1

Portuguese Journal of International Affairs

SPRING 2009

Portuguese Journal of International Affairs
Portuguese Institute of International Relations and Security (IPRIS)
Rua Vitorino Nemésio, 5
1750-306 Lisboa
PORTUGAL
Email: ipris@ipris.org

Aims and scope

The *Portuguese Journal of International Affairs* is a refereed journal specializing in the politics, foreign policies and security-related issues of Portugal and its wider geostrategic area.

The aims of the *Portuguese Journal of International Affairs* are twofold: to bring readers outstanding general scholarship and provide an outlet for scholars working on the international relations of Portugal and its wider geostrategic area. The journal will be circulated to all foreign embassies in Portugal as well as to all Portuguese embassies abroad, hundreds of libraries, universities and think tanks around the world.

The *Portuguese Journal of International Affairs* will focus on: the relations between the Portuguese speaking countries; the relations between the Portuguese speaking countries and the rest of the world; and general issues of politics, international relations and security that have a bearing on one or more of the Portuguese speaking countries. The journal will be open to all methodological approaches and schools of thought. Among the topics that fall within the journal's focus are:

- Portugal's economic diplomacy
- Transatlantic relations between the US and Portugal
- Angola's regional role in Africa
- Reform of the UN: Brazil and the Security Council
- Brazil's regional role
- Transition to democracy in Guinea-Bissau
- Mozambique and SADC
- Community of Portuguese Speaking Countries (CPLP)
- East Timor and ASEAN
- EU and Cape Verde
- Macau after 1999
- China and the African Portuguese speaking countries
- São Tomé and Príncipe and the Gulf of Guinea
- Maghreb and the EU energy security strategy
- BRIC's: a new bloc?
- NATO and African Union

Copyright and offprints

It is a condition of publication in the *Portuguese Journal of International Affairs* that authors grant copyright to IPRIS. This ensures that requests from third parties to reproduce articles are handled efficiently and consistently and will also allow the article to be as widely disseminated as possible. In assigning copyright, authors may use their own material in publications provided that the *Portuguese Journal of International Affairs* is acknowledged as the original place of publication, and IPRIS is notified in writing and in advance. In consideration for assignment of copyright, IPRIS will supply the author with a PDF file of the article, a hard copy of the *Portuguese Journal of International Affairs* and 25 offprints.

Subscriptions

Annual subscription price (2009): institutions, 90€ in Europe and 120€ elsewhere; individuals 45€ in Europe and 60€ elsewhere. Single issues are available for 50€. Prices include postage.
Payment may be made by cheque (payable to IPRIS). Please contact IPRIS at the above address for further details.

Abstracting and indexing

The *Portuguese Journal of International Affairs* is covered by the following abstracting/indexing services: *Columbia International Affairs Online* (CIAO)

Advertising

Advertising is welcomed. Contact IPRIS at the above address for further details.

Article submission

The *Portuguese Journal of International Affairs* invites original contributions meeting the journal's aims and scope. All papers will be subject to anonymous peer review, and will be evaluated on the basis of their creativity, quality of scholarship, and contribution to advancing the understanding of the international relations of Portugal and its wider geostrategic area.
Papers should be submitted to:

Paulo Gorjão
Editor, *Portuguese Journal of International Affairs*
Portuguese Institute of International Relations and Security (IPRIS)
Rua Vitorino Nemésio, 5
1750-306 Lisboa
PORTUGAL
Email: ipris@ipris.org

Submissions will be dealt with promptly, and the editors will communicate a first decision to contributors within six weeks of submission. Detailed notes follow:

1. The maximum length of articles, including endnotes, is 4500 words.
2. Subheadings should be used to clarify and divide the structure of the articles; if more than one level of subheadings is used, they must be clearly differentiated. Subheadings should not be numbered.
3. The author's name, institutional affiliation, and full contact details (postal, phone, fax, and email) should be provided on a separate sheet.
4. Endnotes should be avoided, or kept to a minimum. Authors should pay particular attention to the accuracy and correct presentation of endnotes. Examples:

Books and monographs: Maria Raquel Freire, *Conflict and Security in the Former Soviet Union: The Role of the Osce* (Aldershot: Ashgate, 2003), p. 45.

