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**The Ebb and Flow of India-Latin America Ties:
Exploring Opportunities with Colombia**

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DT 002/20

September, 2020



The Ebb and Flow of India-Latin America Ties: Exploring Opportunities with Colombia Agreement

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Abstract

India's relationship with Latin America is based primarily on one principle: economic diplomacy. This brings stability to the relationship, as ideology becomes peripheral. India and Latin America share many socio-economic realities, and are developing countries part of the Global South. These traits must be leveraged over the next few decades if the 21st century is to be headlined by Asia, with Latin America as an important partner. Already, India has become one of Latin America's key commercial partners over the past two decades, yet there remains much untapped potential. This paper examines the elements that underpin the India-Latin America relationship, from both a historical and current perspective, and then studies the case of India-Colombia relations, looking first at an overview of the bilateral and recommending some policy options to boost Colombia's exports to India.

Keywords: India, Latin America, Colombia

Resumen

La relación de la India con América Latina se basa sobre todo en un principio: la diplomacia económica. Esto aporta estabilidad a la relación, ya que la ideología se vuelve periférica. La India y América Latina comparten muchas realidades socioeconómicas y son países en desarrollo que forman parte del Sur Global. Ambas partes deben aprovechar estos rasgos en las próximas décadas si el siglo XXI sea encabezado por Asia, con América Latina como un socio importante. India ya se ha convertido en uno de los socios comerciales clave de América Latina en las últimas dos décadas, pero aún queda mucho potencial sin explotar. Este documento examinará los elementos que sustentan la relación entre la India y América Latina, tanto desde una perspectiva histórica como actual, y luego se estudiará la relación bilateral entre la India y Colombia, examinando en primer lugar un panorama general de la situación bilateral y después proponer opciones para impulsar el comercio de Colombia a la India.

Palabras clave: India, América Latina, Colombia

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1. INTRODUCTION

The 21st century has often been dubbed as the ‘Asian Century.’ As early as 1925, even before the second world war, political scientists spoke of the “dawn of the Pacific age, the successor to the aging Atlantic, the over-age Mediterranean and the European era.”² Despite the global economic dominance of the West, primarily Europe and the United States (US), for much of the 20th century, the notion of Asia capturing the spotlight should not come as a surprise. For most of the past two millennia, the contribution of India and China to global gross domestic product (GDP) has been sizeable, and always more or less proportional to the size of their population. This began to change only in the 19th century, when European colonial powers stripped Asia of much their natural resources and wealth. India and China’s combined contribution to world GDP fell dramatically from 46.72% in 1700 to only 8.75% in 1950, when both countries became independent from colonial rule (see Table 1).

Table 1. India, China and Latin America as percentage of world GDP

Year	India % of world GDP	China % of world GDP	Latin America % of world GDP
1	32	25,45	2,12
1000	28	22,06	3,78
1500	24,35	24,87	2,93
1700	24,43	22,29	1,7
1870	12,14	17,08	2,45
1950	4,16	4,59	7,78
2008	6,69	17,47	7,93
2050	14	22	10

Source: Angus Maddison project for historical dates & Asian Development Bank projections for 2050

By all means, most political leaders and economists acknowledge that the Asian Century is not preordained. Asia will have to cross many obstacles to sustain growth over such a long period of time; it will have to drastically reduce poverty and social inequalities, strengthen domestic institutions, and forge enduring geopolitical alliances. In December 1988, at a meeting with India’s Prime Minister Rajiv Gandhi, the Chinese paramount leader Deng Xiaoping exclaimed that “No genuine Asia Pacific century or Asian century can come until China, India and other neighbouring countries are developed. By the same token, there could be no Latin American century without a developed Brazil. We should therefore regard the problem of development as one that concerns all mankind and study and solve it on that level.”³

² Weigert, H. W. (1941). Haushofer and the Pacific. *Foreign Affairs*, 20(1), 732.

³ Subrahmanyam, S. (2016). One Asia, or Many? Reflections from connected history. *Modern Asian Studies*, 50(1), 5-43. doi:10.1017/S0026749X15000451

Most would agree with this sentiment, that socio-economic development is a prerequisite for Asian countries if they aspire to rule the roost for most of the 21st century. It is with this intention that India and China chose to focus predominantly on socio-economic development for much of the latter half of the 20th century.

At the turn of the new millennia, talk began of Latin America joining this so-called Asian century. The Carnegie Endowment for International Peace, a Washington DC-based think tank, remarked in its *The World Order in 2050* report that “the weight of global economic activity is already shifting substantially from the G7 countries toward emerging economies in Asia and Latin America. Over the next 40 years, this trend is expected to accelerate.”⁴ As per the Asian Development Bank’s estimates, nearly half of world GDP is expected to come from China, India and Latin America by 2050.

The two heavyweights of the region, Brazil and Mexico, remain at the forefront of this hypothesis. PwC, a professional services firm, forecasts that by 2050, China and India, in that order, will be the two largest economies in the world; Brazil and Mexico join them on the no. 5 and no. 7 positions respectively, ahead of every single European nation. Colombia is forecast at no. 31 on this list, just above the Netherlands. The PwC study notes that “Colombia is projected to be the fastest growing of the large Latin American countries we have included in this study, slightly ahead of Mexico and more clearly ahead of Brazil and Argentina.” The authors add that there are “great opportunities for strong long-term growth for Colombia, but also some challenges for the country, requiring investments in education, health and infrastructure and employment generation to fully realize this potential.”⁵

It is under this context, of a possible Asian century with Latin America for company, that we must view and analyze India-Latin America ties; it is a long-term partnership rather than a fleeting embrace. It is thus par for the course that both China and India have gravitated much closer to Latin America’s orbit over the past three decades. India’s relationship with the region cannot be compared on the same scale as China’s, which has followed a strict government doctrine that actively promotes a deepening of ties with Latin America, but there is merit in understanding the impulse that pushes India towards the region and chart a course for what can be expected in the coming decades, especially if the Indian government creates its own active foreign policy targeting the Latin American region. Besides, there are advantages to keeping an arm’s-length relationship: India can learn from the mistakes of the Chinese and the West, and cultivate a benevolent, favorable image for itself. At the moment, India-Latin America ties are driven primarily by economic diplomacy. Since business comes first, left-wing/right-wing politics and ideologies take a backseat, and rarely ever interfere with the business side of things. This means India can work with far-right regimes in the

⁴ Dadush, U. B., & Stancil, B. (2010). *The world order in 2050*. Washington, DC: Carnegie Endowment for International Peace. https://carnegieendowment.org/files/World_Order_in_2050.pdf

⁵ Hawksworth, J., Audino, H., & Clarry, R. (2017). The long view: how will the global economic order change by 2050. <https://www.pwc.com/gx/en/world-2050/assets/pwc-the-world-in-2050-full-report-feb-2017.pdf>

region as much as it can with the far-left, something that the US and China have to think twice about because of their own ideological alliances.

This paper will examine the elements that underpin the India-Latin America relationship, from both a historical and current perspective, and then study the case of India-Colombia relations, looking first at an overview of the bilateral and finally recommending some policy options to help boost Colombia's exports to India.

2. LAYING THE FOUNDATION FOR INDIA-LATIN AMERICA TIES

For most of the 20th century, India and Latin America were separated as much by a psychological distance as they were by a physical distance of about 15,000 kilometers. Most exchanges, whether commercial, cultural, political or diplomatic, were intermittent and lacked the substance to make a lasting impact on bilateral ties. Not until the rapid onset of globalization, towards the early 1990s, did India and Latin America truly begin laying the foundation of their partnership.

