

Chapter

India's Quiet Rise in Latin America: Could It Become a Counterweight to China?

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Abstract

Lately, India has been gaining ground by investing in Latin America. From cars to textiles, it has also been investing in energy. India's rise in Latin America has been quiet, but it is now becoming more visible. In this sense, one wonders whether it could become a counterweight to China in the region. To this end, it is important to take a look at India's development and the evolution of its foreign policy towards Latin America. It is also important to look at how Latin American countries have adapted their foreign policies to accommodate India without damaging the relationship with China. In this way, it will be possible to analyse whether India can really be China's counterweight in a region that is so important for the latter.

Keywords: India, China, Latin America, foreign policy, power competition

1. Introduction

In the early 1990s, after a serious economic and financial crisis, India decided to embark on a process of economic liberalisation. This process resulted in India's unprecedented growth, and it began to position itself as a regional leader and a global middle power. This is due not only to its economic growth, of course, but also to its technological development, its military capability and, of course, its large labour force [1, 2].

This has led India to be the fifth largest economy in the world today, with a GDP of USD 4.3 billion and an average growth of 6.4% between 2006 and 2025, with an all-time high of 9.7% in 2022 and a low of 5.8% in 2021 [3]. It is also a major destination for foreign direct investment in sectors ranging from services and telecommunications to pharmaceuticals and automobiles. In addition, it is one of the largest markets in the world [4].

India's emergence as a middle power, however, has had a greater impact in Asia. In this space, it has emerged as an important actor with the capacity to influence the economy, politics and security. Hence, India's foreign policy has tended to focus on its neighbourhood, rather than more aggressively outreach to the rest of the world. This is evident in its *Look East Policy* and later its *Act East Policy* [1, 4].

In this sense, although relations with Latin America began to develop within the framework of its economic openness, it nevertheless left many aspects to be developed [4]. For this reason, many analysts have referred to India's presence in Latin America as slow and late [5]. Despite this, for some years now, there has been a silent but noticeable rise of India in Latin America, especially in the services, telecommunications and energy sectors [3, 6].

The development of these relations, which are becoming stronger thanks to the new strategic autonomy policy, is an opportunity for India in terms of its growth as a power. But, above all, it represents an opportunity for Latin America in terms of trade diversification. Moreover, in the face of tensions between the US, China and Russia, more and more countries in the region are welcoming Indian investment. This is because India is perceived as an independent and neutral country in the power competition between the aforementioned actors [7].

Now, Latin America is a region where China has great influence and where it is one of the main trading partners. This raises the question: can India become a counterweight to China in Latin America? This question guides this chapter. In order to arrive at some answer, it will first take a brief look at the evolution of India's relations with Latin America, especially on the basis of its foreign policy. Then, the magnitude of India's presence in the region will be explored and a brief comparison with China's presence will be made. In this way, towards the end, an attempt will be made to provide an answer to the question posed.

2. India-Latin America: A not-so-old relationship

Unlike other cases, such as China or the United States, the relationship between India and Latin America is not as long-standing and has not necessarily been close. Lack of historical ties, language gaps and geographical distance have contributed to this lack of closeness. In addition, the different political currents and divergent preferences given to certain internal and external issues have meant that neither India's attention was on Latin America, nor that of Latin American countries on India [1, 8–10].

Thus, while the first contact, it could be argued, was in the nineteenth century, when Indians came to the Caribbean to work on British plantations, it was not until the Cold War period that the political ties that have defined the relationship between India and Latin America were formed. In this context, the relationship between India and Latin America could be described as 'uni-multilateral'. This means that India operated as a unit while Latin America was a group of autonomous entities and not as a supranational unit. This was, mainly, because of the many national policies in Latin America that made impossible to have one regional foreign policy towards India [9].

Likewise, although some embassies were opened in Latin American countries after India's independence,¹ it was not until the 1960s that state visits began to take place [1]. In effect, the first Indian embassy in the region was established in Brazil, from where some matters relating to other Latin American states were also attended

¹ India achieved its independence as a result of the resistance of many generations that led to a series of independence movements between 1919 and the 1940s, led by Mahatma Gandhi. Indian independence from the British Empire was finally achieved on 15 August 1947 [11].

to [12, 13].² This may be related to India's perception of Latin America as a relatively homogenous region economically, politically and socially, without paying attention to the diversity and complexity of the region [1, 8].