Edited books: Alexandra Barahona de Brito, Carmen González-Enríquez and Paloma Aguilar (eds.), *The Politics of Memory: Transitional Justice in Democratizing Societies* (New York: Oxford University Press, 2001).

Chapters in books: Manuel Ennes Ferreira, "China in Angola: Just a Passion for Oil?", in Christopher Alden, Daniel Large and Ricardo Soares de Oliveira (eds.), *China Returns to Africa: A Rising Power and a Continent Embrace* (New York: Columbia University Press, 2008), pp. 295-317.

Articles in journals: Paulo Gorjão, "Japan's Foreign Policy and East Timor, 1975–2002" (*Asian Survey*, Vol. 42, No. 5, September/October 2002), pp. 754-771.

Articles in newspapers: Paulo Gorjão, "UN needs coherent strategy to exit from East Timor" (*Jakarta Post*, 19 May 2004), p. 25.

5. Diagrams and tables should be avoided, or kept to a minimum.

India's Expanding Role in Latin America: Promises and Challenges

SUSANA MOREIRA
PhD candidate in Latin-American Studies at the School of Advanced International Studies (SAIS), Johns Hopkins University, Washington DC.

India's relationship with Latin America can be traced to the country's independence, in August 1947. However, it was only in the late 1990s that Indo-Latin American relations began to flourish, thanks to a higher covergence of political and, most significantly, economic and energy interests. Bolstered by a decade of strong growth and enticed by the global race to secure needed resources to sustain its continued economic expansion, New Delhi has been exploring the opportunities offered by Latin America. Slowly but surely, India has been finding ways of overriding distance, lack of good transportation and communication and other challenges in order to attain its domestic and international goals.

This article begins with a short description of Indo-Latin American relations from the 1950s to the present, underscoring the transition that has occurred from a political and/ideologically-driven relationship to today's pragmatic, economic-driven exchange. The article continues by focusing on the opportunities and challenges associated with the growing interaction between Latin America and India. Lastly, the conclusion provides an overview of India's current standing in Latin America and discusses the extent to which further expansion may be expected.

Indo-Latin American Relations: An Overview

India established diplomatic relations with most Latin American countries shortly after the establishment of the Indian Union. At the time, the government welcomed governmental exchanges with Latin American countries as a means of securing India's status as an independent nation.

During the subsequent four decades, Latin America was clearly not a priority. India's interest in the region was almost exclusively limited to ensuring its contribution to India's efforts towards world peace, through the participation in the Non-Aligned Movement (NAM) and in various international *fora*. Several agreements, including trade agreements, were signed, although their implementation was uneven.

The 1950s and 1960s witnessed some exchanges, including the visits of the Argentine and Mexican presidents to India and the signing of a trade agreement with Chile in 1951. At the United Nations Conference on Trade and Development (UNCTAD) and the UN, India and some Latin American countries developed initial cooperation efforts. Cuba joined as a full member of the NAM in Belgrade, with Bolivia, Brazil and Ecuador, attending the conference as observers (1961).

In 1967, Prime Minister Indira Ghandi announced to parliament "we have been a little too aloof with the Latin American countries. I realize that much more needs to be done."[1] Following this declaration, Gandhi visited 10 countries in Latin America and the Caribbean and delivered as many as thirty-five speeches, in which she underlined the need for India and Latin America to develop closer ties.

In subsequent years, preexisting trade agreements with Argentina, Brazil and Chile were strengthened. New agreements were signed with Colombia and Peru. As a result, India's imports from Latin America registered a sharp spike, tilting the balance of payments in favor of the Latin American countries. However, due to the increase in protectionism in India and the success of the Import Substitution Industrialization (ISI) in Latin America, the boom was short-lived.

