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India Eyes Latin America – OpEd

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The competition between China and India — the world's largest dictatorship and the world's largest democracy — will be a defining feature of 21st-century geopolitics. Because China opened its economy more than a decade before India did, the Middle Kingdom has a clear head start in the global battle for economic influence. Yet the South Asian giant is rapidly gaining ground on its northern neighbor, and over the long term its democratic system seems far more stable than the autocratic Chinese model. When assessing U.S. grand strategy in Asia, American policymakers view India as an important counterweight to China. Closer to home, India may also serve to balance Chinese economic clout in Latin America.

"China's rise in bilateral trade with Latin America is the greatest of any region in the world — an astonishing 18-fold increase over the past decade," Agence France-Presse reports. Chinese commodity demand has greatly boosted GDP growth in Argentina, Brazil, Chile, Peru, and other resource-rich countries, thereby lifting millions out of poverty. These economic benefits are worth celebrating. Yet Beijing's burgeoning hemispheric footprint has prompted security concerns in Washington, since Chinese military and political ambitions remain so murky. Moreover, China is helping to prop up the Hugo Chávez regime in Venezuela, and it is also expanding cooperation with Chávez acolytes in Bolivia and Ecuador while strengthening ties with the Castro government.

Whereas Beijing's newfound interest in the Western Hemisphere has understandably raised some eyebrows, India's growing activity is unambiguously good for both Latin America and the United States. In a recent issue of Americas Quarterly, political scientist Jorge Heine and Indian diplomat R. Viswanathan observe that trade between India and the Latin America/Caribbean (LAC) region increased eightfold between 2000 and 2009, reaching about $20 billion. To be sure, that figure is dwarfed by overall Chinese trade with the LAC region, which totaled roughly $140 billion in 2008 (according to the Latin Business Chronicle).

But as The Economist noted a few years ago, Indian companies "have begun to make significant investments in software, pharmaceuticals, business software and natural resources." (By contrast, Chinese investment in Latin America "has hitherto amounted to less than meets the eye.") Since 2000, write Heine and Viswanathan, Indian companies have poured $12 billion worth of investment into six key LAC economic sectors: agrochemicals, energy, information technology (IT), manufacturing, mining, and pharmaceuticals. Indeed, many Indian firms have established a big presence in the region, including ONGC Videsh (an oil giant), Tata Consultancy Services (an IT powerhouse), and United Phosphorus (a massive agrochemical company).

Indian investment is helping Latin America to diversify its sources of economic growth, making the region relatively less dependent on commodity exports. But what about low-wage Indian manufacturing? Doesn't it pose a competitive challenge to Latin America, where manufacturing wages are higher? To a certain degree, yes. Broadly speaking, however, "Indian exports to the region are not a threat to Latin American industries," as Heine and Viswanathan stress. "Over half of them consist of raw materials and intermediate goods such as bulk drugs, yarn, fabrics, and parts for machinery and equipment, which can help Latin American industries cut production costs and become globally competitive."

In a 2010 study ("India: Latin America's Next Big Thing?"), Inter-American Development Bank economist Mauricio Mesquita Moreira concluded that, while "the fundamentals exist for a strong trade relationship between the two regions," economic cooperation is being hampered by tariffs and other trade barriers. The hope is that incremental progress on trade expansion will discourage protectionist policies. "More trade is likely to strengthen the virtuous circle in which trade boosts incentives for cooperation while cooperation creates even more opportunities to trade," explains Moreira.

The recent growth of trade and investment ties between India and Latin America has encouraged warmer diplomatic relations. By 2009, note Heine and Viswanathan, LAC countries had 18 diplomatic missions in New Delhi, and India had 14 missions in the LAC region, up from twelve and seven, respectively, in 2002. The single most important bilateral relationship is that between India and Brazil, Latin America's largest economy and most populous country. In 2003, the two nations joined with South Africa to sign the Brasília Declaration, which launched the India–Brazil–South Africa Dialogue Forum, or IBSA. The goal of this trilateral mechanism is to promote greater three-way cooperation on issues such as trade, investment, education, poverty reduction, and the environment. "Brazil has what India lacks: a large and fertile land mass with abundant water that can significantly increase the production of food — something India will always need, be it soybean oil, legumes or sugar," write Heine and Viswanathan.

As Indo-Brazilian economic links continue expanding, we can expect the two governments to pursue closer collaboration on non-economic matters, including military affairs. This will unnerve the Communist rulers in Beijing, who fashion themselves the undisputed leaders of the developing world and fear the rise of India. Washington won't always agree with New Delhi's foreign-policy decisions, but it should welcome a robust Indian presence in Latin America. After all, on the biggest economic and strategic issues of the day, India and the United States are natural allies.

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