

LATIN AMERICA'S TRYST WITH THE OTHER ASIAN GIANT, INDIA

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Cover image: April 1, 2019, President Ram Nath Kovind of India greets former President Sebastián Piñera of Chile at the Palacio de La Moneda, Santiago, Chile. Photo credit: Palacio de La Moneda.

In 2019, the China Three Gorges Corporation (CTG), the world's largest hydropower producer, announced its acquisition of Peru's largest power company, Luz del Sur, for \$3.59 billion. It became the "largest acquisition of overseas power distribution assets by a Chinese company," and remains the largest Chinese investment in Peru.¹ It is also reflective of Chinese diplomacy in Latin America: CTG is a state-owned enterprise, and the deal was struck following Chinese President Xi Jinping's visit to Peru that placed an emphasis on energy collaboration.

Yet, despite making global headlines, the acquisition had little impact in Peru. In fact, Luz del Sur's previous owners were California-based Sempra Energy, so this exchange in capital and ownership brought no direct benefit to the Peruvian state. In 2019, Luz del Sur employed a total of 729 people, including management executives, technical professionals, and temporary staff;² today, that number stands at 742, an addition of 13 jobs since the acquisition.³

Just a mile from Luz del Sur's corporate headquarters in Lima is a rather modest office of another Asian investor, Tata Consultancy Services (TCS) from India, an information technology (IT) and business solutions company. TCS entered the Peruvian market in 2010 with an investment of less than \$1 million—after all, their business model relies heavily on people, not capital nor machinery.

Unlike China's big-ticket \$3.59 billion investment, TCS's entry to Peru was under the radar and did not make newspaper headlines; hardly anyone outside of the IT sector in Latin America even noticed.

Yet, TCS Peru today employs 1,400 people, nearly double the number that China's CTG employs through Luz del Sur.⁴ TCS's impact in the community is palpable: it won awards from Peru's Ministry of Labor and Employment Promotion in two categories (for fair and efficient salary policy, and for professional development and access to training). Luz del Sur, on the other hand, was named by the same ministry in a list of companies that presented collective labor conflicts.⁵ In December 2020, TCS Peru was also awarded the best Peruvian company in the field of technology, specifically for maintaining smooth operations during the COVID-19 pandemic.⁶



These investments by China's CTG and India's TCS in Peru are emblematic of India's and China's commercial relationship with the Latin American region, in four specific ways:

- While China's state has an active Latin America policy, outlined in the 2008⁷ and 2016⁸ editions of the government's official policy papers on the region, India's economic linkages with Latin America are driven by the private sector and natural market forces, with little intervention by the government of India.
- Since Chinese investment is often backed by political heft from Beijing and high-level political visits, it often attracts regional or global attention; Indian companies, on the other hand, come independently to Latin America, make far less noise, and often stay under the radar.
- Perhaps most importantly, while China has fast become one of the most important investors in Latin America's extractive industries (in mining and oil and gas), the majority of Indian investment is in the region's value added-sectors, primarily in manufacturing, automobiles, pharmaceuticals, services, and IT.
- India's investments in Latin America, estimated between \$12 billion to \$16 billion,⁹ may be far smaller in value when compared to China at \$159 billion,¹⁰ but they create many sought-after jobs in services and manufacturing in a region that actively seeks to diversify away from its dependence on commodities. For example, a study by researchers from Colombia's Universidad Javeriana in Cali found that between 2005 and 2015, "for every million dollars invested in Colombia, India created 24.6 jobs, while Asia Pacific created 3.5 and the world 2.7."¹¹

The example of India's TCS is perhaps most striking because all of the above-mentioned factors coalesce in the case of the IT sector. Data collected through personal interviews for this report found that Indian IT companies today employ more than 38,000 people in the Latin American region. These numbers have risen quickly and continue to grow. The staff of Indian IT companies in Latin America has doubled over the past five to eight years, with Infosys going from 1,000 to 2,000 employees, HCL from 550 to 3,000, Tech Mahindra from 1,200 to

4,000, and TCS from 12,000 to 20,000.¹²

Indian investment in Latin America's manufacturing sectors has seen similar results. In fact, the single-largest Indian employer in the Latin American region is not an IT company—it is an auto parts company. India's Samvardhan Motherson group, which has 27 autoparts manufacturing plants in Mexico, Brazil and Argentina, has 25,000 employees in Latin America; this is more than all the employment generated by Chinese automobile, autoparts, and commercial vehicle companies in Latin America.¹³

The story of Asia in Latin America—which has been analyzed extensively by academia, think tanks and experts over the past two decades—has been dominated by China, and often excludes the other Asian giant, India. To paint a more complete picture of Asia's presence in Latin America, we need to look at the stories of companies like TCS and the Motherson group, which form one part of India's tryst with the region.

The stories of India and China in Latin America are separated by one major difference: while China's path in the region is being forged by a central authority—the Chinese state, or more specifically, the Chinese Communist Party (CCP)—India's is best characterized, according to Ambassador R. Viswanathan, a former diplomat and expert on India-Latin America relations, by Antonio Machado's poem: "*Caminante, no hay camino, se hace camino al andar.* (Traveler, there is no path, you make the path as you go)." India's path in Latin America is being forged by individuals, organizations, companies, and artists from both sides, whose initiatives are self-driven, not woven or directed by a central authority (as is the case with China); these are likely to be lasting, durable exchanges that are a win-win for both sides. Unlike in the case of China, they are also unlikely to be impacted by political or ideological changes in either side.

Economic Diplomacy: The Foundation of India-Latin America ties

The historical linkages between India and Latin America remain few and far between—limited as they were to the exchanges between the Portuguese colonies of Brazil and the territory of Goa in India, the influence of Indian revolutionaries in Mexico such as MN Roy (founder of both the Indian and Mexican Communist Parties) and Pandurang Khankhoje (who was Mexico’s Director of Agriculture in the 1930s), and some literary exchanges, notably Rabindranath Tagore’s stay in Argentina and his storied kinship with the Argentine writer and intellectual Victoria Ocampo. For most of the second half of the 20th century, post-independence India maintained a closed economy and remained preoccupied with its own developmental issues, while Latin American countries battled hyperinflation and military regimes came into power during the Cold War. Yet, the lack of deep historical ties has also served as an advantage: it meant that India and Latin America could start the 21st century with a relatively clean slate, without colonial baggage or inhibitions.