Throughout the 1970s, steps were taken to deepen cooperation in the fields of science and technology. For instance, in May 1974, Argentina and Brazil signed agreements with India aimed at exchanging information and scientists in the nuclear energy sector and incrementing cooperating in the peaceful use of nuclear power. In mid-1975, India and Mexico ratified an agreement providing for the exchange of technical and scientific data. Despite being quite impressive on paper, these agreements amounted to little.

By the beginning of the 1980s, India opted for deepening its bilateral relations with the three largest countries of the region – Argentina, Brazil and Mexico. This approach did not bear much fruit, as Latin America struggled with heavy debt burdens, hyperinflation, recession and the transition from authoritarianism to democracy, a host of problems characterizing Latin America's "Lost Decade."[2] India, in turn, hesitantly initiated its liberalizing reforms, which meant that it still remained largely closed to the outside world.

Nevertheless, during these forty years, India, overtaken only by Japan, was able to develop the largest Asian presence in Latin America. It also sought to use the existence of a large population of Indian origin in Guyana and Surinam to establish cultural and economic bridges with these countries. Although the number of Indian migrants is much smaller in the region's other countries, they still play an important role in their respective societies.

The 1990s was a time of great change for India. Crawling out of its shell and looking at the world from a profit-driven standpoint, New Delhi realized that it was not exploring Latin America to the full extent of its possibilities. The result was a multi-pronged strategy for strengthening relations while significantly upgrading its economic ties, including an increase in the number of high level visits, developing ties with regional international organizations, expanding existing or introducing new institutional mechanisms, launching the "Focus: Latin America and Caribbean Project (LAC)" and, finally, concentrating on the region's largest and/or more integrated economies.

Between 1991 and 2008, Indian officials – including the President –, conducted five high-level visits to the region, and received over ten such visits from Latin American representatives, including those of the presidents of Argentina, Brazil, Mexico and Venezuela. This contrasts with a single visit from Prime Minister Gandhi.

For India, access to Latin American regional organizations and the special benefits granted to its members became a priority. As such, in May 1991, India became a permanent observer at the Organization of American States. Since then, the country signed a Preferential Trade Agreement (PTA) with Mercosur in January 2004 and a PTA with Chile in 2006.[3]

In February 2005, a CARICOM/India Joint Commission was established to deepen cooperation in several areas, including health, disaster management and information. Institutional mechanisms[4] such as these have been extensively utilized by India and its Latin American partners to increment communication and coordination, thereby establishing a track-record facilitating dialogue and deepening existing ties.

The "Focus: LAC" project mentioned above was launched in November 1997, in joint consultation with the APEC chambers of commerce and industry. Its main objective is to increase interaction between the two regions by identifying potential areas of bilateral trade and investment. It has focused on major trading partners and major product groups – textiles, engineering and chemical products.

Although India has pursued contacts with all Latin American countries, it has clearly prioritized larger countries like Brazil and Mexico. Countries with attractive domestic markets, capable of providing access to third-country markets via free trade agreements, with strong ties to the US, offering opportunities for interaction in several sectors (including technology for joint ventures and consultancy contracts) and – in the case of Mexico' – a growing Hispanic network in the United States. Secondly, India focuses on countries like Argentina and Chile that can provide a foothold in emerging trade blocs like APEC and grant access to external markets, natural resources and partnership opportunities in several sectors, including the services industry.

Overall, India's strategy towards Latin America has been successful, as witnessed by the increase in cooperation in areas as diverse as science and technology, defense, culture, education and trade.

