A Role for India in Latin America’s Development
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During the recent FIFA World Cup games, cricket-crazed India morphed into a football-obsessed nation, pledging its overwhelming support to Brazil and Argentina. From Kochi to Kolkata the power lines, city walls, and rickshaws hung the flags and colors of a continent thousands of miles away. Latin America is a natural ally for Indian soccer fans and businesses alike. Both India and Latin America share a focus on development, price-sensitive consumers, and growing young populations; but their differences provide the basis for a synergistic partnership. Latin America has energy resources and abundant agricultural land. India, with strong information technology and health sectors, could profit by participating in Latin America’s development.

Deepening Economic Ties: India and countries in Latin America began to liberalize their markets in the 1990s. One result of that policy shift was more international investment opportunities and deeper global economic ties. India and Latin America share a growing young population and price-sensitive consumers. India lacks natural resources, whereas Latin America exports them. This relationship has the potential to generate mutual benefits for both the Indian and Latin American economies.

India’s trade with Latin American countries has risen nearly eightfold from $2.1 billion in 2000 to $16 billion in 2008. This figure is modest in comparison with India’s larger trading partners, but it is large enough to be significant. Trade agreements, such as the India-Mercosur Preferential Trade Agreement enacted in 2009 with Argentina, Brazil, Paraguay, and Uruguay, have boosted trade between India and the region. Although the Indian government, through such agreements and tax incentives, has recently become more active in promoting trade, most of this growth can be credited to private-sector initiatives. This April, Indian and Latin American firms met for a Confederation of Indian Industry (CII) conference and discussed multiple project proposals, ranging from food production to textiles, worth $10.39 billion. As Indian companies increase their willingness to take on risk and recognize the need to expand existing markets into new areas, Latin America will be a good destination.

India has also begun to enter the business of technical assistance. Its Technical and Economic Cooperation (ITEC) fund has provided over $2 billion worth of technical assistance to developing countries, mainly to Afghanistan and to Africa but also to Latin America. For example, ITEC has helped establish solar panels in Cuba and Costa Rica, has constructed a bridge in Georgetown, Guyana and has responded to natural disasters in several Central American countries.

Energy Sector: India imports more than 70 percent of its oil and gas, of which nearly 70 percent comes from the Persian Gulf. However, Venezuela has become a significant supplier, India’s eighth-largest in 2008/2009. Oil and Natural Gas Corporation (ONGC) Videsh, Indian Oil Corp, and Oil India recently purchased a 40 percent stake in a large Venezuelan oil field, Carabobo-1. Reliance, the largest private Indian company in the offshore production business, has developed a long-term partnership buying crude oil from Mexico, Venezuela, Ecuador, and Brazil. India also imports coal despite its plentiful domestic reserves. Coal India Limited is looking closely at Colombia for the acquisition of mines.

Latin America, like India, has a rapidly growing population and sprawling cities. Renewable energy is crucial for both India’s and Latin America’s sustainability, and offers the possibility of future cooperation.
on clean energy. In 2006, Suzlon Energy Ltd, an Indian company that specializes in wind energy, secured a project in northeast Brazil. Brazil and India could expand beyond wind projects into ethanol, where Brazil has substantial expertise, and solar energy, an area of considerable potential in Argentina.

**Pharmaceuticals and Healthcare Infrastructure:** Latin America has been a destination for India’s offshore pharmaceutical investment. Dr. Reddy’s, one of India’s largest pharmaceutical companies, has manufacturing facilities in Venezuela and projects 50 percent annual sales growth. Other Indian pharmaceutical companies also manufacture in South and Central America. Rambaxy Laboratories Limited was the first Indian company to have a plant approved in Brazil, and also distributes pharmaceutical products through subsidiaries in Mexico and Peru. Latin America’s market for pharmaceuticals is currently $41 billion but is expected to grow to $63 billion by 2012.

India and Latin America have begun collaborating on antiretroviral medicine (ARVs) development for treating HIV/AIDS. India has long been an important source of ARVs for countries that do not produce their own. Brazil currently purchases raw chemicals from India and manufactures ARVs for Brazil’s population. This model could be replicated in other parts of the region.