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The 21st century gave way to new images of India and Latin America, more conducive to an economic entente between the two sides. The old India of spirituality, yoga, mass poverty, and an ancient civilization, became supplanted by the IT hubs of Bangalore and Hyderabad, a growing middle class and a \$3 trillion economy. Latin

America, too evolved from the land of coups d'état and hyperinflation to becoming the next global breadbasket and an integral part of the third wave of democracy globally. Both India and Latin America began seeing each other anew, and soon took advantage of an increasingly complementary economic relationship.

Economic diplomacy—rather than political, cultural or historical ties—thus became the bedrock of India-Latin America relations; this is a rather short story, lasting only two decades.

The first decade of the 2000s saw more promise than the second, and it laid the foundation for India-Latin America ties. India reaped the fruits of its demographic dividend and a more open economy in the early 21st century, and its gross domestic product (GDP) grew by 6.7 percent in the 2000s.¹⁴ At the same time, Latin America broke free from its economic woes and took advantage of a massive commodity boom. The 21st century saw a few milestones that took India-Latin America relations to a new level:

- India signed Preferential Trade Agreements (PTA) with Mercosur and Chile, a first step in prioritizing trade as one of the main tenets of the economic relationship;
- Brazil became part of India's inner circle, formally upgraded to a "strategic partner" in 2006, and a regular participant in global fora like BRICS, IBSA and the G-20.¹⁵ Even Mexico was designated as a "privileged partner" when Mexican President Felipe Calderón visited India in 2007; Argentina, too, was named a "strategic partner" during Argentine President Mauricio Macri's visit to India in 2019. Such nomenclatures have no measurable impact, but they do send a signal that New Delhi is paying more attention to the region;
- Despite having an embassy in Venezuela since 1961, India began importing vast quantities of crude oil from Venezuela only in 2006, following a visit by Venezuelan leader Hugo Chávez one year prior. Soon, Venezuela would go on to supply up to 12 percent of India's total oil imports;¹⁶
- Latin American countries opened 13 diplomatic missions in India in the 21st century, compared with 11 missions between India's independence in 1947 and 1999.¹⁷ This meant a number of Central and South American countries opened diplomatic missions in India for the first time, and others like Brazil, Argentina, and Chile opened new consulates general in Mumbai, India's financial capital.

These economic and diplomatic linkages between India and Latin America saw an immediate impact: trade increased from \$2 billion in 2001 to a peak of \$49 billion in 2014.¹⁸ Indian investments in Latin America increased from less than \$1 billion in the 20th century to up to \$16 billion today. Latin American investment in



India today stands just shy of \$2 billion.¹⁹ These numbers, however, tell only a part of the story.

For India, Latin America today represents a major economic opportunity, a means to diversify and hedge against other emerging markets in Africa and Asia. The region lies in a sweet spot: less regulated than most developed economies but with more purchasing power than developing Asia and Africa.

For Latin America, India represents the following in economic terms:

1. India is an exporter and investor of value-added goods and services, particularly IT and services, pharmaceuticals, automobiles and manufactured goods;
2. India is also an important export destination for Latin America, often the largest export market after the United States and China, the result of a largely complementary relationship—what India lacks, Latin America has, and vice versa;
3. India is a major market for Latin American investment, especially for *multilatinas* that use the country as a hub for the larger Asian market.

In the case of India-Latin America ties, diplomatic missions, trade and investment promotion agencies, and business associations on both sides often play a more important role than politicians in the capital.

This economic relationship has, for better or worse, been forged mostly by the private sector from both sides, while governments have played a supporting rather than a leading role. This is in contrast to China-Latin America ties, where governments have taken the lead. Every now and then, high-level political visits, promotional activities, and public initiatives have provided a boost

to India-Latin America ties, but these remain intermittent.

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It may be worth remembering that the India-Latin America relationship is still very much in its early stages, and the *camino* (path) is still being constructed. There is far more to come as India becomes an increasingly important market for Latin America's value-added goods, and the region becomes the last frontier of India's foreign and economic policy.

Can India-Latin America Ties Go Beyond Commodities?

Latin America has been synonymous with commodity exports²⁰ ever since Europeans reached those shores in 1492. Two countries owe their very names to commodities—Argentina is derived from the Latin 'argentum' for silver, and Brazil after brazilwood, a tree that was traded so much that it faces local extinction in Brazil.²¹

As the British historian Victor Bulmer-Thomas notes, even after achieving independence in the early 19th century, "Latin America's integration into the world economy took place through exports of primary products," adding that "this remains the single most important link with the rest of the world."²²

This dependency on commodity exports comes with inherent risks: for centuries, the destinies of Latin American countries have been tied to commodity super-cycles and volatilities in global markets. Lower global commodity prices often mean slower GDP growth or even a contraction in GDP. Commodities, also known as the primary sector, also generate far less employment, responsible for only 28 percent of total export-related employment in Latin America, while manufacturing and services employ far more people on average.²³ Notably, the services sector generates more equal employment: while women constitute only 29 percent of export-related employment in the primary sector, they make up 46 percent of export-related employment in the service sector.²⁴

This trend continues in the 21st century. As Latin America is courted by relatively new external actors, particularly China, its dependence on commodities seems to deepen even further. In 2020, primary commodities constituted more than half of total merchandise exports in 14 of Latin America's 20 countries.²⁵

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In its endeavor to pivot from primary products to manufacturing and services, Latin America could benefit greatly from a closer association with India, whose economy is underpinned by services and value-added sectors. Perhaps the biggest impact India could have in Latin America is by investing in and developing the region's value-added sectors, thereby reducing the

dependence on commodities, and leveraging India's expertise in healthcare, IT and services, and manufacturing.