A. Booming bilateral trade

The most noticeable progress in Indo-Latin American relations has been registered in a growing bilateral trade. For the past 10 years, such trade grew from USD$1.07 billion in 1997 to USD$11.2 billion. Indian exports grew from USD$4 billion in 2006 to USD$5 billion last year, while Indian imports from the region increased from USD$5.0 billion in 2006 to USD$6.2 billion. However, India's share of imports of major Latin American countries remains quite low: 0.88%.[5]

According to 2006 data, 80% of India's exports to Latin America are textiles, engineering goods and chemical and allied products. India's major imports from the region are iron, steel and their products, non-ferrous metals, crude minerals, chemicals, PVC, pulp & paper waste and raw wool. Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela and Peru represent 90% of India's total trade with the region. Of these eight countries, only Panama, Argentina and Chile maintain a trade deficit with India.

In sum, this past decade witnessed a boom in bilateral trade, although it remains below potential, especially when compared with China's trade with the region: nearly ten times higher, at USD$102.6 billion.

B. Soaring Indian investment

This improvement of bilateral trade has been accompanied by a significant rise in Indian investment in Latin America. What seems to be driving this trend is New Delhi's need to secure energy and commodities as well as the search for new markets, distribution networks, foreign technologies and the consolidation of Indian brands.

In 2006, total Indian total investment in Latin America and the Caribbean reached an impressive USD$3 billion. In 2008, it is expected to reach USD$5 billion. The main destinations for this investment have been steel, energy, pharmaceuticals and, more recently, the automotive and IT sectors.

With respect to steel, Indian investors have favored projects allowing them to increase their global production capacity and ensuring their access to new and expanding markets. The favored strategy has been to set up joint ventures, start/increase production and cater to both the domestic and the regional markets. Some examples of investments in this sector are Besco's joint venture with Brazil's *America Latina Logistica* to produce railcars; Essar's agreement with the *National Energy Corporation* of Trinidad and Tobago to build an integrated iron and steel complex, accounting for an estimated investment of USD$1.2 billion, and *Jindal Steel* and *Power Ltd* USD$2.1 billion dollars stake in a joint venture with the Bolivian government for the exploration of the *El Mutun* mine.

India possesses one of the fastest growing automotive industries in the world. Advanced technology is needed to meet competitive pressures, as well as environmental and safety imperatives. Moreover, to become competitive global players, producers are reaching beyond India's borders. Through an existing network of free trade agreements, including NAFTA, Latin America offers both a large market and access to North America. Given high transportation costs, it is also more profitable for firms to establish plants in Latin America. One of the most discussed examples of India's investment in this sector is *Tata Motors'* participation with *Fiat India* in a joint venture (JV) (50:50) to manufacture passenger cars, engines and transmissions. Investment in the plant has been valued at USD$38 billion, spread over five years. In February 20007, *Tata Motors* expanded the scope of the JV, with the announcement of the licensed production of pick-up trucks at the JV's plant in Córdoba, Argentina, from 2008.

Renewable and non-renewable energy is clearly one of the priorities of both the Indian government and the country's business community. Recent nationalizations in this sector in Latin America are increasingly viewed by Indian companies as an opportunity rather than a threat, as the path to guaranteed access to reserves previously controlled by Western multinationals. The most active Indian player in this sector has been *ONGC Videsh Limited* (OVL), a government-controlled company which has pursued India's goal of increasing its reserves. In April 2008 OVL acquired a 40% participating interest in the San Cristóbal block in Venezuela for USD$450 million. In Cuba, OVL has obtained two offshore oil blocs for direct exploration on its own, and six more as part of a consortium previously held by Spain's *Repsol-YPF*. As part of the plan, OVL will be spending over USD$1 billion to commercially develop these oil fields, perhaps its most risky business venture. In September 2006, OVL acquired an oilfield in Colombia for USD$425 million. In November 2008 OVL purchased two blocks in Colombia amid stiff competition from international companies. This move further consolidated OVL's presence in Colombia; where it presently holds interest in a producing asset and in three offshore exploratory assets. OVL first invested in Brazil in 2006 when it acquired an offshore block in the Campos Basin. In April of 2007, OVL purchased 15% of of Shell Brasil EP for USD$410 million. In October 2008 OVL and Brazil's national oil firm *Petrobras* declared that they are swapping interests in three blocks in each other's country. In addition to these investments, OVL is pursuing acquisitions in countries such as Argentina, Ecuador and Peru.