As the London-based Institute for Public Policy Research notes in their 2012 report, *The Third Wave of Globalisation*:

*The expansion of trade since the end of the cold war in particular has not just been a key driver of European and American growth but also an integral part of export-focused growth models that have allowed hundreds of millions of people in Asia and Latin America to rise out of poverty on the back of global economic demand.*⁶

It is no secret that India and Latin America benefitted greatly from this third wave of globalization. India implemented a wide range of economic liberalization reforms in 1991 – deregulating financial markets, greatly reducing tariffs on a wide range of products, reducing income tax and corporate taxes and promoting incentives for foreign investment. In the Government of India discussion paper published in 1993, shortly after the reforms, the authors note that “decades of development experience in dozens of countries show that a good economic environment combines the discipline of competitive markets with efficient provision of key public services.”⁷ In the ten years

⁶ Straw, W., Glennie, A. The Third Wave of Globalization. In: IPPR Review on the Future of Globalization. London: Institute for Public Policy Research, 2012. https://www.ippr.org/files/images/media/files/publication/2012/01/third-wave-globalisation_Jan2012_8551.pdf

⁷ Government of India, Ministry of Finance, Department of Economic Affairs, 'Economic Reforms: Two Years After and the Task Ahead', Discussion Paper, New Delhi: July 1993, pp.1.

following India's economic liberalization, the economy grew at an average annual rate of 6%, and continued to grow even more in the following years.⁸

At around the same time in the 1990s, Latin America began changing its economic policies, abandoning the old policies of import-substitution-industrialization (ISI), which most countries in the region followed for three preceding decades, and embraced an outward-looking economic model that looked to diversify exports to new markets and liberalize its economies even further. Many countries in the region saw a wave of privatizations; hyperinflation was brought under check by measures such as Brazil's Plano Real, which successfully managed to stabilize the local currency; exports grew considerably in Latin America, from 14% of GDP in 1980 to 24% of GDP in 2004.⁹

India's economic liberalization juxtaposed with Latin America's departure from ISI created an ideal scenario for closer commercial ties: India had a penchant for commodities like oil and minerals, which Latin America exported in abundance, and the region became a means for diversification for Indian companies that were keen to explore new markets. Latin America provided India much-needed resources that were vital for sustaining its industrialization and economic growth; this was also a boon for Latin America, which saw demand drop in Europe and the US, opening the space for new Asian partners like India and China.

This lack of political will to forge strategic alliances, from both India and Latin America, is not altogether surprising. India's foreign policy has always been based on concentric circles: the first circle is the immediate neighbourhood, particularly in order to safeguard India's national security interests from bordering nations; the second includes the so-called 'extended neighbourhood,' made up of West Asia, South East Asia and the Indian Ocean Rim; the final circle encompasses the entire world, with strategic partners like the US and Russia at its core. Latin America thus rarely appears in India's foreign policy calculus, and the same can be said of India from the region's perspective. In Latin American capitals, India most often enters dialogues on foreign policy through the garb of Asia, and even then, China usually takes precedence. This is also reflected in official representations in the Ministries of Foreign Affairs in both sides: India is nearly always categorized under Asia, Africa and Oceania, leaving officers little room to focus on New Delhi, instead attending to the bigger fish – China, Japan and South Korea, for instance. Latin America too is managed by India's junior foreign minister, and receives far less attention than most other regions.

The India-Latin America relationship is thus established in economic, rather than political, terms. There is a bright side to this: the relationship is free of the colonial

⁸ GDP growth (annual %) – India. World Bank. <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=IN>

⁹ Exports of goods and services (% of GDP) - Latin America & Caribbean. World Bank. <https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?locations=ZJ>

baggage that limits European engagement with the region, of the ‘big brother’ image of the US, and of the looming authority of China, an up-and-coming global power. India and Latin America can begin with an equal footing, as countries that share similar socio-economic conditions and more complementarities than conflicts.

3. THE CONTEMPORARY INDIA-LATIN AMERICA RELATIONSHIP

The 21st century brought new opportunities for India and Latin America that were previously unthinkable. This was aided by India’s rapid GDP growth, recording an average annual growth of 8.8% between 2003 and 2008.¹⁰ India’s economic growth stories made headlines across the world, even in Latin America. From the United Nations Economic Commission for Latin America and the Caribbean (UN ECLAC) and the Central Bank of Argentina to newspapers and journals in Colombia and Mexico, everyone began to take an interest in India. At the same time, Latin America enjoyed the fruits of its own commodity boom, and began looking at India as a new market and a means to diversify exports. Latin America’s annual GDP grew at an average of 5% in 2004-2008, something the region last saw in the early 1970s.¹¹

In 2004, Mercosur, a regional grouping including Brazil, Argentina, Uruguay and Paraguay, signed a Preferential Trade Agreement (PTA) with India, followed closely by Chile and its own PTA with India by 2006. These five countries enjoyed preferential tariffs across thousands of products with India; they were all eager to export to the fast-growing Indian middle class. The region’s largest oil exporter at the time, Venezuela, began exporting sizeable amounts of crude oil to India only in 2006; within two years, the Andean nation was selling 6.6 million tons of crude petroleum oil to India.¹²

The first 15 years of the new century saw more high-level visits by heads of government between India and Latin America than all of the 20th century.¹³ This increase in high-level visits came mostly from the Latin American region, whose countries were keen on forging deeper ties with one of the world’s fastest growing economies. The presidents of Chile, Colombia, Paraguay and Venezuela made their first-ever bilateral visit to India only in the 21st century; India also saw five visits from the Brazilian president. These countries courted India as a large export market and also as a potential investor of information and communication technology (ICT) and automobiles, sectors where India had already won global recognition. However, few Indian prime ministers have made bilateral visits to the Latin American region, preoccupied as they have been with matters concerning the immediate and extended

¹⁰ GDP growth (annual %) – India. World Bank. <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=IN>

¹¹ GDP growth (annual %) - Latin America & Caribbean. World Bank. <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=ZJ>

¹² Trade Map (International Trade Centre). www.trademap.org

¹³ Annual Reports, Ministry of External Affairs Library, Government of India. <https://mealib.nic.in/>

neighbourhood – the first and second concentric circles of India’s foreign policy. Many visits took place under the banner of multilateral fora such as the G20 or the BRICS (Brazil, Russia, India, China and South Africa), but these were not often accompanied by an official bilateral visit; instead, a short round of meetings on the sidelines of these multilateral summits sufficed. Even the current Indian Prime Minister, Narendra Modi, has made only two visits to the Latin American region since taking office in 2014, one for the BRICS Summit in Brazil and another for the G20 Summit in Argentina; Modi has yet to make a single official bilateral visit in Latin America outside of these multilateral events.¹⁴

This increased political interest from Latin America was also evident in their diplomatic endeavors. While only 10 diplomatic missions were opened by Latin America since 1947 to 1999, the 21st century saw 11 new missions from the region in India, by countries like Ecuador, Paraguay, Bolivia, Costa Rica and the Dominican Republic, and additional Consulates General in Mumbai, India’s financial capital, by Brazil, Argentina and Ecuador.

