Indian Foreign Policy

The Rise of the South and Indo-LAC Relations

Introduction

Indian Prime Minister Narendra Modi’s opening address at the 48th Annual World Economic Forum in Davos in January 2018 was unique in many ways. It was the first time in 20 years that an Indian prime minister spoke in Davos, not since Prime Minister H. D. Deve Gowda had done so in 1997. The hour-long-speech was also delivered in Hindi, a departure from the usual practice of Indian leaders at major international fora, who would normally rely on the Queen’s English, which, after all, is one of India’s official government languages. The speech also made a passionate defence of globalisation, arguing against the many fractures that are bedevilling the contemporary world, and making the case for India as a stalwart of open economic policies and an ideal FDI destination. Interspersed with nuggets of Indian philosophy and wisdom (citing Gandhi’s dictum, “there is enough in Nature for your need, but not for your greed”)1, as well as with a pitch for the type of future India would like to see (a “multicultural world in a multi-polar order”)2, Modi underscored India’s accomplishments like its 7.4 per cent

gross domestic product (GDP) growth in 2017 and US$60 billion incoming foreign direct investment (FDI) in 2018 (up from US$36 billion in 2013–2014), as well as its enormous potential. According to some projections, the latter will lead to a US$5 trillion GDP by 2025, making India, the world’s third largest consumer market. It also identified climate change and terrorism as being two critical global challenges and expressed India’s commitment to fight against both of them, standing up firmly in favour of the Paris Agreement.

It is not a coincidence that the opening address at the Davos meeting in 2018 was given by Prime Minister Modi and the one in 2017 by President Xi Jinping. Over the past two years, the BRICS countries (Brazil, Russia, India, China and South Africa) have once again come to the forefront in matters of global economic governance, exercising a sort of leadership that was previously taken up by countries from the North Atlantic. As bastions of Anglo-Saxon capitalism, the United States and the United Kingdom, have retreated from globalisation and free trade, and have turned more and more inward in their economic policies; it has been left to emerging economies such as China, as well as India, to stand up for those principles once held so dear in Washington and London. This has created a whole new configuration of players in multilateral institutions and international affairs, in which India has taken up a significant role.

In marked contrast to most of his recent predecessors who rarely travelled abroad, and kept a relatively low profile in international affairs, Prime Minister Modi has embraced a foreign policy with a vengeance, and has become one of the most visible BRICS leaders in the contemporary international

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3. Full text of the agreement available on the UN website: https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement
scenario. What is he up to? Has he been able to shake off India’s traditional moniker as “the country that can’t say yes,” and build up a more proactive force in world politics? What have been his accomplishments so far on the diplomatic front and where is India heading, in Asia and in the rest of the world? In particular, has he delivered on Indo-Latin American relations, an area in which he showed much interest at the beginning of his coming to power and seems to have faded away from his radar screen as years go by?

To answer these questions, this chapter examines India’s rise in the course of the past two decades, and the main features of Modi’s foreign policy in his first four years in office, before dwelling at some length on the evolution of Indo-Latin American relations, on three fronts, namely, politics, trade and investment. A concluding section puts all of this in perspective.

India Rising

The Indian economy entered the 21st century on a positive note, leaving behind the era of the so-called “Hindu rate of growth” (Schäfer, 1989). Since 2001 till 2016, the economy has grown at an impressive average of 7.27 per cent per year. This momentum is expected to continue at a similar pace for another two decades. According to Harvard University’s Centre for International Development (CID), India will remain amongst the world’s fastest growing economies until 2025, averaging at a growth rate of 7.72 per

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4. The phrase was coined by Professor Raj Krishna during a speech on August 1980, at the Delhi School of Economics.

China, on the other hand, is expected to grow at an average of 4.41 per cent until 2025. The researchers at the CID attribute India’s growth “to the fact that it is particularly well positioned to continue diversifying into new areas, given the capabilities accumulated to date. India has made inroads in diversifying its export base to include more complex sectors, such as chemicals, vehicles, and certain electronics” (ibid.).