Reliance, a privately-owned company, has acquired the Borojo offshore oil bloc in Colombia and stakes in two blocks in Venezuela. *Reliance* has also signed a technical evaluation agreement with *ANH* (Columbia's hydrocarbon regulator) and has entered into a cooperation agreement with *Ecopetrol* (National Oil Company of Columbia) for exploring opportunities in that country. *Bharat Petroleum Corp Ltd* (BPCL) acquired the Brazilian oil firm *EnCana Brasil Petroleo Limitada* (EBPL) for USD$165 million.

Alternative energy fuels are also very popular among Indian investors, as the country attempts to diversify its energy sources and reduce its dependence on oil. *Bajaj Hindustan*, *Rajshree Sugar*, *Renuka Sugar* and *Godavari Sugar* mills, *Reliance* and the public sector oil companies are all interested in the acquisition of sugar and ethanol plants and sugar estates in Brazil. *Bajaj Hindustan* has already earmarked USD$500 million and formed a subsidiary in Brazil.

Pharmaceuticals, one of the most vibrant sectors of India's economy, were among the first to venture into the Latin American market. Their main driver has been gaining access to a vast market, to new technologies and to new production/marketing practices.

All the largest Indian firms – *Ranbaxy, Dr. Reddy, Sun Pharma, Glenmark* – have established subsidiaries and/or manufacturing plants in several Latin American countries. For example, *Ranbaxy* is in Peru and Brazil while *Dr. Reddy* is in Mexico and Peru. Closely related to pharmaceuticals is chemical production, which is finding fertile ground for expansion in Latin America by linking itself to agricultural production. For instance, *United Phosphorous* built manufacturing plants for agrochemicals in Argentina and in Brazil, purchased from *Servycal* SA in 2005 and *Reposo SAIC* in 2006. In 2005, this Mumbai-based company also acquired *Advanta Semilla*, an Argentine company producing hybrid seeds.

IT companies are the latest entrants into the Latin American market, drawn to the region by the absence of a home-grown developed IT sector. These companies are awash with capital and are seeking to increase their share in the global market. Operating from Latin America allows them to tap into the US market, benefiting from existing language skills (the *Hispanic community* has become increasingly important in the US) and similar time zones. *Sasken Communications* has set up a subsidiary for IT development and support in Mexico and a joint-venture Business Process Outsourcing (BPO) unit in Guatemala. Through a subsidiary, *Iflex* has secured banking software contracts in Chile, Brazil, Panama and Venezuela. *Praj* industries won contracts worth USD$605 million with a leading rum producing company, *Industrial Cartavio SA*, for supply of technology and engineering services. *Aptech* and *NIIT* have been quite successful in Peru. In 2007 Wipro Technologies won a contract valued at US$36 million from Latin America's largest brewery *AmBev* to provide outsourcing services, from Wipro's facility in Curitiba, Brazil. *Tata Consulting Systems* leads the pack in the depth and variety of its investments in Latin America. TCS has set up software development centers in Montevideo and Brazil, operating in Spanish and Portuguese, and are currently under expansion. TCS has bought a BPO firm in Chile, *Conicrom*, for USD$23 million in 2005 and has operations in Mexico and Colombia. In 2007, TCS won a USD$100 million project in Brazil. Latin America was the source of 4.7% of TCS' total income in 2007, after growing more than 60% relative to 2006. The region is also an important source of human resources for TCS.