Table 2: Comparison of diplomatic missions and high-level visits in 20th and 21st century¹⁵

	1947-1999	2000-2019
Latin American Diplomatic Missions opened in India	10	11
Indian Diplomatic Missions opened in Latin America	10	1
Latin American Heads of Government visits to India	11	13
India Head of Government visits to Latin America	7	4

Source: Annual Reports, Ministry of External Affairs Library, India, <https://mealib.nic.in/?2386?000>

In 2006, Brazil elevated its ties with India to that of a ‘strategic partnership,’ and the following year, Mexico and India officially term their bilateral as a ‘Privileged Partnership.’ This revised nomenclature of political ties may seem trivial, but it reflected an important change in the relationship: increased political will and attention, even if it may be temporary.

¹⁴ Note: Modi also made a short, 4-hour, transit visit to Mexico, but this has not been included in calculations since it was not an official bilateral visit.

¹⁵ Note: The table excludes summit and multilateral visits such as the G-20, G-15 and Non-Aligned Movement Summits, and only includes official bilateral visits with Latin America, not including the Caribbean.

4. ECONOMIC DIPLOMACY: GALVANIZING THE INDIA-LATIN AMERICA RELATIONSHIP

The 21st century also saw a rapid increase in India-Latin America commercial ties, which even preceded the newfound political interest. Trade provided the first stimulus: from US\$2 billion in 2003, India-Latin America trade reached a peak of US\$49 billion in 2014.¹⁶ Today, India is among Latin America's top five global export destinations, and the largest export destination for vegetable oils, third-largest for copper ore, petroleum and gold, and fourth-largest for sugar and wood. For India, Latin America is the largest export destination of automobiles, and the second-largest for synthetic yarn and motorcycle exports, and the region is also a major export source for pharmaceuticals, organic chemicals, auto-parts, aluminum and cotton yarn.¹⁷ This trade can be classified into three broad categories:

1. Commodity-based trade: A large percentage of Latin America's exports to India can be classified as commodity-based, including copper ore, gold, soybean oil and sugar. India buys more than US\$ 2 billion of soybean oil per year from Argentina, Brazil and Paraguay, and is the largest export market for this product for all three countries. This is part of India's food security policy and is expected to continue in the long-run – after all, India is the world's largest importer of vegetable oils. Copper is an essential input to support India's industrialization and economic development, and much of India's copper ore is imported from Latin America; in 2019, 70% of India's copper ore was imported from the region, most of which was sourced from Chile, the world's largest copper exporter. Gold is a rather recent entrant to the trade basket: Latin America started exporting gold directly to India only in 2012, with exports of just USD 144,000. Today, the region exports roughly US\$3.5 billion worth gold to India, already 1/6th of the region's gold exports, and 15% of India's total gold imports by quantity.¹⁸
2. Value-added trade: Much of India's exports to the region are value-added or manufactured goods, such as automobiles, machinery, organic chemicals and pharmaceuticals. Latin America accounts for nearly 30% of India's global car exports. Nearly all of these cars are manufactured by global brands like Volkswagen, Ford and General Motors that have factories in India. In fact, four out of five cars exported by Volkswagen India are destined for Mexico. The Latin American region is also a key component of the export strategy for India's motorcycle brands, and one-fifth of India's total motorcycle exports are headed for Latin America. India's Bajaj Auto leads the pack, and holds a dominant market share in countries like Colombia, Peru and Guatemala. The region is also a large export destination for India's pharmaceutical goods and organic chemicals. In fact, India's pharmaceutical companies have been selling generic

¹⁶ Trade Map (International Trade Centre). www.trademap.org

¹⁷ Note: All trade data is obtained from Trade Map (International Trade Centre). www.trademap.org

¹⁸ Note: All trade data is obtained from Trade Map (International Trade Centre). www.trademap.org

drugs and subsequently helping to reduce the cost of public healthcare in the region since 1997, when they were first courted by Brazil's then-Health Minister Jose Serra.¹⁹

Latin America too exports value-added goods to India. Mexico, the region's largest manufacturing country, exports more than US\$500 million worth of telephone sets to India. A handful of countries from the region have begun targeting the Indian market for agricultural products, fresh fruits and vegetables and processed foods. Chile is today India's second-largest import source for apples, kiwis and walnuts. Peru is the second-largest provider of fresh grapes to India. We can expect these value-added exports to increase in the years to come, as most Latin American countries have an active strategy of promoting non-traditional and agricultural exports to India, which is fast-becoming one of the world's biggest markets for foodstuff.²⁰

3. Strategic trade: So far, the most strategic product traded between India and Latin America is crude petroleum oil. This is a crucial import for India's energy security, since about 85% of petroleum oil demand is met through imports. Five Latin American countries, Venezuela, Mexico, Brazil, Colombia and Ecuador, make up roughly one-fifth of India's global oil imports. As the world's third-largest oil importer, after only the US and China, this comes as no surprise. However, two factors have accelerated Latin America's exports of oil to India: first is the increase in oil production in Canada and the US due to the shale oil and gas revolution, which led to a subsequent decrease in US and Canadian imports of Latin American oil. Second was India's active policy to diversify its oil import sources, as a bid to play the market as well as hedge competing oil providers with each other. Till the early 2000s, nearly 90% of India's oil imports came from only one region, West Asia; today, only 60% of India's total oil imports come from West Asia, the rest is sourced from Africa and Latin America. The Latin America region accounts for between 14%-20% of India's oil imports by quantity since 2012. Most of this oil import is market-driven and a large majority consists of heavy crude; India is among the top oil export destinations for Venezuela, Brazil and Mexico, while Colombia and Ecuador are more sporadic suppliers.²¹

The case of Venezuela, home to the world's largest oil reserves, is notable: India began importing Venezuela's heavy crude in sizeable quantities only in 2008, about 130,000 barrels per day (bpd), but this has increased exponentially in the next decade. Between 2010 to 2019, India imported an average of 361,000 bpd from Venezuela per year, roughly 10% of India's total oil imports. In 2019, after US sanctions against Venezuela's oil sector, India became the single-largest export destination for Venezuela, accounting for 40% of the country's total oil exports (see Graph 1). Still, it would be worth remembering that only two