Another important factor behind India’s growth is its youthful demographic profile. The median age in India is only 27.9 years. This is in contrast to Europe and some Asian countries like Japan and China, where the median age is 38 years and above. This means that a large percentage of Indians are just joining the workforce, and more still are entering the large and growing middle class. The McKinsey Global Institute estimates in its report that India’s middle class will swell to 583 million people by 2025. Another Brookings study estimates that India will top the global list of big spenders, accounting for 23 per cent of the global middle-class consumption by 2030 (Kharas, 2010). As a result, many foreign investors are setting up base in India, expecting to reap the benefits of a growing consumer class and a large talent pool. Indian industry has benefitted too, with India becoming a regional production and export hub for numerous industries, such as automobiles, textiles, electronics, information technology and hi-tech manufacturing.

Still, a lot remains to be done. While FDI inflows reached an all-time high of US$43.5 billion in the 2016–17 financial

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year (FY), India still requires trillions more investment in numerous sectors. In infrastructure alone, India requires another $4.5 trillion more in investment by 2040. The Global Infrastructure Outlook, a G20 initiative, estimates that current investment trends are likely to leave a gap of $526 billion in infrastructure investment. There remains a large investment deficit in energy, telecommunications, road transport and water infrastructure in India. Another concern is jobs. The United Nations Development Programme estimates in its Asia-Pacific Human Development report that another 280 million people will join the workforce in India by 2050, bringing the total Indian working-age population to more than 1 billion people (UNDP, 2016: 6). This is both a large opportunity and a responsibility. India desperately needs more jobs, and more importantly, skilled jobs. At present, 84 per cent of the workforce in India are in the informal jobs market in India are in the informal jobs market (ibid.: 69).

India is also rising on the global stage, playing an active role in multilateral fora such as the G20, BRICS, the World Trade Organisation and in the United Nations. In the past two years, India has been admitted to two important global security regimes—to the Missile Technology Control Regime (MTCR) in June 2016 and the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies in December 2017. Moreover, India has sought and gained the support of more than 90 countries for a permanent seat in the United Nations Security Council. India


10. For more on India’s rise on the global stage, see Heine, 2012.
has also become an active proponent of combating climate change, reducing pollution and shifting its energy matrix to favour renewables, particularly solar and wind energy. Aniruddh Mohan, a climate and energy policy researcher at the Observer Research Foundation writes in his December 2017 paper that India has moved from the high ground to the high table on matters related to climate change. “The same cerebral strands that drove India’s focus on strategic autonomy, its shift to material based pragmatism, and its more recent moves towards norm setting and leadership in global governance issues in the conduct of its foreign policy, have influenced India’s climate negotiating stance”, writes Mohan (2017).

However, despite this rising global profile, we can expect India to continue focusing on matters closer to home rather than take sides in regional disputes or support foreign intervention.

**Modi’s Foreign Policy**

Just as India’s profile has risen in the global stage, so has that of Prime Minister Narendra Modi, whose name has recently become synonymous with India’s foreign policy. Modi comes from humble beginnings, working alongside his father at a small tea stall, and eventually climbing the ranks in the Bharatiya Janata Party (BJP) to become Chief Minister of Gujarat in 2001. He led the state for 14 years before taking the helm as India’s prime minister in 2014.

From the beginning of his term, Modi has emphasised a “Neighbourhood First” policy. This is in line with India’s traditional foreign policy that views the world in three concentric circles, advocated by numerous leaders including former Prime Minister I.K.Gujral (2003) and foreign minister Yashwant Sinha (2002)—the first circle consists of the
immediate neighbourhood, i.e., South Asia, the second refers to the extended neighbourhood, including the Indian Ocean Rim and other sub-regions in Asia such as South East Asia, West Asia and Central Asia, and the third includes global issues like international security and strategic partners such as the United States and Russia.

1. **First Concentric Circle—the Immediate Neighbourhood**: The emphasis on South Asia began even before Modi took power, by inviting all the South Asian Association for Regional Cooperation (SAARC) nations, including Pakistan, at the prime minister’s oath-taking ceremony. Modi’s first visit in June 2014 was to Bhutan, and the second to Nepal in August 2014. The first foreign visit of India’s External Affairs Minister Sushma Swaraj was to Bangladesh, another important neighbour. Modi also became the first Indian prime minister to visit Nepal in 17 years and the first to visit Sri Lanka in 28 years. An argument can be made for improved bilateral relations with most countries of the SAARC region, with the exception of Pakistan. Despite Modi’s overtures, including a spur-of-the-moment trip to Pakistan in 2015 on Prime Minister Nawaz Sharif’s birthday, there remains much friction in the India–Pakistan relationship, marked by terrorist incidents such as those in Pathankot Air Force Station, Punjab and Uri, Jammu and Kashmir.