In contrast to India's investment spree in the region, Latin American firms invest little in India. Things may change in the near future as a growing number of Brazilian firms have shown interest in making substantial investments in oil exploration (*Petrobras*), mining (*Vale*) and food processing (*Sadia*). For now, however, Indian firms have the upper hand and are making the most of opportunities in Latin America.

Opportunities and Challenges

The future of Indo-Latin America relations will be shaped by the political will and economic ability of both parties to identify and explore opportunities and overcome challenges.

Opportunities for cooperation abound, but India, by investing in energy, steel, vehicle manufacturing, pharmaceuticals and services, has been quicker than Latin American at identifying and making the most of these.

Among the unexplored sectors for Indian investment are forestry and mining. Commercial forests providing timber, wood products and paper pulp are bountiful in countries such as Brazil, Chile, Argentina, Guyana and Panama. Phosphate is to be found in Argentina, coal in Colombia, gold and diamonds in Venezuela, bauxite, iron ore and other minerals in the Caribbean.

India could also benefit from Latin America's successful experience and technological expertise in agriculture and agribusiness. South American producers are among the most efficient in the world, obtaining much higher yields than Indians. They are also innovative, using biotechnology to improve performance. Chile and Colombia stand out for their success with high-value products, including fruits and flowers. Latin America can also be used to demonstrate to Indian producers that agricultural production can be increased and profits rose without recourse to state subsidies.

Several agreements have been signed to foster agricultural cooperation, although initial efforts, especially at the university level, have fallen short. To increase the level of interaction and boost India's transition to a more modernized and efficient agricultural sector, India needs to attract Latin American investors, as the bulk of R&D and management expertise remains in their hands. To succeed, India must underscore the vast potential of its large and unexplored domestic market, expected to continue growing well beyond 2050. India could even become a large supplier to the Chinese market, which is rapidly reaching the limits imposed by its much weaker natural endowments and, increasingly, by pollution and environmental degradation.

India's manufacturing sector offers significant opportunities for Latin American investors. New Delhi is implementing several measures to attract foreign investors. Some of these, including special economic zones, are ideal for Latin American companies. In addition, labor costs in India are lower than in Latin America and productivity is higher. Furthermore, Latin American firms can also focus in India's large domestic market and benefit from the fact that Indians consume more per capita than the Chinese. It is also important to note that, generally, Indians appear to know more about Latin America than the Chinese, which accounts for higher Indian receptivity to Latin American products and, ultimately, more sales.

For India, Latin America offers an attractive market for its manufacturing sector. First, it has more than 500 million potential consumers, with an average per capita income higher than India's. Second, Latin American consumers are qualitatively interesting because they do not have as high standards as the Western world but still want more quality than low cost Chinese imports. Third, Indian immigrants are a large captive market in Latin America, which is translating into a growing interest for Indian culture and food amongst the general public. Fourth, Indian exporters enjoyed below-average levels of protection in Latin America due to the fact that Indian goods are more distant substitutes to domestically produced goods than goods imported from the rest of the world.[6] This already attractive situation has been supplemented by the signing of PTAs with Chile and Mercosur.

An important area of potential cooperation is education. Since India's track record in providing basic education to the population and reducing inequality is very poor, New Delhi could learn from successful programs like *Mexico's Progresa/Oportunidades*[7] and Brazil's *Bolsa Familia*[8] that make direct cash transfers to the poor under the condition that children be enrolled in school and vaccinated.

Another area in which India has been ineffective is in the provision of basic health services. Although Latin America's record in this area is not considerably better, Cuba stands out as an exception and, as such, provides an opportunity for learning. Cuba's health system is seen as an example of how public spending may be directed to transforming the health-care of an entire country by carefully managing existing medical resources and investing in prevention.[9] Cuba's ability to attract health tourists, generating around USD$40 million in 2003, is also inspiring, especially since there are already several large private health services providers in India starting to invest and export their services.