It is thus no surprise that the vast majority of India's investments in Latin America today are in value-added sectors and in manufacturing – rather than in extractive industries such as minerals, and oil and gas. Indian companies in the region have had the most impact in three sectors, which merit further study and could become even more relevant in the future: IT and IT-enabled Services (ITeS), pharmaceuticals, and automobiles.

1. IT and technology: At the center of India's growth story are the economic reforms in the 1990s and the IT sector, which helped put the country on the global map. The IT and ITeS sectors—the latter includes agricultural technology, financial technology, e-commerce and healthcare services—have been the mainstay of India's economy over the past three decades, accounting for more than one-fifth of India's GDP.²⁶ Indian companies from the IT and ITeS sectors are major exporters and investors abroad, and they were among the first Indian companies to invest in Latin America. Companies like TCS were initially lured by the 'nearshoring' model—to service U.S. clients from countries like Mexico, Costa Rica, Colombia and Brazil, which operate in similar time zones. Today, however, these companies open offices in Latin America to service local clients.

Data compiled from personal interviews, company documents and diplomatic missions show that 18 Indian IT and ITeS companies have invested in the Latin American region. Currently, they employ more than 38,000 people in the region

(see Table 1), the overwhelming majority of whom are locals – as opposed to Indian expatriates, which is the case for Indian IT investment in the United States.²⁷ More importantly, most of these are new jobs created in the past decade. These companies are also growing fast and have doubled the number of employees since 2010. These Indian companies are driven to the region for two principal reasons: first, to diversify their global reach and capture a small chunk of the fast-growing Latin American services market; second, they are attracted by the large and growing talent pool of young graduates (the median age of the population in the Latin American region is a young 31, in contrast to 43 in Europe and 38 in the United States).²⁸

Table 1: Indian IT and ITeS investment in Latin America (by no. of employees)

Company	Sector	Employees	Countries
BYJU'S	ITeS	10	Brazil, Mexico
Crisil Irevna	IT	127	Argentina
CSS Corp	IT	960	Costa Rica, Colombia
HCL Technologies	IT	4066	Brazil, Guatemala, Colombia, Mexico
Hinduja Global Solutions	IT	1500	Colombia
Infosys	IT	2000	Brazil, Mexico, Costa Rica, Chile, Peru
KPIT	IT	120	Brazil
L&T Infotech	IT	145	Mexico, Costa Rica
Practo	ITeS	10	Brazil
RedBus	ITeS	10	Colombia, Peru
Sasken Communication Technologies	IT	140	Mexico
Tata Consultancy Services	IT	22,000	Mexico, Argentina, Chile, Uruguay, Peru, Brazil, Ecuador, Colombia, Guatemala
Tech Mahindra	IT	4,000	Colombia, Brazil, Costa Rica, Ecuador, Guatemala, Peru, Mexico, Panama
Tec.know Solutions	IT	70	Guatemala
Vrnda Software Technologies	IT	11	Peru
Wipro	IT	2,500	Brazil, Colombia, Mexico, Costa Rica, Peru, Colombia
WNS Global	IT	300	Costa Rica
Zenzar	IT	50	Mexico
Total		38,019	

Source: Data compiled by the author from personal interviews, company documents and diplomatic missions



Image: Valparaiso Harbor, Valparaiso, Chile. Photo credit: Diego Grandi/Shutterstock.

Besides adding value to Latin America’s service sector by creating jobs, Indian IT and ITeS companies also play a role in the services trade. India’s bilateral trade in services with the Latin American region stood at \$13.4 billion in 2019, with exports of \$8.2 billion and imports of \$5.2 billion,²⁹ the large majority of which is trade in IT and other business services, which companies like TCS, Infosys, Tech Mahindra, and Wipro specialize in. Indian IT and ITeS companies can collaborate more with Latin American government institutions to digitize and modernize their business processes, and the Indian government should also consider signing more social security agreements (such as the one signed with Brazil, which makes it easier for Indian companies abroad to manage payroll and tax regulations, including social security benefits and pensions) and agreements to avoid double taxation in services.

2. Pharmaceuticals: Indian companies play an integral role in the global pharmaceutical supply chain, specifically in generic medicine and vaccine supplies. India provides about one-fifth of the world’s generic medicine, and nearly two-thirds of vaccines globally.³⁰ Latin America is an important destination for Indian pharmaceutical exporters and investors alike, given the region’s position as a ‘pharmerging’ market, which includes characteristics like “a growing middle class, favorable demographic trends and the self-pay nature of primary healthcare that lends towards growing Over-the-Counter (OTC) consumption,” as well as “increasing urbanization and subsequent access to modern retail.”³¹

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From the region’s perspective, Indian pharmaceutical companies –many of which have U.S. Food and Drug Administration (FDA) approval—are important suppliers of high-quality, affordable medicine, which also helps reduce Latin America’s public expenditure on healthcare; India remains among the top five sources of Latin America’s pharmaceutical

imports.³² India is also among the most important suppliers of generic medicines, cancer drugs, HIV/AIDS medication, and vaccines to Latin America,³³ more recently, Indian companies have set their sights on more high-value drugs and biosimilars. It is a win-win situation and the region’s governments and regulators also recognize these exchanges as an opportunity. Perhaps the most prominent example is that Brazil’s drug regulator, the Agência Nacional de Vigilância Sanitária (ANVISA), has approved more manufacturing sites for active pharmaceutical ingredients (APIs) in India than in any other country. Much like the IT sector, India has an edge over China in Latin America’s healthcare sector: all through the 21st century, India has exported more finished pharmaceutical products to Latin America than China has.³⁴

Indian pharmaceutical companies are also important investors in Latin America. Data compiled for this report found that 27 Indian pharmaceutical companies currently have offices in Latin America, with 72 subsidiaries and 13 manufacturing plants. Most of these companies have already spent a decade or more in the region, and understand the complexities of the market; they tread carefully and often enter the region through mergers and acquisitions. Yet, these numbers have much room for growth, especially if India is to compete with European and Chinese pharmaceutical companies in higher-value segments as well as in retail and branded goods. The Indian government can also actively collaborate with Latin American governments



to push for quicker drug registrations for Indian companies and also form public-private partnerships, including with regional entities like the Pan American Health Organization.

