

India and Latin America: a new perception and a new partnership

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Theme

A new paradigm of both perception and of growth in the relations between India and Latin America is emerging, that should lead towards a longer-term partnership.

Summary

Over the past two decades, both India and Latin America have undergone fundamental transformations and are moving forward in a stable and predictable trajectory of growth and prosperity. There is a positive change in the perceptions that the new India and the new Latin America have of each other, discovering complementarities and synergies between their respective markets and mindsets. The entry of the Indian information technology (IT) and pharmaceutical sectors into Latin America, in addition to their investment models, have inspired confidence among Latin Americans who are apprehensive about an inflow of both Chinese goods and immigrants. India perceives Latin America as a long term contributor to its energy and food security, while India offers a large and growing market for Latin American businesses, which need to exploit this potential more seriously. India and Latin America share many similar developmental problems and could learn from each other's success stories. The governments on both sides of the Pacific have intensified their engagement and cooperation in recent years. The positive mutual perceptions of youth, business and government on both sides augur well for a long term Indo-Latin American partnership. Spain, with its special links to Latin America, has the potential to play a role and be a winner from this trilateral partnership.

Analysis

A paradigm shift

Until a decade ago, Indians had considered distance, language and culture a tough barrier to business with Latin America. But now the three have been turned into advantages by the two dozen Indian IT companies which operate in Latin America, employing around 25,000 local staff. They do 12 hours of work from Latin America and the next 12 hours from India to provide 24/7 service to their clients in the US and Europe in this new 12/12 business model which makes use of the time

difference between India and Latin America. The Indian IT companies also provide services in Spanish and Portuguese to local and European clients as well as to the US Hispanic market using their Latin American staff. The Indian firms also leverage on the European cultural roots of most of their Latino staff, who bond with the European and US clients more naturally and spontaneously.

So, welcome to the new paradigm of partnership between India and Latin America!

There are two further trends which confirm the paradigm shift in Indo-Latin American relations.

While Indian IT companies are recruiting more young Latin American technicians, Bollywood has started attracting Latin American stars. The Mexican actress Barbara Mori was the heroine of the Bollywood film *Kites*, released in 2010. Six Brazilian actresses (Bruna Abdullah, Izabelle Leite, Giselli Monteiro, Gabriela Bertante, Nathalia Pinheiro and Mariah Gomes) have acted in Indian films. The success of these stars has given rise to a new category of Latin American visa applicants at Indian embassies aspiring to Bollywood roles and modelling jobs in India. The Argentine musician Gustavo Santaolalla composed music for the Amir Khan film *Dhobi Ghat*, released in 2011. Rajnikant, the Tamil superstar, shot a dance scene with Aishwarya Rai in Machu Pichu for his last film, titled *Robot*. Toonz Animation Ltd of Trivandrum, in cooperation with Illusion Studios of Buenos Aires, coproduced a cartoon film titled *Gaturro*, based on a character created by the Argentine Cartoonist Nik. The film was released in 2010 and was a box-office hit. Globo TV of Brazil telecast a soap opera titled *Camino das Indias* ('Passage to India') in 2009. It was a typical Indian love story but acted out by Brazilians in Indian costumes. It got the highest ratings during its eight-month run and has been dubbed into Spanish and telecast in other Latin American countries.

A trendy Buenos Aires night club, called Groove, has an unusual event: the So What band of Rodrigo Bustos (aged 29) and Nicolas Pucci (aged 32) rock the bodies and stir the souls of an audience of around 800 teenagers with their Sanskrit songs Jai Krishna Hare and Govinda Govinda, in pop, rock and hip-hop styles. In these Yoga Rave events, the club does not serve alcohol and forbids smoking and drugs. The club serves only pure vegetarian food. In between the songs, a Guru leads the audience with exercises in yoga and meditation. The band has performed in other countries in the region, attracting many Latin American followers to this alternative form of enjoyment. The Indians are amazed that Sanskrit and spiritualism have been taken to a new contemporary level, especially by Latin American youth.

Change in perception

In the past, Indians had a stereotyped image of Latin America as a politically unstable and economically volatile region. But now they are seeing the emergence of a New Latin America with vibrant democracies and strong macroeconomic fundamentals. There are a few exceptions, of course, but Indians are impressed by

the fact that the Latin American economies have withstood the global financial crisis without a serious impact and have become more immune to external shocks. Indian businesses are attracted by the large new Latin American market, which is on a more stable and predictable course of growth and prosperity.

On the other hand, there is a positive change of image of India among Latin Americans. They are fascinated by India's IT power, high economic growth, large foreign acquisitions –including Jaguar and Ritz Carlton by Indian companies– and the promotion of Indians to the top echelons of both American and European firms. The Latin American governments are now sending delegations to attract Indian investment and to learn from the Bangalore model.