Latin America and India can also greatly benefit from cooperation in international fora. India has counted with the backing of several Latin American countries that strongly support the reform of the Bretton Woods institutions. Brazil has emerged as India's most significant ally in this matter and they are working side by side in several projects, including the Doha Round negotiations and the effort to obtain permanent seats on the United Nations Security Council.

Despite such vast opportunities, India's presence in Latin America is still relatively modest, especially when compared with the US, European or Chinese initiatives. India therefore needs to address significant challenges: lack of connectivity in air and maritime transport and the competition from other large international players in the region.

The distance separating India from Latin America is quite significant. This, of course, imposes certain natural restrictions which, however, are by no means insurmountable, as China's growing presence in Latin America demonstrates. Infrastructural constraints and associated high transportation costs limit exchanges between the parts. Change may be in the offering as a result of recent proposals aimed at establishing direct air service between major cities in India and Latin America. Shipping is also inadequate: 22 days separate Sao Paulo from Mumbai. Deprived of good ports and efficient multimodal transportation systems, it is very hard to ensure timely delivery of products and services.

Although the absence of proper infrastructure represents a challenge, opportunities are also generated. For the business sector, the recent investment spree in infrastructure development has meant the chance of making large and profitable deals: Indian firms are working in several Latin American countries such as Brazil, developing the railway system. Similarly, Latin American construction firms are participating in bids to secure large construction projects in India. For India, the infrastructure boom offers an opportunity to accrue a measure of "soft power" in the region.

Another challenge is competition from other outside players in the region: the US, the EU and, increasingly, China and Russia. Although India is not averse to consolidating its links with Latin America, it does not consider the region valuable enough to risk provoking a clash with either the EU or the US, especially since deepening its ties with these two major powers is essential to secure investment in India and access to markets. It will therefore be reluctant to offer political support to its Latin American allies when their interests clash with European or – more importantly – American interests.

China's abrupt entry into Latin America presents a significant challenge to India's primary interests in the region: securing energy, commodities and markets. In its competition with China for Latin America, India may use:

1. The "democratic angle" – India is the world's largest democracy and China is still a one-party system, where freedom of opinion is circumscribed.
2. Rising disappointment due to the contrast between what China promised the region and what it has delivered;
3. The negative press China has been subject to in Latin America as a result of its poor environmental record;
4. The fact that Latin Americans are seeking partnerships with India as part of their policy of diversification, conscious of the risk of over-dependence on any one country, be it the US or China

However, India must be careful to avoid upsetting the precarious balance upon which it has based the improvement of its ties with China. Ultimately, China is a more important partner than Latin America. India must therefore be prepared to lose some battles in Latin America to China if that means guaranteeing stability of the border and access to China's vast domestic market.

Opportunities clearly outweigh the challenges inherent to Indo-Latin American relations, leading to an expected increase in exchange between New Delhi and its Latin American partners.

Conclusion

India's connection with the Americas dates back to the 15th century, when both Christopher Columbus and Pedro Alvarez Cabral stumbled upon the West Indies and Brazil while searching for a maritime route for India's riches. Five hundred years later, the tables are turned as India finds its way into the region. After several years of lukewarm relations, India has taken decisive steps to deepen relations with its Latin American counterparts. India's new approach towards the region is informed by a desire to access energy reserves, commodities and markets, and a bid to obtain political support so as to strengthen New Delhi's bargaining power in international *fora*.

So far, the strategy has been successful, allowing India to secure much needed inputs for its continued expansion. Critical to India's achievement has been Latin America's willingness to diversify its economic, political and commercial relations. India's track record as a leader of the "Global South" has also appealed to many Latin American leaders. There also exists an inherent complementarity between both economies, and this has helped strengthen the ties between India and Latin America. While Latin America produces commodities and energy required by India, New Delhi possesses capital and a developed services industry that Latin America covets.