Table 2. India's Pharmaceutical Investments in Latin America

Company Name	Year of entry	Manufacturing Unit	Subsidiaries and Offices
Aurobindo	2001	1 (Brazil)	3 (Brazil, Mexico, Colombia)
Sun Pharma	2002	2 (Brazil; Mexico)	6 (Brazil, Mexico, Peru, Venezuela)
Dr. Reddy's	2005	1 (Mexico)	5 (Mexico, Colombia, Chile, Venezuela, Brazil)
Lupin	2014	2 (Mexico; Brazil)	2 (Mexico, Brazil)
Torrent Pharma	2002		2 (Brazil, Mexico)
Zydus Cadila	2004	1 (Brazil)	3 (Brazil, Mexico)
Glenmark	2005	1 (Argentina)	9 (Argentina, Brazil, Peru, Dominican Republic, Uruguay, Mexico, Colombia, Ecuador, Venezuela)
Strides	2007		1 (Mexico)
IPCA	2008		2 (Mexico, Colombia)
ACG Capsules	2013	2 (Brazil)	3 (Brazil, Argentina)
Unichem	2002		1 (Brazil)
Intas/Accord	2009	2 (Mexico; Brazil)	3 (Mexico, Brazil, Peru)
Emcure	2011		3 (Brazil, Peru, Mexico)
Biocon	2010		2 (Brazil, Mexico)
Hetero	2011	1 (Mexico)	3 (Mexico, Brazil, Colombia)
Cipla	2013		2 (Brazil, Colombia)
Natco Pharma	2011		1 (Brazil)
Caplin Point	2002		6 (Colombia, El Salvador, Guatemala, Ecuador, Honduras, Nicaragua)
Micro Labs	2005		2 (Mexico, Dominican Republic)
Himalaya Drug Company	2009		1 (Peru + USA office)
TIL Healthcare	2016		1 (Peru)
Macleods Pharmaceuticals	2013		1 (Mexico)
Aculife/Nirlife	2011		3 (Mexico, Brazil, Colombia)
HiGlance	2009		1 (Peru)
Puniska	2019		1 (Colombia)
Troikaa	2014		1 (Peru)
MSN Labs	2016		4 (Colombia, Peru, Chile, Mexico)
Total: 27		13	72

Source: Data compiled by the author from personal interviews, company documents and diplomatic missions

India exports more cars to Latin America than any other region in the world, and more to Mexico to any other country in the world. However, nearly all the cars exported from India to Latin America are international brands.

Through 2021, India attempted to but could not leverage its existing relationship with Latin American countries to become a significant supplier of COVID-19 vaccines, largely due to domestic issues. Between January 22 and April 9, 2021, India's Serum Institute exported more than 7 million doses of its Covidshield vaccine to eight countries in Latin America and 13 in the Caribbean.

About 1.2 million of these doses consisted of donations to smaller Central American and Caribbean nations, while the rest were commercial sales to larger countries like Brazil and Mexico.³⁵ In contrast, China has delivered 280 million doses of its COVID-19 vaccines to the Latin American region in 2021, and also has joint manufacturing arrangements with Brazil's Butantan Institute and Chile's Catholic University to produce COVID vaccines locally.³⁶

3. Automobiles and manufacturing: India and Latin America are integral parts of the global value chain for automobile production, and are also significant consumer markets for automobiles. Both sides are already well-integrated in the regional automobile value chain, and this is evident in three ways:

a. Indian exports of cars, motorbikes and autoparts to Latin America: India exports more cars to Latin America than any other region in the world, and more to Mexico to any other country in the world.³⁷ However, nearly all the cars exported from India to Latin America are international brands like Volkswagen, Hyundai, General Motors (GM) and Toyota; Indian brands like Tata Motors and Mahindra make up only a small proportion. Strikingly, more than three-fourths of Volkswagen India's car exports are destined for Mexico.³⁸ Global automakers regularly use their manufacturing sites in India to export cars to Latin America for three reasons: first, to position India as a global manufacturing and export hub; second, to offset sales shortages in the domestic Indian market, since many Western manufacturers are unable to compete with local Indian

brands and Asian majors like Toyota and Hyundai; and finally, to use the Latin American market to make up for slowing demand for vehicles in Africa and Europe. These exports by international manufacturers can change from one year to the next based on management decisions taken by Volkswagen in Germany or GM in Detroit. In fact, the recent announcements by GM and Ford to close their manufacturing units in India is bound to impact future exports of cars from India to Latin America.

Besides cars, India also exports motorbikes to the Latin American region, nearly all of which are produced by Indian brands like Bajaj Auto, TVS Motors, Hero MotoCorp and Royal Enfield. Over the past decade, between one-fifth and one-third of India's total motorbike exports have been destined for the Latin American region. In fact, a large majority of these exports are to smaller countries like Guatemala, Honduras, and Ecuador. In Colombia, Indian motorbikes hold one-third of the total market share, while Bajaj remains the market leader. India also exports autoparts, bicycles, tractors, and other commercial vehicles to Latin America, albeit in smaller numbers when compared to car and motorbike exports.

b. Latin American investment in India's automobile sector: Brazilian, Mexican, and Peruvian vehicle and auto parts companies are among a handful of Latin American companies that have invested in India's manufacturing sector. All of them were attracted by India's value chains for automobiles, centered in the industrial hubs of Pune, Tamil Nadu, and Jamshedpur. Nearly all of these investments are greenfield and joint ventures with local partners. Eight companies from Latin America's automobiles sector have invested in India, but three have already divested and shut down their India offices; these are Marcopolo, a Brazilian bus maker, and two Mexican auto parts companies, Tremec and Prolec. The remaining five are all auto parts companies, three of which are Mexican companies that have been in India for more than a

decade, while the other two are more recent entrants. One is a Brazilian manufacturer of brake pads for commercial vehicles and another is a Peruvian producer of vehicle lubricants. While there is scope for more Latin American investment in India's automobile sector, the recent slowdown in vehicle demand in India could mean that we will have to wait at least a few more years for movement in this space.

c. Indian investment in automobile and auto parts production in Latin America: India's car, motorbike, auto parts and commercial vehicle companies have been eyeing the Latin American region for the past two decades. The large majority of these companies have entered the region through international acquisitions; more importantly, however, many have manufacturing plants in the region. The largest investments are by India's auto parts companies, which employ nearly 30,000 people in 38 manufacturing plants in the region, generating about \$1.2 billion in annual revenue.³⁹ The Motherson Group, India's largest auto parts company, leads the way with 27 manufacturing plants, employing approximately 25,000 people in Mexico, Brazil, and Argentina.