**Information Technology:** Information technology has been a crucial industry for India’s economic growth and global recognition. Many Indian IT companies, including Infosys and Sasken, have a unique relationship with Mexican universities including the Tecnológico de Monterrey (ITESM), the University of Monterrey (UDEM), and the public Autonomous University of Nuevo León (UANL), all located in Monterrey. The “Soft Landing” program instituted at these universities is sponsored through private initiatives with the support of the Mexican government. The program created 1,240 jobs between 2004 and 2006, mainly for engineering graduates entering the industrial sector, and could be replicated in other parts of the region. Tata Consultancy Services (TCS) has also outsourced some of its work to Latin America. The company employs 7,500 software professionals in Uruguay, Argentina, Chile, Ecuador, Brazil, and Mexico and has a regional training center in Uruguay.

**Agriculture:** India has started to look beyond its own country into neighboring countries, Africa, and now Latin America in order to take advantage of areas with abundant agricultural land to develop agribusinesses. Latin America, with its vast natural resources and diverse topography, is an obvious destination. Indian companies such as the Sterling Group, which recently bought a 2,000-hectare olive farm in Argentina, are pioneering offshore agribusiness partnerships in Latin America. This past February, Renuka Sugar recently signed a $329 million agreement for a 51 percent stake in Brazil’s Equipav SA Acucar e Elcool, making it the third-largest sugar company in the world and the largest in India. However, a key hindrance to increased agricultural trade between the two regions is India’s reluctance to lower agricultural tariffs. How India chooses to proceed with agricultural tariffs will be indicative of broader trends in India’s global trade and economic policy.

**Special Partnerships:** The relationship with Brazil is India’s only high-profile political tie in Latin America. Brazilian president Lula was the guest of honor at India’s Republic Day celebrations in 2004. Prime Minister Singh met with Lula again in April 2010, and the two leaders agreed to create new forms of bilateral trade, strengthen their partnership in the clean energy sector, and support each other’s bids for seats on the UN Security Council. Membership in BRIC (Brazil, Russia, India, China) and in IBSA (India, Brazil, South Africa) and leadership roles in the G-20 have dramatically increased the engagement between Brazil and India. Their prior differences over Brazil’s supply of anti-radar missiles to Pakistan in 2008 seem to have been resolved.

Two other countries—Chile and Mexico—have begun creating real partnerships with India, once again starting with trade and investment promotion: the India-Chile Preferential Trade Agreement in 2005 and the India-Mexico Bilateral Investment Promotion and Protection Agreement in 2007.

**Catching up with China:** India’s presence in Latin America is lagging far behind China’s operations there. India has a 0.8 percent share of Latin America’s trade compared to China’s 7.7 percent. This dramatic difference can be credited to China’s earlier involvement and aggressive economic strategy. China’s lower tariff and shipping costs make it a far more competitive trading partner compared to India. China has direct shipping services to Latin America, whereas Indian goods have to go through Singapore.
or Europe first. A recent report by the Inter-American Development Bank estimates that a 10 percent cut in freight rates would boost imports of Indian goods by as much as 46 percent in Chile and 47 percent in Argentina.

India’s average tariff on Latin American agricultural goods is 65 percent, more than five times Chinese tariffs. Lowering tariffs on agricultural goods comes at a high political cost to India’s government. Agriculture in India accounts for 17 percent of the GDP and employs 52 percent of India’s total workforce. However, there doesn’t seem to be much room to address this key issue. Ambassador Meera Shankar, India’s ambassador to the United States, speaking at an event on India and Latin America at the Woodrow Wilson Center in June, said that “lowering tariffs in India is difficult since the livelihood of farmers is a key concern and feature of India’s trade policy.” India will have to choose between opening its agricultural markets at a cost to their domestic popularity or remain behind China in the race for energy resources and a strong global presence.

The View from Washington: India’s increasing interest in Latin America is striking for two things: it is economically led, and it relies primarily on private trade and investment. Both trends are characteristic of the changing face of India’s economy and foreign policy, and both differ from the state-centric way that India approached its “south-south relations” in earlier decades. Both also have strengthened India’s relations with the United States, and on that basis one can say that India’s commercial presence in Latin America is a positive for Washington.

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