2. **Second Concentric Circle—India’s Extended Neighbourhood**: Modi has unquestionably stepped up India’s engagement in its so-called extended neighbourhood. He has made numerous important visits to India’s two most important sub-regions in Asia, i.e., West Asia and Southeast Asia. Notably,
Modi has worked to deepen India’s relationship with Israel, increasing cooperation in agriculture, defence, and science and technology, becoming the first Indian prime minister to visit Israel in July 2017. This is significant given India’s close relationship with Palestine and India’s own large Muslim population—the largest in the world after Indonesia and Pakistan. Keeping with historic trends, Modi too has had to balance India’s relationship with Israel and the Arab world. In addition to the large $130 billion trade with West Asia (Ministry of Commerce and Industry, GoI, 2017) and India’s 7 million expatriate population (Alam, 2017) in the region, India has also begun to deepen security cooperation. For instance, India and the UAE have established a dialogue at the National Security Advisor-level, and there is constant cooperation between intelligence agencies in both sides to exchange information related to terrorist activity.

Modi has also increased India’s engagement with Central Asia and the Indian Ocean Rim countries—both of which have strategic roots. He also became the first Indian prime minister to visit Mongolia in April 2015. The focus on Central Asia originates largely from the region’s potential role in securing India’s energy requirements. Besides the possible trade in oil and gas, New Delhi is also pushing for the construction of gas pipelines that could ensure speedy and consistent supply of gas from Central Asia to India. In June 2017, India also became a full member of the Shanghai Cooperation Organisation (SCO), a Eurasian grouping focusing on increased security and military collaboration in Central Asia. In the Indian Ocean Rim, Modi paid increasing attention to Mauritius and Seychelles, given their strategic importance.
in maritime security and their small but significant Indian diaspora. Modi inaugurated a Coastal Surveillance Radar System in Seychelles and commissioned the OPV Barracuda, built and financed by India, into the Mauritian Coast Guard.

3. Third Concentric Circle—Global Issues and Strategic Partners: Modi has clearly underlined India’s unequivocal support and partnership with the United States—visiting the country five times in the past four years. India has edged closer to the US to counterbalance the growing Chinese influence in the Asia Pacific region. India is also pushing for greater US engagement in the Indian Ocean Region, and strongly supported the US candidature to join as an observer member in the Indian Ocean Naval Symposium, an initiative that “seeks to increase maritime co-operation among navies of the littoral states of the Indian Ocean Region”. In December 2016, India was designated as a “Major Defence Partner” of the United States. This has in part veered from India’s traditional non-alignment policy, a trademark of the Nehruvian era of foreign policy. Just as India’s relationship with one strategic partner, the US, has deepened, India’s ties with Russia have receded marginally. Moscow now seems closer to Pakistan, witnessed through the Druzhba joint military exercises between Russia and Pakistan that began in 2016.

With regards to global issues, Modi has taken the lead in issues such as climate change, vowing to generate more


12. This was declared in the India-US Joint Statement on June 2016, available at India’s Ministry of External Affairs website at: https://mea.gov.in/bilateral-documents.htm?dtl/26879
jobs and security, and meeting India’s energy requirements through wind and solar projects, while simultaneously decreasing carbon dioxide emissions. Modi has also effectively brought into action a new element in India’s foreign policy: the Indian diaspora and expatriate Indians. This was manifest in his large public addresses to 60,000 people in Wembley Stadium in London and the 19,000-strong audience at Madison Square garden.

