



India Plays Catch-Up to Strengthen Ties Across Latin America

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Last month, the Indian government approved plans (<http://www.laht.com/article.asp?ArticleId=2429425&CategoryId=14095>) to move forward with talks for a free trade agreement with Peru, which would be India's first free trade agreement in Latin America. In an email interview, Hari Seshasayee, a Latin America analyst at the Confederation of Indian Industry, discusses India's ties across Latin America.



Indian Prime Minister Narendra Modi with Brazilian President Michel Temer, Goa, India, Oct. 17, 2016 (AP photo by Manish Swarup).

WPR: Who are India's main partners in Latin America, and what are the main areas of cooperation?

Hari Seshasayee: India and Latin America cooperate in six main areas: energy, mining, automobiles, pharmaceuticals, information technology and agriculture.

Three of these sectors-energy, mining and agriculture-are focused primarily on commodities. Venezuela, Brazil, Mexico, Colombia and Ecuador account for roughly 20 percent of India's oil imports, with Venezuela alone accounting for about 12 percent. Chile supplies almost half of India's copper requirements, and Peru, Colombia and Bolivia account for 10 percent of India's gold imports. India also imports about \$2 billion worth of soybean oil from Argentina, Brazil and Paraguay. However, in all these sectors, the relationship goes beyond trade and includes investments, joint ventures and long-term supply contracts.

The other three sectors-automobiles, pharmaceuticals and information technology-are not based on commodities but on added-value and high technology. In 2016, Latin America became India's largest export market for automobiles: Mexico is India's single largest export market for cars, and Colombia is the largest destination for India's motorcycle exports. India is also a steady supplier of pharmaceutical products and vaccines to nearly all Latin American countries, which has helped many of them reduce the cost of public health care. Latin America has also become an important destination for Indian technology

companies, which employ more than 25,000 people in the region.

Overall, Brazil, Mexico and Venezuela have consistently remained India's largest trade partners in the region, but many other countries such as Peru, Chile and Colombia are becoming increasingly important commercial partners for India.

WPR: What steps is India taking to expand ties across Latin America, and how receptive is Latin America to a larger Indian presence?

Seshasayee: India's presence in Latin America has increased considerably over the past two decades. Today, about 134 Indian companies have offices or investments in the region, including 29 tech firms alone. Some of these companies have placed huge bets on Latin America. For example, UPL Ltd., an Indian agrochemicals company, receives 26 percent of its revenue from the region, which is more than its earnings from India. The Aditya Birla group, a large Indian conglomerate, makes \$2 billion each year from the region.

In addition to enhancing the commercial relationship between India and Latin America, these investments present a more contemporary side of India to Latin America, one that is in contrast to the India of spirituality, yoga and Gandhi. In most cases, Latin American countries are very receptive to this increasing Indian presence. Indian investments generate employment, develop local industry and cater to local and regional clients. Unlike China, India invests little in extractive industries in Latin America, and Indian firms operating in Latin America almost exclusively hire local talent. Besides, while India's presence in the region is growing, it is still small in comparison to that of American and Chinese companies, and varies greatly across the region. For example, only 20 Indian companies are based in Peru, while 60 are in Brazil.

WPR: What issues stand in the way of better cooperation between India and Latin America?

Seshasayee: Like in any relationship, India and Latin America face a number of challenges or roadblocks. Political relationships have deepened over the years, but there is still some way to go. More can also be done to improve people-to-people and cultural ties, bridging the distance between Indians and Latin Americans.

With regard to the commercial relationship, some important barriers remain, such as inadequate financing and a lack of knowledge of local markets. The absence of direct shipping routes also hampers trade, as current lead times range from 30 to 75 days or more. India also finds itself at a disadvantage when it comes to trade agreements with the region. Several Latin American countries, including Mexico, Chile and Peru, have free trade agreements with 40 countries or more, including the United States, China and the European Union. India, on the other hand, has no free trade agreements with Latin America; the current

agreements with Chile and Mercosur are preferential trade agreements that are much smaller in scope. This is why the recent announcement of the beginning of negotiations for a free trade agreement between India and Peru bodes well for the overall India-Latin America relationship. This may also prompt other Latin American nations to sign their own free trade deals with India, or for Chile and Mercosur to upgrade their existing preferential trade agreements to free trade ones.

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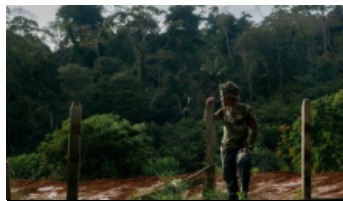
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