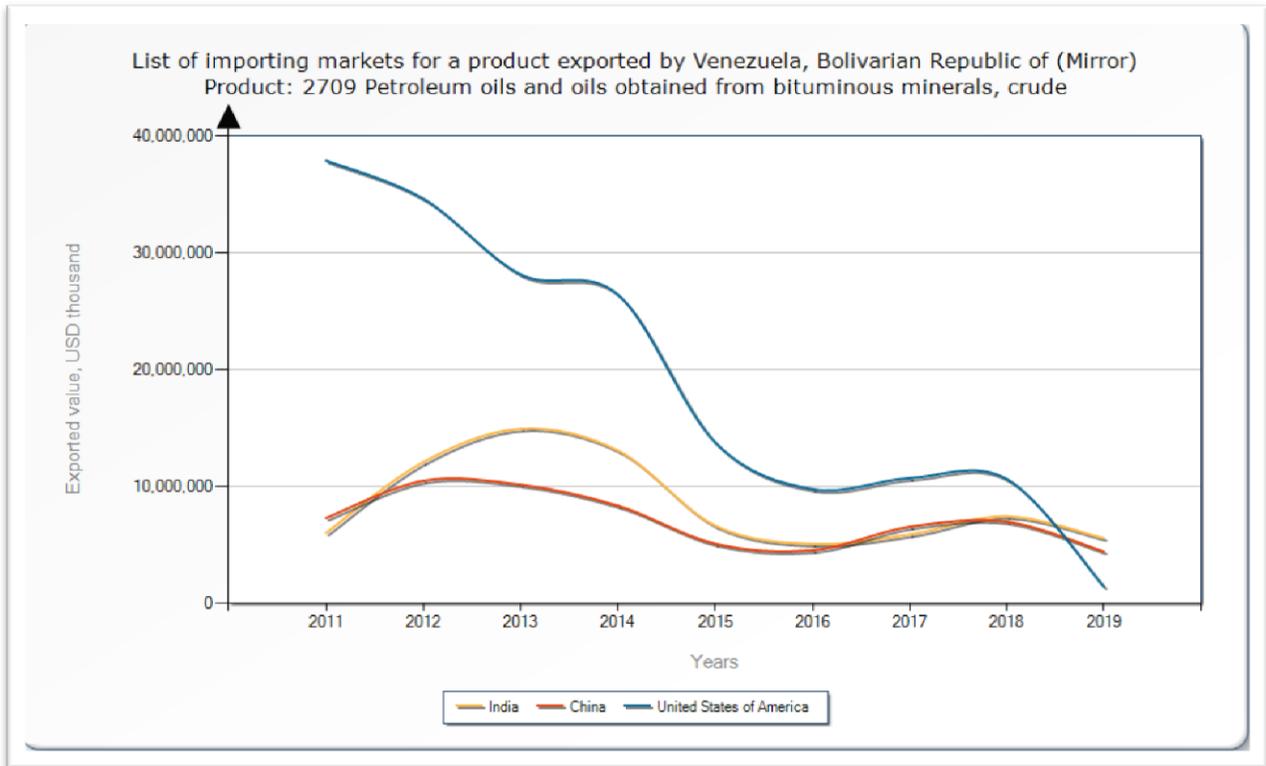
¹⁹ Seshasayee, H. (2014). "Indian Pharma in Latin America: A Strategic Investment, Revista Zero Impresa Edición 32, pp. 48–54. Recuperado de <http://zero.uexternado.edu.co/indian-pharma-in-latin-america-astrategic-investment/>

²⁰ Note: All trade data is obtained from Trade Map (International Trade Centre). www.trademap.org

²¹ Note: All trade data is obtained from Trade Map (International Trade Centre). www.trademap.org

companies in India currently buy Venezuelan oil, Reliance Industries – India’s largest conglomerate – and Nayara Energy, a subsidiary of Russia’s Rosneft; both companies are part of the private sector, and can afford to buy heavy Venezuelan crude in bulk at throwaway prices, and process it in their complex refineries. Unlike Venezuela’s political allies like Russia, China, Cuba and Turkey, the government of India is not an ideological ally to the present Venezuelan regime.²²

Graph 1: Venezuela’s oil exports to the top three markets, US, China and India, 2011-19



Source: Trade Map, www.trademap.org

The rapid boost in trade ties gave rise to another opportunity that India and Latin America have already taken advantage of: cross-border investment. India’s commercial engagement with Latin America, whether trade or investment, is by no means evenly distributed. Similarly, about three dozen Latin American companies also have a physical presence and have invested in India; these companies are leaders in their own right, and have different motives for entering the Indian market. Four broad characteristics underline India-Latin America cross-border investment:

²² Seshasayee, Hari. “India-Venezuela Relations: A Case Study in Oil Diplomacy.” *Wilson Center*, 2019. <https://www.wilsoncenter.org/publication/india-venezuela-relations-case-study-oil-diplomacy>

1. Nature of investment: Most Indian companies have entered Latin America through a process of inorganic growth, i.e. mergers and acquisitions. Some of the largest Indian companies in the region have entered through acquisitions of large multinationals. The Aditya Birla group's acquisition of Novelis, a US-based aluminum company, marked the group's entry to Latin America with revenues of US\$ 2 billion from the region. Most Indian pharmaceutical companies with manufacturing plants have made their foray into the region by acquiring pharmaceutical production plants, including Dr. Reddy's, Lupin, Zydus Cadila, Glenmark and Emcure Pharma. There are of course exceptions, including most Indian companies in the service sector and others like Hero Motocorp, the world's largest motorcycle producer, which set up a new manufacturing plant in Colombia. On the other hand, most Latin American companies in India have entered the market through organic growth, i.e. greenfield investments in new production facilities or offices. Companies like AJE Group, Peru's leading beverage producer, set up a plant in Patalganga, Maharashtra to produce 40,000 bottles per hour of their trademark Big Cola brand.
2. Motive for investment: Nearly all cross-border investment between India and Latin America is by the private sector, whose broad motives are market expansion and diversification. Unlike many other foreign investors in the region, India is conspicuously absent in most of Latin America's extractive industries such as mining and oil. There are some exceptions, such as investments by India's public-sector oil companies in Venezuela, Colombia and Brazil, but these are much smaller projects compared to those by foreign oil majors such as Chevron, Repsol and Rosneft. Most Indian investment is in value-added industries, rather than in raw materials or extractive industries, and Indian companies subsequently employ a large number of people in the region; the Motherson group, an autoparts manufacturer, and Tata Consulting Services (TCS), an ICT company, employ 22,000 and 16,000 people respectively. Investments from both sides are serious rather than fly-by ventures, most of which include a manufacturing component. The large majority of Latin American companies in India enter to be part of the global or regional value chain, which is most apparent in the autoparts and ICT sectors.
3. Scale of investment: The scale of Indian investment in Latin America far supersedes that of the region's presence in India, but this gap may reduce over time given India's rapidly growing middle class and consumer market. More than 150 Indian companies currently have a presence in the Latin American region, and they employ more than 80,000 people.²³ The scale of Indian investment is estimated to be more than US\$ 12 billion, while Latin American investment in India is about US\$ 2 billion. Only a handful of Latin American companies have

²³ Seshasayee, H. "How to Avoid the Primirization of Trade," *Integration and Trade Journal*: Volume 21: No. 43: December, 2017, p 226-236. LATINDIA: The Future of Cooperation between India and Latin America. *Inter-American Development Bank* (2017). <https://publications.iadb.org/en/integration-and-trade-journal-volume-21-no-43-december-2017-latindia-future-cooperation-between>

invested in India, totaling 35 companies, including a dozen companies each from Brazil and Mexico, and a couple from Peru, Argentina, Colombia and Chile. The largest segment belongs to India's US\$5 billion investments in the oil sector across Latin America, some of which may need to be revisited given the drastic fall in production in Venezuela. It would be futile to compare these cross-border investments with other foreign actors, be it China, the US or Europe, and instead could be more valuable to study the impact of these investments in creating jobs and adding value to respective supply chains.

Table 3: Indian investment in Latin America, by sector

	Agricu- ture	Auto	Energy	ICT	Mining	Pharma	Others	Total
Indian companies	15	20	9	35	10	32	34	155
Total, incl. subsidiaries	18	28	16	62	13	60	43	240

Source: Author's calculations based on fDi Markets and personal interviews

4. Sectors of investment: The 150-odd Indian companies in the region are split across multiple areas, but five sectors stand out: automobile, ICT, pharmaceuticals, energy and agribusiness.
 - a. Automobile: Seven Indian auto-parts companies have manufacturing facilities in Brazil and Mexico, while another five car and motorcycle companies have assembly or manufacturing plants in the region, including major Indian players, such as Tata Motors, Mahindra, TVS, Bajaj Auto and Hero Motocorp.
 - b. ICT: More than 30 Indian companies from the ICT space ventured to Latin America since the past two decades, initially to implement the near-shoring model of providing services to clients in the same time-zone in the US and Canada, but later prioritizing local and region clients with Latin America. These companies employ nearly 40,000 people in the region.
 - c. Pharmaceuticals: Another 30 companies from India are in the pharmaceutical sector in the region, about half of which have manufacturing plants to sell locally and export to other countries in the region; the other half is made up of small or mid-sized companies that have representative or marketing offices to increase their pharmaceutical exports from India to the region.