Despite his rather proactive foreign policy, including an impressive 70 foreign visits made by Modi since his elevation as prime minister,\(^{13}\) it can still be argued that India’s foreign policy remains largely the same as before. This is in part due to the fact that foreign policies of large countries like India are shaped by decades of policy that primarily look at securing India’s own national interests, and are unlikely to change over the course of one government’s term. The larger structural elements of India’s foreign policy are likely to remain the same regardless of which government or political party is in power. However, the Latin American region remains conspicuously absent and off-the-radar, evident in the relatively limited high-level interaction between India and Latin America.

**Indo-LAC Links in Perspective**

India’s linkages with Latin America have come a long way in the past two decades. The benign neglect, which characterized India–Latin America relations through the first five decades after India’s independence in 1947, has morphed into a more dynamic engagement shaped by economic diplomacy in the 21st century\(^{14}\).

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14. For more on contemporary India-Latin America relations, see Heine and Seshasayee, 2016: 37–60.
As Varun Sahni notes in the Oxford Handbook of Indian Foreign Policy, India–Latin America relations can be understood in three historical phases, “distant acquaintance (late 1940s to early 1960s), rhetorical solidarity (the mid-1960s to the mid-1990s), and strategic engagement (mid-1990s onwards).” He adds that even “well into the 1990s, the Latin Quarter was the Empty Quarter in Indian foreign policy: the handful of Indian diplomats who chose to specialize on the region tended to do so in the full awareness that they were confining their career to the backwaters” (Sahni, 2016).

This is no longer the case. Today, India enjoys a broad “strategic partnership” with two countries in the region—Brazil and Mexico; it has trade agreements with Chile and the four-country Mercosur grouping, and is in the process of negotiating agreements with Peru and Colombia; India is now one of Latin America’s most important export markets, reaching the third place in 2014, after only the United States and China.

Two important factors have converged to bring India closer to Latin America. First, in the domestic arena India needs to achieve 7 per cent–8 per cent GDP growth, hence, minerals, petroleum oil and agricultural products are essential. Most of them are in scarce supply in India, given that the country has few reserves of oil and minerals. India also requires a large amount of agricultural products, primarily vegetable oils and pulses, importing up to $25 billion in 2016–17 (Jha, 2017). Latin America has the world’s largest reserves of petroleum (Venezuela), silver (Peru) and copper (Chile), and large tracts of agricultural land.

Second, Latin America has begun to look at Asia as a long-term economic partner.\(^{15}\) Latin American companies

\(^{15}\) On Indian trade and investment with Latin America, see Viswanathan, 2014.
understand that countries like China and India can help drive up demand for various commodities and products that are essential to their industrialisation and economic growth. They have also begun to realize that the bulk of middle class and consumer growth will be in Asia.

Notwithstanding the gains in the India–Latin America relationship over the past two decades, we should remember that bilateral or regional, engagement is a slow process. It takes time to shape a new relationship, and even more so in the case of India, a democracy of 1.3 billion people, where it can often take frustratingly long to reach a consensus on issues of economic and foreign policy.

Moreover, in the India–Latin America relationship, there exist varied degrees of engagement in each bilateral relationship. The India–Brazil bilateral is far broader and deeper, for instance, with two diplomatic missions in each others’ countries, frequent high-level visits, multilateral engagement through the BRICS and G-20 forums, a preferential trade agreement, and large cross-border investments. This cannot be compared with smaller countries in the region, such as Bolivia and Costa Rica, which have only recently opened their embassies in New Delhi.

**Politics**

The political relationship between India and Latin America lags behind the economic linkages forged over the past two decades. Traditionally, India’s political focus has remained confined to Asia, including various sub-regions, be it South Asia, West Asia or South East Asia, and strategic partners like the US and Russia. Latin America’s political compass has for centuries pointed to the US and Europe, who have been the traditional partners and the mainstay of the region’s foreign policy. For both India and Latin America, this is new political territory.
One measure of the political relationship is the number and frequency of high-level visits. Although visits at the levels of heads of government or heads of state are few and far between, there has certainly been an increase in ministerial-level visits between India and the LAC region. This is true not only of large nations like Brazil and Mexico, which frequently interact with India at forums such as the G20, but also of smaller nations. Bolivia sent its first ministerial mission, comprising the Bolivian Minister of Development Planning and the Minister of Defence, to India in March 2016. Ecuador and India have exchanged 12 high-level visits in the past decade\(^\text{16}\), including those of foreign ministers. While these visits are unlikely to yield short-term results, they help deepen and broaden the bilateral in the long run.

