	-8.84
44.	VENEZUELA	249.74	6,666.62	6,916.36	-6,416.88	234.10	14,117.22	14,351.32	-13,883.12	-6.26	111.76
44.	VIRGIN IS US	3.72	0.21	3.93	3.52	1.43	17.97	19.40	-16.55	-61.62	8,668.10
	Total of Latin America	13,645.06	18,614.24	32,259.30	-4,969.18	15,174.18	31,475.53	46,667.71	-16,283.35	11.21	69.09
	<i>% Share in India's total</i>	<i>4.46</i>	<i>3.8</i>			<i>5.05</i>	<i>6.41</i>				
	India's total	305,963.92	489,319.49	795,283.41	-183,355.57	300,462.38	490,885.52	791,347.90	-190,423.15	-1.80	0.32

(Source: Directorate General of Foreign Trade, Ministry of Commerce, Government of India)