- d. Agribusiness: Indian agribusiness companies entered the region to take advantage of the vast opportunities in Latin America's agricultural industry, dubbed as the world's future break basket. Some companies like UPL, an agrochemicals firm that receives one-third of its overall revenue from Latin America, have bet their future on Latin America.
- e. Petroleum: The largest chunk of Indian investment in the region, about \$5 billion worth, is in the oil sector in Venezuela, Brazil and Colombia. Nearly all of these investments have been made by Indian's public oil companies. More investments are likely to follow in countries like Mexico and Ecuador.

Latin American investors in India are also in a multitude of sectors, from ICT and autoparts to education and financial technology. A large majority of these companies are in the engineering or automobile sectors, which have entered India to join the domestic and regional value chains. Fewer still, only six in total, are in India to leverage the large and growing consumer base, including Peru's beverage maker, the AJE group, Mexico's Cinopolis, a cinema chain, and Bimbo, a breadmaker. Latin America's leading ICT companies are also in India, including Brazil's Stefanini, Mexico's Softtek and Argentina's Globant.

5. A CASE STUDY OF INDIA-COLOMBIA TIES

Given that Latin America is made up of nearly two dozen countries of various sizes and socio-economic realities, India's relationship with the region is by no means uniform in nature. Due to the sheer size of India, with a population twice the size of Latin America, it is possible and practical to take a macro view of India-Latin America relations. Yet, there is equal merit in taking a micro view of India's bilateral relationships with countries in the region. There is considerable interest and literature of India's bilateral relationship with the region's giants, Brazil and Mexico, but the same cannot be said of other countries. This section will study India's ties with Colombia through a multi-faceted lens, including diplomatic, political, commercial and cultural aspects. After all, Colombia is the most populated country in the region after Brazil and Mexico, and is expected to overtake the Argentine economy in the coming years.

India's relationship with Colombia started off on a rather slow footing in comparison to some other Latin American countries. Even though diplomatic relations were established in 1959, India opened its Embassy in Colombia only in 1973, with Ambassador Madanjeet Singh serving as India's first envoy to Colombia. By then, India had already opened its resident embassies in seven Latin American countries – in Brazil, Argentina, Chile, Mexico, Cuba, Peru and Venezuela, in that order. Colombia's

first Ambassador to India was Leopoldo Borda Roldán, who presented his credentials in July 1959, and months after stated the following²⁴:

Soon the foreigner comes to understand that his ignorance about India is extraordinary and every day he receives new evidence of the impossibility of understanding the contradictions, superstitions and customs of this immense country, where one lives at the same time in prehistoric times and in the atomic age

During the Cold War era, India-Colombia relations remained limited by the ideological differences between the two countries, with India representing the Non-aligned countries and Colombia siding squarely with the US since 1961. As the authors of 'Fifty years of India-Colombia relations' note, "while India was leading the Non-Alignment movement at the international level, the Colombian strategy consisted of assuming as its own the directives of US foreign policy, which hindered understanding between the two countries [India and Colombia]; especially if one takes into account the ambiguous proximity between India and the Soviet Union, the enemy of the side to which Colombia unconditionally allied itself with in search of assistance, and whose imperialist influence in Latin America had been condemned by Nehru decades ago."²⁵

Since the late 1980s, political and diplomatic relations have been strengthened by the flow of trade, investment, and cultural exchanges between the two countries. Since 1995, the two countries have had a Bilateral Political Consultation mechanism, holding eight political consultations so far. The last one was held in New Delhi in 2017, led by Colombian Vice Minister Patti Londoño and the Secretary in charge of Latin America in India's Ministry of External Affairs, Preeti Saran. These policy consultations are meant to create a space for "a comprehensive review of the bilateral political agenda; trade and investment; culture, education and sport; cooperation; Consular matters; regional and multilateral issues; among others."²⁶

During these political consultations, India and Colombia signed two important agreements: an Agreement on Bilateral Promotion and Protection of Investment, and the Agreement on Avoidance of Double Taxation and the Prevention of Fiscal Evasion, to promote bilateral trade and investment between the two countries. Although bilateral relations have been smooth and cordial, the same cannot be said of the high-level visits between the two countries: the heads of government of each country have only made one official bilateral visit in their long history – India's Prime Minister Indira Gandhi

²⁴ Archivo General de La Nación, Ministerio de Relaciones Exteriores, Serie Diplomacia y Consulados, caja 589, carpeta 2, folio 191. Note: Translated from Spanish to English by this author.

²⁵ Fuentes, G., & Restrepo, R. (2009). Cincuenta años de relaciones entre India y Colombia. *Colombia e India en Perspectiva*, 211-246. Translated from Spanish to English by this author.

²⁶ "Informe de Gestión 2017". *Ministerio de Relaciones Exteriores y su Fondo Rotatorio, Gobierno de Colombia*. Enero 2018.

https://www.cancilleria.gov.co/sites/default/files/FOTOS2018/informe_de_gestion_institucional_2017_1.pdf

visited Colombia in 1968 and Colombian President Andres Pastrana visited India in 2001. However, the two countries have had 32 high-level visits between them, including visits by ministers and deputy ministers.

6. ANALYZING INDIA-COLOMBIA COMMERCIAL TIES

The commercial aspect of the India-Colombia relationship, including both trade and investment, currently forms the basis of the bilateral relationship. Bilateral trade reached a peak of over US\$ 4 billion in 2013 and 2014, during a period of high crude oil prices, when Colombia exported more than 100,000 bpd of oil to India. Additionally, India's exports to Colombia have averaged roughly US\$ 1 billion per year since 2011. More importantly, Colombia has been the third-largest destination for India's exports in Latin America, after Brazil and Mexico, since 2008; in fact, in 2005-2007, Colombia ranked second, when India's exports to Colombia exceeded exports to Mexico. Thus, rather early in the 21st century, Indian companies discovered Colombia's importance as an export destination for many consumer and high value-added products, despite the fact that India and Colombia overlap in the production of various agricultural goods that are central to their economies, such as sugar, coffee and cotton.²⁷

The most important product in India's export basket to Colombia has undoubtedly been motorcycles. Every year since 2009, the most exported product from India to Colombia has been motorcycles, and since 2004, Colombia has been one of the three main motorcycle export destinations for India globally. The success of these exports is due to three main reasons:

1. Local market size: The demand for motorcycles in Colombia has increased greatly over the past two decades, thanks to economic growth and a bulging middle class. The country records sales of some 600,000 units per year, making it the second-largest market for motorcycles in Latin America, after Brazil. In comparison, motorcycle sales in Argentina and Mexico stood at 320,000 and 227,000 respectively in 2019. Colombia also has the second-largest motorcycle fleet, with roughly 9 million units. Today, roughly one in every four households in Colombia owns a motorcycle.²⁸ This has attracted much attention from global motorcycle manufacturers, including Indian companies such as Bajaj, TVS Motors and Hero.
2. The success of Bajaj: India's largest motorcycle exporter, Bajaj Auto, with global sales exceeding US\$4.5 billion, entered the Colombian market in 1993 through its partner Auteco, the first motorcycle assembler in Colombia. According to Auteco, in 2001 Bajaj started assembling the Boxer 100 C.C., the best-selling

²⁷ Note: All trade data is obtained from Trade Map (International Trade Centre). www.trademap.org

²⁸ National Department of Statistics – Departamento Administrativo Nacional de Estadística (DANE). Government of Colombia.

motorcycle in the country's history. In fact, today Bajaj has the largest share of the Colombian motorcycle market, capturing approximately a quarter of total sales.²⁹

3. Colombia's strategic location: Although Bajaj has captured most of the market in India, another Indian company, Hero MotoCorp, chose Colombia as the destination for its first international manufacturing plant. Hero is the largest manufacturer of motorcycles in the world, and the company's director Pawan Munjal noted the reasons behind his foreign investment, "The location is strategic for the brand's interests; it offers one of the most solid and stable economies of the region, and it provides guarantees for the start-up of new companies' operations."³⁰ Hero invested US\$70 million in a new manufacturing plant in Villa Rica, Colombia, with an initial production capacity of 80,000 units, which the company plans to expand to 150,000 units.