The India–Latin America political relationship can also be measured in part by the degree of diplomatic engagement over the years. A short study of the establishment of diplomatic missions between India and the LAC region shows us how the relationship has evolved, especially over the past two decades\(^\text{17}\).

In the first two decades following India’s independence, nine Latin American countries opened their embassies in New Delhi. Naturally, the three most populous countries—Brazil, Mexico and Argentina—opened their embassies first. Then, through three full decades, during the 1970s, 80s and 90s, only Panama and Uruguay opened embassies in India. Soon after, a flurry of 13 Latin American diplomatic

missions opened in India. This was prompted by India’s growing global profile and its attraction as a new market and potential partner. Not surprisingly, four diplomatic missions were opened in Mumbai, the country’s financial capital, as a sign of the increasing economic diplomacy that underpins the India–Latin America relationship. Today, nearly all Latin American countries have full representation at the embassy-level in India, with the exception of some like Nicaragua and Honduras, both of which plan to elevate their diplomatic missions to the embassy level in the coming years.

When looking at India’s diplomatic missions in the LAC region, a number of smaller nations, many of which opened their embassies in India only in the 21st century, seem noticeably absent. Moreover, India has opened only two diplomatic missions in the region since 1978—a consulate in Sao Paulo, the only Indian consulate in the region, and an embassy in Guatemala. It is indeed odd that India does not have an embassy in Ecuador, where trade peaked at $1.3 billion in 2014–15, which was more than India’s trade with Norway, Morocco, Austria, Botswana or Kazakhstan—all of which are home to Indian embassies or high commissions. The same could be said of Dominican Republic, where trade currently stands at $900 million (Ministry of Commerce and Industry, 2017).

While India’s political engagement with the LAC region is far below that of countries in Asia or Europe, the increased political will, apparent through more frequent high-level visits and a slew of agreements signed between India and the region, are positive signs (see Tables 1 and 2).
Table 1
Chronological account of Latin American and Caribbean diplomatic missions opened in India
(in two stages, 1947-1999, and 2000-present)

<table>
<thead>
<tr>
<th>No.</th>
<th>LAC Diplomatic Missions in India</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Brazil</td>
<td>1949</td>
</tr>
<tr>
<td>2</td>
<td>Argentina</td>
<td>1950</td>
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<tr>
<td>3</td>
<td>Mexico</td>
<td>1951</td>
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<tr>
<td>4</td>
<td>Chile</td>
<td>1956</td>
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<tr>
<td>5</td>
<td>Colombia</td>
<td>1960</td>
</tr>
<tr>
<td>6</td>
<td>Cuba</td>
<td>1960</td>
</tr>
<tr>
<td>7</td>
<td>Venezuela</td>
<td>1961</td>
</tr>
<tr>
<td>8</td>
<td>Peru</td>
<td>1964</td>
</tr>
<tr>
<td>9</td>
<td>Trinidad &amp; Tobago</td>
<td>1969</td>
</tr>
<tr>
<td>10</td>
<td>Panama</td>
<td>1981</td>
</tr>
<tr>
<td>11</td>
<td>Uruguay</td>
<td>1998</td>
</tr>
</tbody>
</table>

Diplomatic Missions Opened in the 21st century

| 1   | Suriname                        | 2000  |
| 2   | Guyana                          | 2004  |
| 3   | Ecuador                         | 2005  |
| 4   | Paraguay                        | 2006  |
| 5   | Brazilian Consulate in Mumbai   | 2006  |
| 6   | Dominican Republic              | 2006  |
| 7   | El Salvador                     | 2008  |
| 8   | Argentina Consulate in Mumbai   | 2009  |
| 9   | Costa Rica                      | 2010  |
| 10  | Bolivia                         | 2012  |
| 11  | Guatemala                       | 2013  |
| 12  | Ecuadorian Consulate in Mumbai  | 2013  |
| 13  | Panamanian Consulate in Mumbai  | 2014  |

Source: Compiled from annual reports of India’s Ministry of External Affairs and other Latin American government sources.
Table 2  
*Chronological Account of Indian Diplomatic Missions Opened in the LAC region*  