Additionally, India has been very careful in its dealings within the region, avoiding appearing as a threat to US, EU and Chinese interests, major players in Latin America and India's most valued partners.

Both India and Latin American countries recognize that there are still many opportunities to be explored. The question will be whether a further expansion of India's presence in Latin America will continue to be welcomed by both local and external actors. As India expands its labor-intensive manufacturing capacity and seeks to market its products in Latin America, Latin Americans may start to perceive India as a competitor rather than a partner. China's recent decrease in popularity in the region is a clear indication that Latin Americans may rapidly shift their appraisal from one of "strategic partnership" to one of "threat", especially if product displacement by cheap imported goods occurs.

Another issue is how the US, concerned about China's growing presence in Latin America, will react to the advances of another Asian power in its "backyard". In India's favor stands its vast experience in conciliating divergent interests: a stable country, able to unite communists and liberals in the same governing coalition, surely musters the expertise required to avoid the reefs and keep sailing towards a better future.

Endnotes

1 V. Shivkumar (ed.), *Emerging Trends in Indo-Latin American Relations* (New Delhi: *Commonwealth Publishers*, 2002), p. 6.

2 It is striking how a few numbers can capture the extent of the decay suffered by the region. While the gross domestic product of Asian countries grew by almost 7 percent a year (6 percent a year in per-capita terms) from 1986 to 1995, Latin America's GDP advanced at a rate of little more than 2 percent, translating into virtually zero growth in per-capita terms. In a similar fashion, Argentina's per-capita GDP fell to just 29 percent of the per-capita average in OECD countries, from 44 percent, between 1970 and 1995.

3 India and Chile signed a Preferential Trade Agreement as part of a host of initiatives to increase trade and investment between the two countries. Signed in March 2006, the agreement provides tariff preferences ranging from 10 to 50 per cent on 178 products to Chile and a similar range of preferences on 296 items to India. It benefits 98 per cent of items being exported by Chile to India and 91 per cent of the goods being exported by India to Chile.

4 The following institutional arrangements already exist between India and Latin American countries: the Indo-Argentine Joint Commission; the Indo-Argentine Joint Trade Committee; the Indo-Mexican Joint Commission; the Indo-Brazilian Commercial Council; the Indo-Cuban Joint Commission; the Indo-Cuban Trade revival Committee; the Indo-Suriname Joint Commission, and the Indo-Guyana Joint Commission.

5 "Export and Import Data", India's Ministry of Commerce & Industry (13 April 2009).

6 Marcelo Olarreaga, Guillermo E. Perry and Daniel Lederman, "China's and India's Challenge to Latin America: Opportunity or Threat?" (Washington, DC: *World Bank*, November 2008).

7 According to Francis Fukuyama, the Mexican Progresa program of conditional cash transfers pays poor people a stipend on the condition that they send their children to school, recognizing the fact that many poor families see greater benefit in putting their children to work rather than educating them. Progresa has raised school attendance rates dramatically, although its final impact on long-term educational outcomes is less certain. Early success led to the program being extended across Mexico. Presently called the Oportunidades program, it now reaches into urban neighborhoods. Francis Fukuyama, "Keeping Up With the Chávezes" (*Wall Street Journal*, 1 February 2007).

8 The Bolsa Familia was inspired by the Progresa program and now reaches some 11 million poor Brazilian families. According to a 2005 survey, the areas in which the program was implemented experienced an improvement in health and education indicators. It also appears that Bolsa Familia has had an actual impact in lowering Brazil's notoriously high Gini coefficient, which is a measure of income inequality.

9 All fiscal and administrative aspects of health care in Cuba are run by the state; no private hospitals or clinics are permitted, and medical workers are required to work for the state. According to the World Health Organization, Cuba provides a doctor for every 170 residents, and has the second highest doctor to patient ratio in the world after Italy. Cuba sent several primary care practitioners and specialists for periods of service in other less developed countries, including approximately 2,000 doctors currently working in Africa.