Besides motorcycles, India also exports textiles, pharmaceutical products, agrochemicals and machinery to Colombia. This diversified export basket has helped India maintain a steady flow averaging roughly US\$ 1 billion per year.

7. COLOMBIA'S POTENTIAL EXPORTS TO INDIA: A LONG-TERM BET

Colombia's exports to India have focused more on mining and energy products, mainly crude oil, gold and coal, but these oil exports have been volatile due to changes in global oil prices. For example, exports peaked at USD 4.2 billion in 2013, when oil prices reached a peak of USD 118.9 per barrel³¹; in 2018, exports dropped to only USD 371 million, not even a tenth of sales in 2013, as the oil price fell to USD 45.8 per barrel in December 2018.³²

For most of the past century, Colombia's hydrocarbons and mining sectors have dominated the economy and the country's exports. In 2014, during a peak in oil prices, crude petroleum oil accounted for nearly half of the country's exports. The Colombian government has actively promoted a policy of diversifying the country's export basket and strengthening the so-called non-traditional sectors. Today, oil makes up a about 1/3rd of the country's exports. Another important factor is the country's dwindling oil reserves. As of 2020, Colombia's oil reserves are expected to last only another 6.3

²⁹ Leading brands of motorcycles sold in Colombia in 2018, by market share. *Statista*. <https://www.statista.com/statistics/909212/colombia-leading-motorcycle-brands-market-share/>

³⁰ "Hero MotoCorp, the largest motorcycle manufacturer in the world, comes to Colombia." *ProColombia, Government of Colombia*. <https://investincolombia.com.co/news/742-hero-motocorp-the-largest-motorcycle-manufacturer-in-the-world-comes-to-colombia.html>

³¹ Brent crude oil trading range in 2013 was narrowest since 2006. *U.S. Energy Information Administration*. <https://www.eia.gov/todayinenergy/detail.php?id=15251>

³² Rapier, Robert. "Why Oil Prices Rose And Crashed In 2018." *Oilprice.com*. December 30, 2018. <https://oilprice.com/Energy/Oil-Prices/Why-Oil-Prices-Rose-And-Crashed-In-2018.html>

years, while gas reserves have a little longer, at 8 years.³³ This means there is precious little time available to build up and develop other sectors, including but not limited to agriculture and processed foods, chemicals and life sciences, services, manufacturing and fashion.

Colombia has recorded a considerable amount of exports of non-mining products to India, exceeding USD 100 million in 2019, including mainly value-added products such as teak wood, plastics in primary forms, chemicals, industrial machinery and other processed food and fashion products. Significantly, India is the main market for Colombian teak exports.

In the long-run, India is a potential market for Colombia's non-traditional, value-added sectors and exports. However, this is easier said than done: India is a gigantic market of more than 1.3 billion people, about 26 times the population of Colombia; India is also one of the most competitive and sought-after economies for exporters from across the world; finally, many sectors and products still remain out of bounds and restricted by high tariffs and non-tariff barriers. Some of Colombia's biggest non-oil exports are non-starters in India: for instance, Colombia exports more than 2 million tons of bananas annually, but India has banned the import of bananas from all countries, given that it is the world's largest producer, accounting for more than one-fourth of global banana production.³⁴ Colombia is also the world's second-largest exporter of flowers, after only the Netherlands,³⁵ but India's flower imports are restrictive, and do not allow roses from most countries, including Colombia. Coffee is another example: Colombia is among the top five coffee exporting nations in the world, exporting more than US\$2 billion annually. India too is a coffee exporter, and its coffee exports are nearly five times more than its coffee imports, resulting in a proclivity for policies that restrict imports. India's basic import tariff for coffee is 100%, and the tariff for processed coffee, such as instant coffee, is 30%. Most coffee buyers in India thus shy away and keep imports to a minimum, preferring to import from countries in South East Asia, which enjoy lower tariffs due to a free trade agreement (FTA) with India; consequently, more than two-thirds of India's coffee imports come from South East Asia.³⁶

Still, Colombia must persist and negotiate entry for its products in India, and simultaneously promote exports of products that do not have any barriers for entry into

³³ Reservas probadas de petróleo en Colombia aumentaron a 6,3 años al cierre de 2019. *Presidencia de la República de Colombia, Gobierno de Colombia.* 30 April 2020. <https://id.presidencia.gov.co/Paginas/prensa/2020/Reservas-probadas-de-petroleo-en-Colombia-aumentaron-a-6-3-anos-al-cierre-de-2019-200430.aspx>

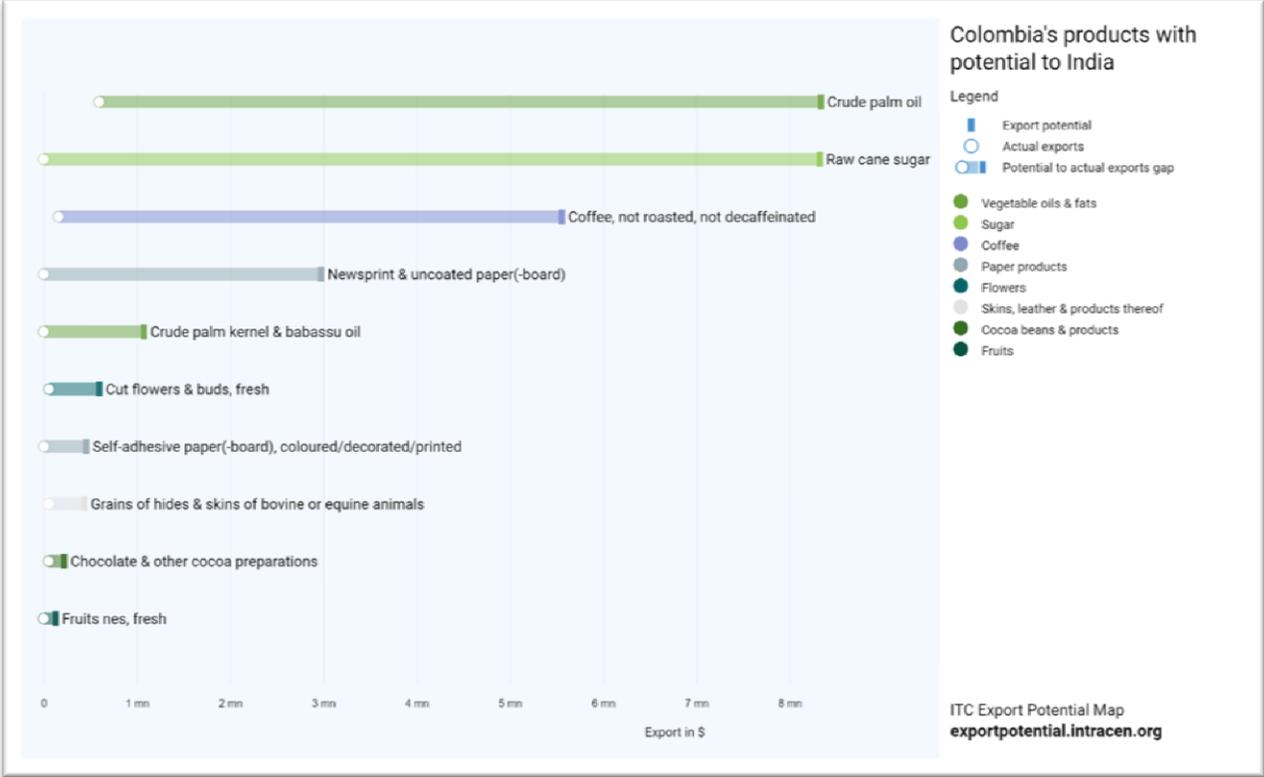
³⁴ FRESH FRUITS & VEGETABLES. *Agricultural & Processed Food Products Export Development Authority (APEDA), Government of India.* http://apeda.gov.in/apedawebsite/six_head_product/FFV.htm