<table>
<thead>
<tr>
<th>No.</th>
<th>Indian Diplomatic Missions in LAC</th>
<th>Year</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Brazil</td>
<td>1948</td>
</tr>
<tr>
<td>2</td>
<td>Argentina</td>
<td>1949</td>
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<tr>
<td>3</td>
<td>Mexico</td>
<td>1950</td>
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<tr>
<td>4</td>
<td>Chile</td>
<td>1958</td>
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<tr>
<td>5</td>
<td>Cuba</td>
<td>1962</td>
</tr>
<tr>
<td>6</td>
<td>Trinidad &amp; Tobago</td>
<td>1962</td>
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<tr>
<td>7</td>
<td>Guyana</td>
<td>1967</td>
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<td>8</td>
<td>Peru</td>
<td>1969</td>
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<tr>
<td>9</td>
<td>Venezuela</td>
<td>1969</td>
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<tr>
<td>10</td>
<td>Colombia</td>
<td>1973</td>
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<tr>
<td>11</td>
<td>Panama</td>
<td>1973</td>
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<tr>
<td>12</td>
<td>Jamaica</td>
<td>1975</td>
</tr>
<tr>
<td>13</td>
<td>Suriname</td>
<td>1977</td>
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<tr>
<td>14</td>
<td>Sao Paulo Consulate</td>
<td>1996</td>
</tr>
<tr>
<td>15</td>
<td>Guatemala</td>
<td>2009</td>
</tr>
</tbody>
</table>

*Source: Compiled from annual reports of India’s Ministry of External Affairs and other Latin American government sources*

**Trade**

India and Latin America began to re-discover each other after the 1990s primarily due to the deepening trade relationship. The traditional excuses for doing more business, such as the long distances and different languages, are now becoming passé. India’s trade with Latin America has soared from roughly $2 billion in the early 2000s to a peak of $49 billion in 2014\(^1\)\(^8\). Trade thus increased nearly 25 times over in a span of 15 years.

A rather small but significant element in this relationship is the recent intent and interest in signing trade agreements that could increase trade and broaden the trade basket. India has already expanded its Preferential Trade Agreement (PTA) with Chile, and is also in the process of expanding its PTA with the Mercosur grouping, which includes Argentina, Brazil, Paraguay and Uruguay. India and Peru recently launched their Joint Study Group report, which recommended the inclusion of services and investment as well in their trade agreement, and have already held multiple rounds of negotiations in Lima and New Delhi. India and Colombia are embarking on a similar process, as both countries prepare their Joint Study Group report.

India is fast-becoming a serious trade partner for the Latin American region. Perhaps the biggest evidence of this was India’s standing as the third largest export market for Latin America in 2014, after only the US and China. India exported more to Brazil than France or Japan; imported more from Venezuela than Australia or Singapore; and traded more with Mexico than Canada or Spain19.

1. **India’s exports:** Although Latin America accounts for only about 4 per cent–4.5 per cent of India’s total global exports, the region is nonetheless becoming an important market for certain sectors.
   a. **Automobiles:** Latin America is now India’s largest market for vehicle exports, accounting for 22 per cent of the total vehicle exports. Mexico is the single largest market for India’s car exports, reaching $2 billion in 2017, roughly one-quarter of the total car exports (ibid.). It is important to note here that a large majority of these exports come from global carmakers

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like Volkswagen, Hyundai and Ford. Indian automobile makers such as Tata Motors and Mahindra & Mahindra export little to the LAC region. Colombia was India’s largest export destination for motorcycles between 2011 and 2015. These exports, in contrast to the car exports, come nearly entirely from Indian companies such as Bajaj Auto, TVS Motor Company, Hero MotoCorp and Royal Enfield. Moreover, the trade in automobiles and motorcycles is complemented by numerous important investments that together gradually integrate the vehicle manufacturing value chains between India and Latin America.

b. *Pharmaceuticals and organic chemicals*: The region is also an important export destination for India’s pharmaceutical products (Seshasayee, 2014) and organic chemicals, accounting for 6 per cent–8 per cent of India’s total exports in these sectors. India began exporting a large quantity of pharmaceutical products to Latin America the late 1990s. Countries like Brazil and Mexico welcomed Indian pharmaceutical companies that provided quality pharmaceutical products at affordable prices, eventually helping to bring down the high cost of public healthcare. In fact, India today supplies more pharmaceutical products to the LAC region than China does. A number of Indian companies also export organic chemicals, some of which may be used in the pharmaceutical industry and others that are used as agricultural inputs. A number of Indian companies in this sector, such as UPL
and Naq Global, also have production units in Brazil, Argentina and other LAC countries.