From India, the pharmaceutical companies were the first (long before IT and other firms) to enter Latin America with exports and the local manufacture of generic medicines which are available in every country in the region. India is a major supplier of pharma raw materials (bulk drugs) to Latin American manufacturers of finished products, thus helping them to lower their production cost. India's entry put pressure on local and multinational companies to reduce the cost of their medicines and also to increase their own production of generic medicines. This is the reason why the Brazilian and Chilean Health Ministries were enthusiastically inviting Indian pharma companies. Latin American consumers and governments are happy that Indian generic medicines have helped them reduce their healthcare costs. This has opened the eyes of Latin Americans and raised the image of Indian companies.

India-Latin America: mutual learning

Both India and Latin America share many common developmental challenges. While India has been successful in some areas, the Latin Americans have excelled in others. The two sides can learn from each other's success stories and policies.

India could learn from Latin America in the following fields: fuel ethanol and Bolsa Familia programmes, Brasilia Consensus/Lulaism (a balanced and pragmatic mix of pro-poor and pro-market policies), agribusiness best-practices such as No-Till cultivation, silo-bag storage and Agricultural Process Outsourcing, Urban transport from Bogota and Curitiba, Mexico Pact under which major political parties have a consensus on vital national reforms and policies, eco-tourism from Costa Rica, dramatic transformation of Medellin as a peaceful and vibrant Silicon Valley –from its past notoriety as a murderous narco-traffic capital of the world–, Medellin's outreach to slums by providing metro cable connectivity to the slum dwellers and, of course, football from Brazil and Argentina.

Latin Americans can learn from India's success in areas such as IT, generic medicines, dairy cooperatives, affordable railways for the masses, inexpensive and competitive mobile phone system, affirmative policies for the disadvantaged, rural development, banking facilities to agricultural and rural sectors and best practices in the holding of elections, including electronic voting. The concerted export promotion

programmes of the Indian export promotion councils, chambers of commerce and government could be a model for Latin Americans who are still in the process of evolving an export culture.

Latin American youth admire their Indian counterparts for their educational excellence, IT skills, hard work, humility and hunger for success. And India's youth want to learn from the Latino spirit and work-life balance. They have started learning salsa and Spanish while the Latin American youth have taken to Bollywood music and dance and are keen to gain internships in Indian IT companies. This complementarity and mutual admiration makes young Indians and Latin Americans bond with each other and easily become friends.

The difference with China

China has overwhelmed Latin America with huge investments, imports and credits. However, many Latin Americans are apprehensive about the dumping of Chinese goods, that hurts local manufacturing, and the influx of large numbers of Chinese immigrants who live isolated in their own China Towns, with their own mafias. The Argentines are concerned that the Chinese have taken over around 10,000 convenience shops and supermarkets in the Greater Buenos Aires area. This is brought out in the Argentine film *Un Cuento Chino*, released in 2011. The aggressive proposals of Chinese companies to acquire large areas of agricultural land in South America have triggered the imposition of government restrictions on the foreign ownership of agricultural land in Brazil, Argentina and Uruguay. There has been unrest in Chinese mining ventures in Peru against the treatment of local workers and environment.

In contrast, Latin Americans welcome Indian businesses, who mainly employ local staff and bring in very few Indians –in some cases none at all–. For instance, Aegis, the Indian IT company, has 5,000 staff in Argentina, all of whom are Argentines, with not a single Indian. UPL, the Indian agrochemical and seed company, has 300 Argentine employees in its manufacturing and research units, and no Indians at all. In most cases, the Indian companies in the region are headed by local managers. The Indian IT, BPO and KPO companies are employing 25,000 young Latin Americans to whom they provide training, skill upgrading and multicultural exposure. The Latin American governments consider this an Indian contribution to the region's human resources development. Uruguay is thankful to TCS, which has put the country in the global IT map through the establishment of its first Latin America centre in 2002.

Latin Americans consider India a land of yoga, meditation, philosophy, wisdom, culture and spiritualism. Yoga schools can be found all over the region. Yoga and meditation are taught in some Latin American gaols to calm down the convicts. Deepak Chopra's lectures are well attended and his books are popular in the region. There are several thousand Latin American followers of Indian spiritual gurus and organisations such as Sai Baba, Hare Krishna and Art of Living. There are NGOs in

São Paulo and Medellín which disseminate Gandhi's message of non-violence in schools, prisons and even among the police.

India's vibrant and pluralistic democracy is a role model for the young democracies of Latin America, many of which have been subject to dictatorships. India's story of growth with democracy resonates with the Latin Americans, who consider the Chinese political and economic model as unsuitable for themselves. Hence, Latin Americans consider China merely a trade partner while they cherish the added moral and cultural values of India, which appeal to their hearts and souls.