³⁵ Acosta, Luis Jaime. "Colombia will seek to double flower exports to \$3 bln by 2030." Reuters, February 12, 2020. <https://www.reuters.com/article/colombia-agriculture/colombia-will-seek-to-double-flower-exports-to-3-blm-by-2030-idUSL1N2AC009>

³⁶ Note: All trade data is obtained from Trade Map (International Trade Centre). www.trademap.org

India. As per data from the International Trade Centre (ITC), set up by the World Trade Organization (WTO) and the United Nations (UN), Colombia has an untapped potential of US\$90 million for non-traditional products. These include various products that could boost Colombia’s exports in the short and medium-term (see graph 2).

Graph 2: Colombia’s potential exports to India



Source: ITC Export Potential Map, <https://exportpotential.intracen.org/>

8. INDIAN INVESTMENT IN COLOMBIA: ADDING VALUE TO THE COUNTRY

Perhaps more impactful than bilateral trade between the two countries is India’s investment in Colombia. Since the last two decades, Indian companies have invested around US\$ 1 billion in Colombia, a sizeable number in the context of India’s investments in the Latin American region, behind only Brazil and Venezuela and on par with Indian investment in Mexico.³⁷

³⁷ Note: Calculations based on figures from Embassy of Colombia in Bogota and Oil and Natural Gas Corporation Ltd.

Most of this investment value consists of a single investment by India's state-owned oil company, ONGC Videsh Limited (OVL), which has invested more than US\$ 650 million³⁸ in Colombia since the acquisition of Omimex de Colombia in a joint venture with China's state oil company, Sinopec, in 2006. The new entity was named Mansarovar Energy, which aims to produce more than 100,000 bpd. OVL has 7 projects in Colombia with proved and probable reserves of more than 2 million tons of crude oil.³⁹

Apart from this investment in the oil sector, more than 45 Indian companies have invested in other sectors like automobiles and motorcycles, agrochemicals, information technology and pharmaceuticals. These companies see Colombia as a strategic investment destination, as a base for operations in South America with easy access to all markets in the Americas, and entry to both Pacific and Atlantic maritime lines. Some of the major manufacturing-related investments, such as those by Hero Motocorp and Essel Propack, a company specializing in packaging, are located in Colombia's free trade zones.

India's best-known ICT companies such as TCS, Tech Mahindra, Infosys and Wipro all have operations in Colombia. TCS has more than 2,000 employees in Colombia, and in 2019 opened a new office in Bogota. The director of the Colombia office noted, "we have been seeing sustained growth of more than 300% from FY15 to date, and this figure is expected to grow further as we expand our operations, improve the brand experience, and drive Business 4.0 transformations for our customers."⁴⁰

Nearly all of India's foreign investment in Colombia is in value-added manufacturing and services, and generates employment in the country. According to a study published by the Centre for Pacific Basin Studies at the Pontificia Universidad Javeriana Cali:⁴¹

For the period under study, Indian investment was a significant generator of employment in Colombia. The inflow of capital from that country, in proportional terms, created more employment than investment from Asia Pacific and the world...For every million dollars invested in Colombia, India created 24.6 jobs, while Asia Pacific created 3.5 and the world 2.7.

³⁸ Annual Report 2017-18. Oil and Natural Gas Corporation Ltd. <https://www.ongcindia.com/wps/wcm/connect/en/investors/annual-reports/annual-report-2017-18>

³⁹ Annual Report 2017-18. Oil and Natural Gas Corporation Ltd. <https://www.ongcindia.com/wps/wcm/connect/en/investors/annual-reports/annual-report-2017-18>

⁴⁰ Press Release: TCS Opens New Office in Bogotá to Drive Digital Transformation for Customers. Tata Consultancy Services, April 19, 2019. <https://www.tcs.com/tcs-opens-new-office-bogota-drive-digital-transformation-customers>

⁴¹ Miranda, M., Pelaez, J., & Campos, S. (2016). Colombia y la India: Relaciones de Comercio, Inversión y Oportunidades de Intercambio (Colombia and India: Trade Relations, Investment and Exchange Opportunities). *Journal of Business*, 8(1), 91-109. Note: Translated from Spanish to English by this author

9. THE WAY FORWARD FOR INDIA-COLOMBIA TIES

As important as bilateral relations are, it is important to recognize that they form part of a larger regional and international context. India's bilateral relationship with Colombia is thus framed within its policy towards Latin America, and Colombia's perspective on India must be seen as part of its Asia Pacific policy.

The cultural and social exchanges between the two countries point to a more collaborative future for India and Colombia. A rather new and significant development has begun on space cooperation. On 29 November 2018, India's space agency, ISRO, successfully launched the FACSAT1 satellite, the first nanosatellite of the Colombian Air Force. This marked a historic occasion in India-Colombia relations, revealing the vast opportunities that lie in store for both countries in the 21st century.

From a cultural point of view, the image of India's Mahatma Gandhi has a special significance in Colombia, as a symbol of peace, especially during the Colombian conflict with the Revolutionary Armed Forces of Colombia. The capital, Bogotá, has two busts of Gandhi and Colombia has some schools named after Gandhi; there are also yoga courses at universities in Colombia, such as the Universidad Externado de Colombia and the Universidad Piloto de Colombia, and more than 10,000 Colombians participate in yoga events organized throughout the country.

In the long term, Colombia will always be an attractive destination for India, both for its strategic location with access to the Pacific and Atlantic, and its large population, being the second-most populated country in South America. It is time for Colombian companies to look more to India as an investment destination and hub for Asia, and also as a large consumer market for agricultural and food products, fashion and manufactured goods. India and Colombia should also work towards a speedy conclusion of the proposed India-Colombia trade agreement, and include a vast array of products that deepen and expand commercial ties.