Table 3. India's Auto Parts Investments in Latin America

Name	Year	Countries (No. of plants)	No. of people Employed	Revenue (USD million)	Investment (USD million)
Samvardhan Motherson Group	2011	Mexico (19), Brazil (7), Argentina (1)	25000	780	Multiple international acquisitions
RSB Transmissions	2011	Mexico (1), Brazil (1)	500	80	50
Varroc Group	2012	Mexico (1), Brazil (1)	2258	115	International acquisition
Pricol	2015	Brazil (1), Mexico (1)	170	15	Divesting Brazil & Mexico
Spark Minda	2017	Mexico (1)	130	24	10
Sandhar Technologies	2014	Mexico (1)	90	3.5	N/A
JK Tyres	2008	Mexico (3)	1100	164	92

Source: Data compiled by the author from personal interviews, company documents and diplomatic missions

India's motorbike companies, such as Bajaj Auto, TVS and Royal Enfield, operate through local and regional distributors, some of which maintain assembly units as well—with the exception of Hero MotoCorp, which launched its first international manufacturing plant in Colombia in 2015. India's car companies, Tata Motors (which also owns the Jaguar Land Rover brand) and Mahindra, both invested in manufacturing facilities in Latin America; however, Mahindra shut down its assembly unit for cars and now focuses only on commercial vehicles, such as tractors, in countries like Brazil and Mexico.

In addition to investments in the automobile sector, Indian companies also manufacture a slew of other value-added products in Latin America, including biscuits and confectionery, light fixtures, cosmetics, televisions, plastic products, machinery, recyclable bottles, air coolers, veterinary products and polyester fibers. These may be smaller in size and scattered across the Latin American region, but they are important additions to the local economy, providing jobs and operating in value-added sectors.

India's engagement with Latin America in these three sectors—IT, pharmaceuticals and automobiles—are the latest examples of how India can play a positive role in reducing the region's dependence on commodities. Still more can be done if governments across both sides work closely to take advantage of the win-win scenarios in these sectors. India is also an important market for Latin America's value-added product exports, such as wines, agricultural machinery, furniture, and food products; so far, these products make up only a small portion of the region's overall exports to India, but the demand for them is rising quickly especially amongst the country's growing middle class.



Image: Remarks by the Prime Minister Narendra Modi of India during the closing ceremony of the BRICS Business Forum, 2019. Photo credit: Palácio do Planalto.

India vs. China in Latin America: Competing Actors or in Separate Leagues?

Latin America has gone through numerous stages of engagement with external actors during its independent history. For much of the 19th and 20th centuries, the region remained intrinsically linked to Europe and the United States. This equation has changed dramatically in a multi-polar 21st century: Latin America today has been courted by numerous external actors, from Beijing and Tokyo to New Delhi and Tehran. None, however, have left more of an impact than China, which has quickly become South America's largest trading partner, Latin America's most important lender—more than the World Bank, Inter-American Development Bank, and the CAF Development Bank combined⁴⁰--and among the chief foreign investors.

Today, China and the United States jockey for influence in Latin America. Nearly all of South America (with the exception of Colombia and Ecuador) trades more with China than they do with the United States; Mexico, Central America, and the Caribbean (with the exception of Cuba) all trade more with the United States than they do with China.⁴¹ In the political and diplomatic arena, the Chinese have recently managed to get five Latin American countries—Costa Rica, the Dominican Republic, El Salvador, Nicaragua and Panama—to switch official diplomatic recognition from Taiwan to the People's Republic of China. The three Latin American countries that currently face U.S. sanctions--Cuba, Nicaragua and Venezuela—have been met with open arms by China, which has supported them with loans, military support, and investment.



The COVID-19 pandemic has further heightened fears of a prolonged contest between the United States and China, which may be played out through economic warfare, sanctions, and trade wars. As Brazilian economist Otaviano Canuto notes, “the future looks uncertain. Latin America is caught between two major global forces that threaten the region’s growth: a potential drop in capital flows from the U.S. as pandemic stimulus tapers off; and decreasing growth in China, where an energy crunch is hitting just as the country’s exhausted property markets begin to go into reverse.”⁴² The supply chain crisis following the COVID-19 pandemic and Russia’s invasion of Ukraine have added more layers of uncertainty, with rising commodity prices, supply shortages, and international sanctions all causing more volatility in global trade.

At such uncertain times, an argument could be made for Latin America to hedge its bets and reduce risks by diversifying its international exposure. India may provide just the right opportunity, at the right time. In the three sectors analyzed above—IT, pharmaceuticals and automobiles—India remains firmly ahead of China in the Latin American region.

At such uncertain times, an argument could be made for Latin America to hedge its bets and reduce risks by diversifying its international exposure. India may provide just the right opportunity, at the right time. In the three sectors analyzed above—IT, pharmaceuticals and automobiles—India maintains an edge over China in the Latin American region. India is a global IT giant and faces little to no competition from China in this space. In pharmaceuticals, Indian companies have consistently exported more finished pharmaceuticals products to

Latin America than China has throughout the 21st century; these companies also invest more in the Latin American region than China does. Yet, during the Covid pandemic, it was China (not India) that supplied the majority of the region’s vaccines. In fact, China may soon race ahead of Indian pharmaceutical companies in the Latin American region given that the CCP has prioritized the biopharmaceuticals sector as a ‘key industry.’⁴³ In the automobiles space, India competes head-on with China in Latin America: India exports far more cars to the region than China does, but China supplies more motorbikes and auto parts. Indian automobiles and auto parts companies also invest a near-equal amount as

China does in the Latin American region.