Trade between India and Latin America

Trade between India and Latin America has increased from US\$2.6 billion in 2001 to US\$42 billion in 2013 and could reach US\$100 billion in the next four years.

Figure 1. India's trade with Latin America, 2001-13 (US\$ billion)

Year	13	12	11	10	09	08	07	06	05	04	03	02	01
Exports	14	12	12.1	9	7.5	8	5	4	3.2	2	1.7	1.7	1.5
Imports	28	29	15	14	9.7	11	6	5.2	3.1	2.3	1.9	1.7	1.1
Total	42	41	27	23	17.2	19	11	9.2	6.3	4.3	3.6	3.4	2.6

Figure 2. India's top seven trade partners (over US\$1 billion) in Latin America, 2013

Country	2013 (US\$ bn)
Venezuela	14.2
Brazil	9.48
Mexico	6.67
Colombia	4.18
Chile	2.8
Argentina	1.7
Peru	1.3

Figure 3. Top seven destinations for India's exports (over US\$0.5 billion), 2013

Country	2013 (US\$ bn)
Brazil	6.35
Mexico	2.86
Colombia	1.19
Peru	0.723
Argentina	0.695
Chile	0.692
Ecuador	0.516

Diesel, chemicals, pharmaceuticals, vehicles and textiles are the major export items to Latin America.

Figure 4. Top seven sources of India's imports from Latin America, 2013

Country	2013 (in US\$ billions)
Venezuela	14 (estimate)
Brazil	3.13
Mexico	3.52
Colombia	2.99
Chile	2.18
Argentina	1.1
Peru	0.586

Sources of statistics: Mercosur online, Indian Embassies and Indian Commerce Ministry.

Crude oil is India's largest import from the region, totalling US\$22 billion in 2013. Of this, US\$14 billion came from Venezuela, US\$3 billion from Mexico, US\$2.8 billion from Colombia and US\$1.58 billion from Brazil. Latin America's crude oil exporters are keen to increase their supplies to India given their declining exports to their erstwhile principal market, the US, which is reducing its imports thanks to the increase in its domestic production following the shale revolution. Latin America is projected to account for two-thirds of the growth in the world's oil supply over the next two decades, and it needs new markets.

India's second-biggest import is minerals, in which Latin America is rich and in which it has large reserves. Copper is the main export mineral, whose main source is Chile. The third-largest import is vegetable oil (soy and sunflower oil), mostly from Argentina.

India is expected to increase its imports of these three items in the future, given its growth in population and consumption and the widening gap between demand and local production. India considers Latin America a long-term contributor to its energy and food security. While India faces serious issues of water scarcity and the loss of agricultural land due to urbanisation, South America has vast surplus land which can be brought under cultivation and it also has abundant fresh water resources.

Some observers have commented that trade is unbalanced, with Latin America exporting raw materials and India exporting finished products. While this is partly true, it should be borne in mind that over 50% of India's exports to Latin America are also raw materials and intermediates such as bulk drugs, chemicals, dyestuffs, fabrics, yarn and cotton. Inexpensive imports of these Indian products help make Latin America's manufacturing sectors more competitive. For instance, the Brazilian company Surya Brasil imports raw Henna (used for hair dyeing and tattoos) from India and exports manufactured Henna products to around 20 countries, including

India.

India signed a Preferential Trade Agreement (PTA) with Chile in 2006 and another PTA with Mercosur in 2009. Negotiations are progressing, although slowly, with both Chile and Mercosur to broaden and deepen these PTAs.

Investment and joint ventures

There are over 100 Indian companies that have invested around US\$12 billion in Latin America in sectors such as energy, IT, pharmaceuticals, sugar, agrochemicals, electrical products, mining, metals, vehicles, auto parts, cosmetics and plastics.

Twenty Latin American companies have invested a total of slightly less than US\$1 billion in India in steel, multiplexes, bus assembly, auto parts and electrical motors.

There are also a number of joint ventures, such as the Tata-Marco Polo bus manufacture in India and the Kidzania edutainment centre in Mumbai, created by the Bollywood actor Shahrukh Khan and the Mexican entrepreneur Xavier López Ancona.

Political relations

The governments of India and Latin America have taken a number of initiatives in recent years to intensify relations and cooperation. The number of presidential, ministerial and official visits and cooperation agreements signed between the two sides in the last decade are greater than the total for the previous 50 years.

The Indian Ministry of External Affairs provides over 100 annual scholarships to Latin Americans to attend courses in areas such as IT and management. The Ministry has set up IT training centres in Central American countries and has provided concessional credits and grants for countries in the region.