2. **Latin America’s exports**: Due to the fall in global oil prices, India has dropped to being the sixth largest export market by value Latin America. Nevertheless, India remains a major market for the region, especially in sectors such as mining, agriculture and energy. India is Latin America’s largest destination for vegetable oil exports, the third largest for copper ore, crude petroleum oil and sugar, and the fourth largest for gold.20

a. **Energy**: Two major factors have coalesced to rapidly increase Latin America’s exports of crude petroleum oil to India. First, the increase in shale oil and gas production in the US has led to a subsequent decrease in their imports of crude oil from the LAC region. Crude oil imports from the LAC region by the US fell from a peak of 182 million ton in 2006 to a low of 97 million ton in 2014. Second, India too sought to diversify its sources of crude oil, especially given the unrest in West Asia, which at one point accounted for nearly 90 per cent of India’s total crude oil imports. Only in 2006 did India begin sourcing crude petroleum oil from the LAC region. Just as the US’s imports of crude oil from the region decreased, India’s increased from just 2 million ton in 2006 to a high of 38 million ton in 2014. Today, Latin America accounts for between 17 per cent–19 per cent of India’s total crude oil imports.

by quantity. In addition, the heavy crude from Latin America costs considerably less than lighter crude; as a result, while Latin America accounted for 17 per cent of India’s crude oil import quantity in 2016–17, it accounted for only 14 per cent of the total value of imports\textsuperscript{21}. 

b. Mining: As a developing and industrializing nation, India requires vast amounts of minerals. Copper is a key component, and is essential for electrical equipment, construction, industrial machinery and even renewable energy technologies such as solar panels. India sources roughly half of its copper ore from the LAC region, primarily from Chile. The LAC region also exports gold, silver, zinc, lead and iodine to India. The export of gold from Latin America to India is a more recent phenomenon, beginning only in 2012. Already, India is among the region’s top five export markets, accounting for $3.8 billion or about 14.7 per cent of the region’s total gold exports.

**Investment**

Perhaps equally as important, if not more, is the increase in cross-border investments between India and the LAC region. Official statistics from India’s Ministry of External Affairs indicate that India has invested $20 billion in the LAC region; however, this number can be misleading as it includes a number of islands in the Caribbean such as the British Virgin Islands, Cayman Islands etc. (Ministry of External Affairs of India, 2015). The actual figure is estimated to be between

\textsuperscript{21} All data on India’s energy imports from the LAC region has been extrapolated from Trade Map (Market Analysis and Research, International Trade Centre), https://www.trademap.org/Index.aspx, accessed on 24 June 2019.
$12 billion to $16 billion, and includes diverse sectors such as automobiles, petroleum, pharmaceuticals, renewable energy, information technology and agrochemicals. Latin America is a serious market for a number of Indian companies, such as the Aditya Birla Group which generates $2 billion in revenue from the LAC region, or UPL, an agrochemicals company that gets more revenue from Brazil than it does from India.

A number of Indian companies have strategically located investments in Mexico, Brazil and Colombia that serve as an export base for the company’s regional business. Hero Motocorp’s manufacturing plant in Colombia is a perfect example: the company established its first international manufacturing plant in a free trade zone near Cali, Colombia, and plans to export motorcycles from there to the Latin American region, to the United States and later also to Europe. About seven Indian automobile and auto parts companies have acquired or established 20 manufacturing facilities in Mexico; moreover, four Mexican auto parts companies also have plants in India. These manufacturing plants are the surest sign yet that India and Mexico are integrating their value chains in the automobile sector. Similarly, a number of companies in the pharmaceuticals sector have set up manufacturing plants, mainly in Brazil and Mexico, which they use as a base for exports to other Latin American nations. The largest investments, by dollar value, are in the petroleum sector, where a host of Indian public and private sector companies, such as ONGC Videsh and Oil India have invested in Venezuela, Brazil and Colombia.