Still, in most other facets, China operates in another league altogether. In terms of overall investment, trade or loans, China’s presence in Latin America is far ahead of India’s.

Table 4: India vs China in Latin America

India-Latin America	China-Latin America
Economic diplomacy	Multi-faceted diplomacy
Diaspora: ~25,000 people	Diaspora: ~3.5 million people
Trade: \$30 - \$50 billion	Trade: \$250 - \$300 billion
Investment: \$12 - \$16 billion	Investment: \$159 billion
Loans: less than \$1 billion	Loans: ~\$136 billion
Latin American investment in India: \$1.5 billion	Latin American investment in China: \$1 billion
Centers of Latin American studies in India: 8	Centers of Latin American studies in China: 65

Source: Diaspora data from official government sources in Latin America; trade data from ITC, Trade Map; own estimates for Indian investment, and Chinese investment data from Red Académica de América Latina y el Caribe sobre China; EXIM Bank of India for India’s loans, and Chinese loans estimate from the Inter-American Dialogue; LAC investment in India and China from Observer Research Foundation, and the Inter-American Development Bank; author’s own estimates for Centers of Latin American Studies in India, and Dr. Allan Burns, University of Florida, for China

Yet, India remains an important partner for the Latin American region. While China receives far more political and diplomatic attention in the region, India’s rather benevolent presence has garnered much goodwill in Latin America. Unlike China, India is a democracy, and it faces similar challenges common to Latin America as well, such as coalition governments, a rigid bureaucracy, political corruption, and frequent protests. India’s economic growth has also caught the attention of Latin American countries, which have recalibrated India into their foreign policy priorities as a key player in Asia. This affinity and goodwill have led to more high-level political visits between India and Latin America, despite the absence of a clear foreign policy to prioritize the other (as is the case with China). There have also been more people-to-people exchanges, with joint collaborative efforts amongst artists, filmmakers, musicians, and academics, who benefit from the complementarities between India and Latin America. Although business and

economic diplomacy will continue to be the principal drivers of India-Latin America relations, it would be beneficial for governments on both sides to provide more incentives to deepen people-to-people exchanges.

The Roadmap for India-Latin America Relations

Every country's foreign policy is determined by its own national interests. India's foreign policy has been described by experts and practitioners—specifically diplomats, foreign ministers, and some Indian prime ministers—to consist of three concentric circles. The first circle includes the immediate neighborhood, including China, Pakistan, and other South Asian countries. This is natural given India's historical linkages with its neighbors, the massive movement of people across these borders, as well as more recent wars with China and Pakistan. The next circle is made up of the 'extended neighborhood,' which includes the larger Asian continent and its sub-regions (East Asia, South East Asia, West Asia, and Central Asia) as well as strategic partners and the Permanent Five members of the United Nations. The last circle comprises the rest of the world, particularly Africa and Latin America.

The emphasis placed on each country and region in the world by the government of India often follows the same contours as the concentric circles mentioned above. More Indian diplomats, commercial officers, security and armed forces personnel will be put to work on countries in the first and second concentric circles, while the countries in the last circle will receive less attention and personnel in comparison. For example, India's Embassy in Dhaka, Bangladesh, currently houses 20 officers, including diplomats and defense and commercial advisors, and India also has four additional missions outside the capital, in Chittagong, Rajshahi, Khulna, and Sylhet; in comparison, India's embassy in Mexico City, Mexico, presently includes an ambassador and four trainee diplomats, and there are no additional diplomatic missions outside the capital.⁴⁴

These concentric circles help explain why India's current relationship with Latin America is driven by the private sector and civil society, with the government