India and most Latin American countries work together in global forums such as the UN and the WTO with a shared belief in a multipolar world and in multilateralism.

Strategic partnership with Brazil

The governments of India and Brazil are committed to developing a strategic partnership and have also been working together on many global issues. They have engaged in initiatives for the reform of the UN Security Council and presented their candidatures to permanent membership along with Germany and Japan. Nevertheless, their bilateral relations have been dormant in recent years because of the lack of interest in foreign policy displayed by President Dilma Rouseff and the passive approach of Prime Minister Manmohan Singh. India's new Prime Minister, Narendra Modi, is expected to inspire the Brazilians and reactivate the pursuit of the two countries' common global agendas.

The two countries have joined South Africa to form IBSA, a unique tricontinental partnership of democracies with common aspirations. India and Brazil are also active BRICS members. However, IBSA has been diluted after the Chinese got South Africa included in BRICS.

Regional groupings

India has reached out to Latin America's regional and subregional groupings. In August 2012 India invited the CELAC Troika of foreign ministers to their first dialogue in Delhi. It was agreed at the meeting to institutionalise dialogue and cooperation. India became an observer in the Pacific Alliance in February 2014 and signed a Framework Agreement for cooperation with SICA (the Central American integration group) in February 2004, having held three ministerial dialogue rounds since then.

Challenges

One of the main challenges for the relations between India and Latin America is the lack of direct air connectivity. Neither India's airlines nor those of Latin America have the plans or planes for direct connections. Shipping between India and Latin America is costly and takes at least 45 days.

There is still a sizeable information gap. In Latin America there are many books in Spanish and Portuguese on Indian philosophy and spiritualism but very few on contemporary India written by Latin Americans. Similarly, there is a shortage of books on Latin America by Indian authors. There is a need for a more direct flow of news and an exchange of views between the Indian and Latin American media, think-tanks and universities.

Indian businesses have been exploring the Latin American markets very proactively but Latin Americans have not yet paid sufficient attention to the Indian markets.

A number of Latin American countries have signed FTAs and have formed regional trade groups. However, no Latin American country has an FTA with India. This needs to be remedied.

The Modi government should pay more attention to Latin America

Indian foreign policy, which has been passive over the past decade, should be more assertive under the new Prime Minister, Narendra Modi. The visionary Modi is expected to raise India's global profile with his robust and proactive approach. He has held meetings with Latin American ambassadors twice in 2012-13 and shown a keen interest in the region, asking the ambassadors for their suggestions to strengthen relations. Modi's home state Gujarat accounts for over 60% of India's trade with Latin America. In 2013 the Reliance and Essar refineries in Gujarat imported US\$22 billion worth of Latin American crude oil and exported US\$3.3 billion worth of diesel to Brazil. The companies from Gujarat also import edible oil and minerals, the other two major items sourced from Latin America. Gujarat also

has a significant share in the exports of chemicals and pharmaceuticals, the largest segment of India's exports to Latin America. Given this background, Modi is expected to pay more attention to Latin America.

Over the past two decades, Latin America has started a more autonomous and assertive foreign policy with a firm belief in a multipolar and multilateral world. In this context, Latin American leaders should welcome Modi's proactive role in global affairs and should look forward to working with India on many issues of common interest. Latin American businesses should also pay more attention to the Indian market, which is expected to revive high growth and open more business opportunities under the pro-business Modi administration.

Conclusions

Over the past two decades, both India and Latin America have undergone fundamental transformations and are moving forward in a stable and predictable trajectory of growth and prosperity. There is a positive change in the perceptions that the new India and the new Latin America have of each other, discovering complementarities and synergies between their respective markets and mindsets.

Spain, with its historic, linguistic, cultural and commercial connections to Latin America, can play a role in the growing Indo-Latin American partnership. In recent years, the Cervantes Institute in Delhi has started promoting Latin American culture with literary soirees, seminars, film shows, music and dance performances and exhibitions in cooperation with the Latin American embassies. Spanish has become the second most popular foreign language in India, overtaking French. Most academics and interpreters who work with Latin America have learnt European Spanish and been exposed to Spanish culture.

The Latin American media have no correspondents in India. EFE, the Spanish news agency, has an office in India and sends out news of India in Spanish to its subscribers in Latin America.

The Spanish oil company Repsol has partnered with India's OVL in an oil exploration consortium in Cuba. There is more scope for such cooperation between Indian and Spanish companies in Latin America.

Spanish banks, especially BBVA and Banco Santander, have a substantial presence in Latin America. On the other hand, there are no Indian banks in Latin America and vice versa. This provides an opportunity for Spanish banks to play a financial role in the growing field of Indo-Latin American trade and investment.