10. RE-EXAMINING INDIA-LATIN AMERICA TIES IN AN ASIAN AND GLOBAL CONTEXT

When studying extra-hemispherical actors in Latin America, the usual suspects tend to be global powers and traditional partners of the region, such as the US, China, Russia, European countries like Spain or Germany, and occasionally Japan and South Korea; India rarely figures in this list, but this paper is evidence that perhaps more data and analysis is required of India-Latin America ties. India's neighbour and arguably the bigger Asian giant, China, is now a proactive and undeniable partner for Latin America,

and thus appears more often in commentary about the region. After all, China is the largest trade partner for many countries in the region, including Brazil, Peru and Chile, and is a major investor and lender for others like Venezuela, Bolivia and Argentina. This brings up some valid and important questions: How does India's relationship with Latin America compare and contrast with China's? Is there any competition between the two Asian giants in the region?

The presence of India and China in Latin America can be viewed from three broad lenses:

- **Political:** China formulated an exhaustive policy towards Latin America early into the 21st century. In fact, the Chinese state published two white papers detailing their Latin America policy in 2008 and 2016.⁴² The policy paper in 2016 notes that "relations have entered a new stage of comprehensive cooperation. The two sides have witnessed frequent high-level exchanges and political dialogues, all-round and rapid development in trade, investment, finance and other areas, and increasingly close cultural and people-to-people exchanges." These policies have been supported by strong ideological and political linkages between China and Latin America, resulting in more than 31 visits by the Chinese president and premier between 2001 and 2016. On the other hand, the Indian government has no official Latin America policy, unlike its 'Look East' policy prioritizing East Asia and the Africa-India Framework for Cooperation. This has had a palpable impact on high-level visits: in the last 50 years, India's prime minister has made only three official bilateral visits to the Latin American region, in 2006, 2010 and 2014, all to Brazil.⁴³ It would be to the benefit of the government of India to articulate a clear and ambitious Latin America policy, and also provide political and diplomatic support to expand its ties with the region, even if it is focused chiefly on economic diplomacy.
- **Commercial:** China and India are in two different leagues in their commercial relationship with Latin America. China's trade with the region stood at US\$319 billion in 2019, and Chinese President Xi Jinping set a target of US\$500 billion for 2025. Chinese investments in Latin America since 2005 amount more than US\$ 130 billion, and Chinese loans to the region total roughly US\$ 140 billion⁴⁴. India's commercial linkages are far smaller in scale: trade peaked in 2014 at US\$ 49 billion, and investments currently stand at US\$16 billion. However, India packs a bigger punch in certain aspects. Latin American companies have invested US\$ 2 billion in India, which is more than their US\$ 1.5 billion in China.

⁴² See China's Policy Paper On Latin America And The Caribbean, published in 2008 and 2016, available at <https://china.usc.edu/chinas-policy-paper-latin-america-and-caribbean> and <http://en.people.cn/n3/2016/1124/c90000-9146474.html>

⁴³ Note: A number of Indian prime ministers have visited Latin America for multilateral summits, such as the Non-Aligned Movement and G-20 Summits, but these were not accompanied by official bilateral visits.

⁴⁴ China's Engagement with Latin America and the Caribbean. U.S. Congressional Research Service (CRS) <https://fas.org/sqp/crs/row/IF10982.pdf>

India has also been a consistent and sizeable importer of vegetable oils from Latin America; since 2014, India has imported more soybean and sunflower oil from the region than China. Perhaps even more important is the fact that India's pharmaceutical companies have an edge over China in the Latin American region: throughout the 21st century, India has exported more finished pharmaceutical products to Latin America than China. Finally, India and China are major importers of Latin America's energy products, but it would seem that there is enough to go around, given that Latin America is home to about one-fifth of the world's proven oil reserves. In 2012-14, Latin America exported more oil to India than it did to China, though this equation has changed 2015 onwards; additionally, India is more dependent on Latin America for oil than China is, since the region accounts for up to 20% of India's total oil imports, but only 10% of China's.⁴⁵ In terms of investments, even though China remains leagues ahead in terms of total foreign investment stock, the nature of investments from both sides remain vastly different, and thus also have diverse impacts in Latin America. The vast majority of India's investment in the region comes from the private sector, while China's comes from both state-run enterprises and private companies (aptly supported by the State). The Indian investment has no political strings attached, while China's is far from innocuous. Moreover, Indian companies invest heavily in Latin America's manufacturing and value-added sectors, while the vast majority of Chinese investments remain in infrastructure, energy and mining. Even though China's investment profile in the region has changed over the past few years, tilting more towards services, oil, mining and transport still make up roughly 60% of total Chinese investments in the region.⁴⁶ Still, given the rather positive experience so far of Mansarovar Colombia, the joint venture between India's and China's state oil companies in Colombia, there is also scope for joint India-China collaboration in Latin America.

- Cultural and psychological: India maintains a fairly benevolent image in Latin America, remembered more as a historical and civilizational country that has more recently become something of a modern technological powerhouse; to most Latin Americans, the name India brings echoes of historical figures like Mahatma Gandhi, an icon of peace that resonates throughout the region, and Rabindranath Tagore, whose visit to Argentina and friendship with Victoria Ocampo is remembered fondly even today. On the other hand, China has a completely different image in Latin America: one of economic superiority and a growing global power that could possibly even displace the US in its own backyard. This brings China and Chinese companies under more relative scrutiny when operating in Latin America. From a social perspective, India is more palatable to most countries in the region as a comparable democracy with a broad federal structure, while China remains a one-party state with a strong central authority. However, in some ways China has a cultural edge, with over 3

⁴⁵ Note: All trade data is obtained from Trade Map (International Trade Centre). www.trademap.org

⁴⁶ Avendano, R., Melguizo, A., & Miner, S. (2017). *Chinese FDI in Latin America: new trends with global implications*. Washington: Atlantic Council. https://publications.atlanticcouncil.org/china-fdi-latin-america/AC_CHINA_FDI.pdf

million Chinese diaspora in the Latin American region, while India has a scant 30,000 people living in the region.

It would not be hasty to conclude that despite China's visibly deeper linkages with Latin America, there remain some areas, such as petroleum, pharmaceuticals, investments in manufacturing and services, where India can and occasionally does go head-to-head with China in the region. India can also use its soft power to its advantage in Latin America, but has yet to do so in an intentional or instrumental way. It would also be to the benefit of New Delhi to articulate and prioritize its foreign policy with the region.

Still, some challenges remain: the lack of FTAs between India and Latin America puts each other at a disadvantage in comparison to other partner countries like China, South Korea and the US, all of which have FTAs with Latin American countries;⁴⁷ the lack of direct shipping routes between India and Latin America mean that shipments can take between 35 to 75 days, depending on the route and the country; another detriment is the present lack of political will, which if increased could support and boost the commercial relationship. Nevertheless, India-Latin America ties are still at an incipient stage, and there remains much untapped potential. Both sides can work on potential opportunities, ranging from joint manufacturing and space cooperation to educational exchanges and synergies in the multilateral arena, such as the WTO, G20 and the UN.

India's equation with Latin America is based squarely on one principle: economic diplomacy. This brings balance and stability to the bilateral relationship, as ideology becomes secondary. Despite India's enormous size and population, it can be viewed more as an equal, based on shared socio-economic realities, as a democracy and a developing economy with much in common with the Latin American region. As the world's largest democracy, India is used as a reference for upholding democratic values that most countries in the region share; as a developing country, as is the case for Latin America, India is also part of the Global South. These traits must be leveraged over the next few decades if the 21st century really is to be headlined by Asia, with Latin America as a fitting partner.

⁴⁷ Note: Although India has signed PTAs with Chile and Mercosur, these are not FTAs, which are wider in scope and often go beyond trade in goods, to include services, investments and people-to-people contacts.

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