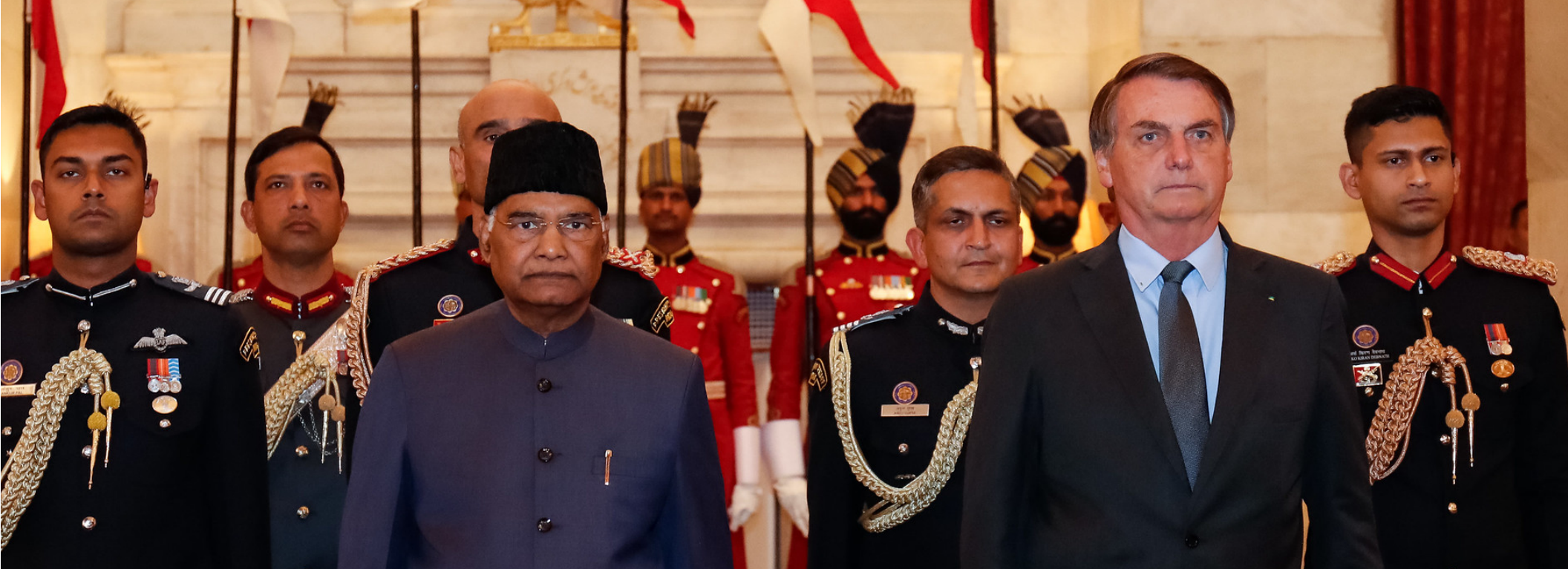
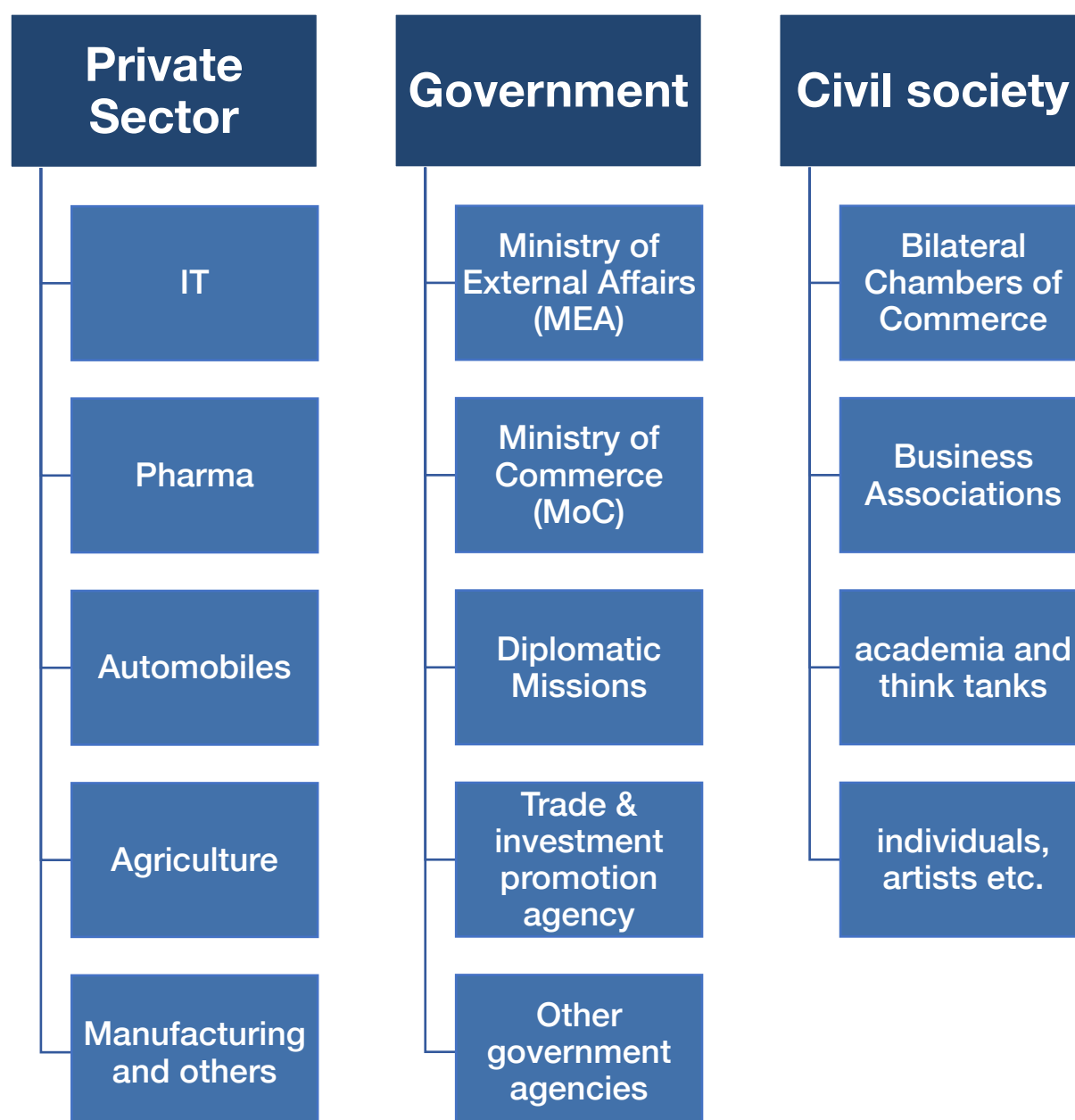


Image: President Jair Bolsonaro of Brazil and President Ram Nath Kovind of India, January 2020. Photo credit: Palácio do Planalto.

mostly playing a supporting role. Rather than hinting at policy recommendations, it may be more useful to map the major players that determine the current state of India-Latin America relations, and anticipate how they may progress in the future.

Chart 1: Current Map of Entities in the India-Latin America Relationship



The future of India-Latin America relations is likely to be determined more by the private sector and civil society, but the government could play the role of an important catalyst. If the Indian government prioritizes Latin America more in the coming years, it can rapidly deepen the relationship, providing more incentive and momentum for political, commercial and people-to-people exchanges. Each entity in the India-Latin America relationship could play a positive role, but only time will tell whether they progress, stagnate or get sidetracked to other, more urgent priorities:

1. Private sector:

- a. IT:** Indian IT companies are likely to generate more employment in Latin America in the coming years; they may also enter new areas like e-commerce and financial technology. More Latin American IT companies are likely to enter the Indian market, and existing investors are looking to expand their presence.
- b. Pharma:** India's pharmaceutical companies are keen on entering more high-value segments of the healthcare value chain, such as biosimilars and branded retail. The recent emphasis by the CCP on biopharmaceuticals could mean that India will directly compete with China in the coming years.
- c. Automobiles:** Current Indian investors such as Hero MotoCorp have hinted at using the Latin American region for joint production of electric vehicles. Others could follow, and the future could also see some production in automated vehicles. We can also expect more Latin American investment in India's automobile value chain.
- d. Energy:** India will continue large-scale imports of heavy crude from Latin America, but we can also expect more investment in renewable energy, and possibly some cooperation in lithium, a key ingredient in renewable energy equipment.
- e. Agriculture:** Latin American food and agricultural companies are likely to focus more on the Indian market, specifically to export fruits, poultry,

and coffee. Some, like Mexico's Grupo Bimbo (which has the largest market share in India's bread market), have already made inroads.

f. Manufacturing & others: We can expect more Indian investment in value-added manufacturing in Latin America, and more Latin American investment in India's industrial and chemical value chains.