The 150 Indian companies in the region, especially in the IT sector, also add value by generating employment. In total, Indian companies employ more than 70,000 people

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22. All data on Indian investment in the LAC region and LAC investment in India has been calculated from Seshasayee, 2017; Ahumada, et al. 2017: 227–36.
in the LAC region, with the IT sector alone employing 25,000 people. The largest Indian employer in the region is the Samvardhan Motherson Group, a $9 billion auto parts company that employs 22,000 people in Mexico alone. The next largest is Tata Consultancy Services, an IT company that employs 16,000 people throughout the region. For detail see table 3.

Table 3

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<th>Indian companies operating in the LAC region, by sector</th>
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<td>Agri-</td>
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<td>Indian companies</td>
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<td>Total, incl. subsidiaries</td>
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Source: Authors’ compilation based on personal interviews with company representatives.

Latin American companies have also invested a significant amount in India. Although they are smaller in number—around 32 companies—they have invested as much as $2 billion in India. Mexican and Brazilian companies make up the large majority, with 13 companies each. Gerdau, the Brazilian steelmaker, was the largest Latin American investor in India, investing roughly $400 million in its plant in Andhra Pradesh before selling its stake to ADV Partners and affiliates in India. A host of auto parts and IT companies have also opened offices in India to be part of the national and global value chains in these sectors. The largest IT companies from Mexico, Brazil and Argentina—Softtek, Stefanini and Globant—have invested in India. While most enter India to be part of a value chain or provide services, a few such as Mexico’s Cinépolis have invested in India to target the large

23. Data obtained from email interview with Managing Director of Gerdau India, Sridhar Krishnamoorthy.
and growing middle-class consumer market. Cinépolis is the only international cinema exhibitor in India and operates roughly 400 screens across the country. The most recent investment is from Mexico’s Grupo Bimbo, the world’s largest bread maker, which acquired Ready Roti Ltd.

**Conclusion**

There is no doubt Indo-LAC links have come a long way. The upturn in Latin American and Caribbean embassies in New Delhi (20, the same number as in Beijing) is an indication of how seriously the region’s governments are taking India and vice versa. Not surprisingly, the links between India and Brazil, expressed in entities such as the BRICS grouping as well as in the India, Brazil, South Africa (IBSA) Initiative, are especially strong and act as anchor for ties that are not facilitated by the region’s fragmentation and the weakness of regional bodies like the Community of Latin American and Caribbean States (CELAC) or the Union of South American Nations (UNASUR).

As we have pointed out above, the region is not among India’s immediate and most pressing foreign policy priorities, and there is no reason it should be. That said, at a time when we have a major power and wealth shift from the North Atlantic to the Pacific (or Indo-Pacific, in the parlance of the Trump administration), one misses, on both sides, a more pro-active and engagé attitude in their foreign policy initiatives towards each other. On the Latin American side, there is an extended history of last-minute cancellations of presidential state visits to India, as more pressing concerns take priority over long-standing commitments. On the Indian side, such developments only seem to reinforce the notion that mañana still rules in the Americas South of the Rio
Grande, and that there are other regions where Indians will feel more comfortable doing business.

The net result? A scarce three visits (among 70) by Prime Minister Modi to Latin America in his first five years in office, in stark contrast to, say, China’s much more proactive presence, including three visits by Chinese President Xi Jinping to ten countries, in addition to several more by Prime Minister Li Keqiang in roughly the same period, not to mention such innovative mechanisms as the China-CELAC Ministerial Fora launched in Beijing in January 2015, and followed up with a second version in Santiago in January 2018.

In short, despite the considerable progress that has taken place in Indo-LAC links in the course of the new century, there is still a sense of missed opportunity, and that leaders on both sides are struggling to find the right policy instruments to move the relationship forward. As mentioned earlier in the sections on trade and investment, the complementarities of the Latin American economies and the Indian one are striking, but one cannot escape the feeling that both governments and business have yet to come up with the right approach for them to be fully developed.

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