2. Government:

a. Ministry of External Affairs (MEA): Although it is not likely in the short or medium term, New Delhi could potentially formulate a Latin America policy, on the lines of its current policies that emphasize a closer relationship with Africa and South East Asia. India's MEA can also collaborate more with regional entities & agencies, such as the Pacific Alliance (of which India is an observer member), the Central American Integration system (SICA), the Pan American Health Organization (PAHO), etc.

b. Ministry of Commerce (MoC): India's Ministry of Commerce could work together with MEA to convince India's Finance Ministry to become a member of the Inter-American Development Bank, and also work more closely with multilateral banks such as CAF; this may receive more impetus if Indian companies compete with China more in Latin America. MoC is also currently working on the expansion of the current Preferential Trade Agreements with Chile and Mercosur, and is in the process of signing more trade agreements with Colombia, Peru, Mexico, and Ecuador.

c. Diplomatic Missions: India's MEA could increase personnel at India's missions in Latin America, which is currently managed by just a handful of diplomats in the entire region; India has opened new diplomatic missions in Paraguay and the Dominican Republic in 2022, and could consider opening more missions.

d. Trade & investment promotion agencies: Latin American trade and investment promotion agencies should consider increasing their

personnel based in India. Meanwhile, India's MoC can increase funding for Latin America-related events for its numerous export promotion councils focusing on apparel, engineering products, handicrafts and other sectors.

e. Other government agencies: India's space agency, ISRO, has already launched some satellites for Latin American countries, and should collaborate more with the six Latin American countries with which it has already signed cooperation agreements.⁴⁵ India's Department of Atomic Energy, which has signed agreements for the peaceful use of nuclear energy with Brazil and Argentina, could develop joint nuclear energy projects.

3. Civil Society:

a. Bilateral Chambers of Commerce: There are presently six bilateral chambers of commerce between India and the Latin American region. These chambers, based in New Delhi, Mexico City, Belo Horizonte, São Paulo, Santiago, Lima, Quito, and Bogotá, should work more actively with diplomatic missions to promote trade and investment, and organize more activities to promote bilateral business.

b. Business Associations: Two of India's largest business associations presently have Latin America departments (albeit small in numbers), and a host of Latin America's largest business associations and chambers of commerce have teams focusing specifically on Asia (though none focus solely on India). A network of these associations could organize annual conferences on India-Latin America relations, alternatively in Indian and Latin American cities, something akin to the China-Latin America annual conferences; they can also educate companies about the benefits of the PTAs between India and Chile, and Mercosur.

c. Academia and think tanks: There are presently few academics and researchers who work on India-Latin America relations. The existing centers of study on India in Latin American universities, and those on Latin America in Indian universities, should seek more support from the

government, and also conduct more joint research and promote scholarly exchanges.

d. Individuals, artists, etc.: We can expect more engagement in civil society through sports, cinema, and the arts. Already, numerous Latin American soccer players are part of the Indian Super League, a domestic tournament in India; and a host of filmmakers, artists, and writers already populate the India-Latin America space.

Numerous challenges remain in the India-Latin America relationship, but perhaps none are more impactful than the challenges of changing perceptions and the lack of knowledge on both sides. It remains imperative for Latin America to change its perception of the old India, a country of snake charmers and sprawling poverty, to that of a global IT giant and a middle class that may soon rival that of the United States. Indians too need to understand and embrace Latin America's 21st century transformation: Medellín and Guadalajara, which were infamous for drug trafficking in the '70s and '80s, are now technology and fashion hubs, and military regimes from the Cold War era have been replaced by multiple political parties and party coalitions and democratic governments.

As this report has established, India's greatest contribution to Latin America—and one which sets it apart from China—is its disproportionately higher impact in value-added manufacturing and services, particularly IT, pharma, automobiles and manufacturing. This could play a significant role in reducing Latin America's overall dependence on commodities, and better integrate the region in global value chains. While the private sector and civil society are likely to continue to drive India-Latin America relations in the near future, certain global events and geopolitical calculations may have a positive, or negative, impact. The COVID-19 pandemic has made some countries, including India, more inward-looking; the *AatmaNirbhar Bharat* (translated as a 'self-reliant India') of Prime Minister Narendra Modi is one such example. This may lead to a reduction in India's overall imports, including from Latin America. Yet, as company valuations drop due to the pandemic, acquisitions and overseas investments have become more attractive options for multinational companies. The pandemic has also created more opportunities in services, including in remote work, IT, and e-commerce,

which may just bring India even closer to the Latin American region. Geopolitical events, particularly China's assertiveness globally, may also cause India to focus more on the Indo-Pacific and in regional value chains in Asia that could counter China's rise.

Ultimately, India-Latin America relations will remain governed by three basic truths. First, India and Latin America are economic partners. As a result, ideology and politics become secondary, and the relationship is determined nearly completely by economics. Second, India and Latin America both occupy a rather benign presence in each other's foreign policy calculations. They are free of the critique reserved for major global powers and neither poses any security threat to the other. Finally, India and Latin America are democracies (with a few exceptions) and developing economies of the Global South. They face similar challenges of poverty, financial inclusion, gender inequality, corruption, and lack of quality healthcare and infrastructure. These three truths are likely to pave the path forward in India-Latin America relations for the next several decades.

About the Author

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