It was during the Cold War that India and Latin America came as close as the dynamics of bipolarity allowed. The rapprochement, in this context, took place, particularly in terms of south-south cooperation, beyond the connections between intellectuals such as Octavio Paz and Mahatma Gandhi or Gabriela Mistral and Sri Aurobindo [9].

One important point of encounter between India and Latin America that is important to note was in the debates and votes within the United Nations system. Perhaps the greatest point of common ground in this area was the third meeting of the United Nations Conference on Trade and Development (UNCTAD) in 1972³ [9]. However, this contact was merely coincidental, rather than a relationship as such [8]. It is also important to mention the participation in the Non-Aligned Movement, although Latin American countries did not join the movement until the 1970s, with the exception of Brazil which participated actively from 1964, while India was present from the Bandung Conference in 1955 and at the creation of the movement at the Belgrade Conference in 1961⁴ [9].

As can be noted, it would not be correct to say that there were no relations as such between India and Latin America. In fact, since 1958, it had already had a trade agreement with Chile, which it renewed before the aforementioned UNCTAD conference; also, before this event, it signed a trade protocol with Mexico and concluded agreements with Brazil and Argentina [8].

Despite the growing closeness, especially since Indira Gandhi came to power,⁵ who saw many 'common ideals', although this was never specified in a way that would strengthen relations between the two, during the 1980s there were some stagnations in relations. Even when India supported Argentina on the Falklands issue and collaborated with Peru and Mexico in the context of the Non-Aligned Movement, Latin America still saw India as too distant to strengthen trade or consider it a real strategic ally [8, 9].

² The first Indian Embassy established in Latin America was the one in Brazil (1948), followed by one in Argentina (1949), Mexico (1950), Chile (1958), Cuba (1962), Trinidad y Tobago (1962), Guyana (1967), Peru (1969), Venezuela (1969), Colombia (1973), Panama (1973), Jamaica (1975), Surinam (1977) and Guatemala (2009) [13].

³ Between April 13 and May 21, 1972, the United Nations Conference on Trade and Development held its third session, known as UNCTAD III. This conference focused on the international monetary system and the proposal of southern countries for a link between Special Drawing Rights (SDR) and aid to developing countries. The disagreements led to the recommendation for further research of the proposal rather than any commitment.

⁴ The Non-Aligned Movement (NAM) is an organisation representing the interests of developing countries, created in the context of post-World War II decolonisation and in the midst of the Cold War. In the bipolar context, its members advocated not aligning themselves with either of the two contending powers. The origins of this movement can be traced back to the Bandung Conference where African and Asian countries met to discuss their own worldviews and establish a neutral position in the bipolar Cold War. This movement was finally formalised at the Belgrade Conference in 1961.

⁵ Indira Gandhi, the first woman to become India's prime minister, held office from 1966 to 1977 and again from 1980 until her death in 1984. Following her predecessor Nehru's visit to Mexico in 1961, she visited eight Latin American countries in 1968, creating greater rapprochement with the region.

The end of the Cold War, the collapse of the Soviet Union and the change of international affairs, especially the globalisation process, meant that States had to rethink their policies. In this sense, India could not continue to neglect its relations with Latin America. This context had also made the region extremely attractive because of the opportunities it offered for new relations to be explored [8]. Thus, in the late 1990s, India designed its strategy towards Latin America, a strategy that has changed little since then, although it must be acknowledged that its interest and involvement in the region has grown increasingly relevant [1].

Both Indian foreign policy and the foreign policies of Latin American States have, as described above, evolved from quasi-coincidental relations to a particular interest, especially India's in Latin America, without meaning that the latter benefit greatly from this. The evolution in India's case could be explained as a shift from a purely principled and moral foreign policy, as set out by Gandhi, to a policy adapted to the reality brought about by the end of the Cold War, which made it realise that Latin America was a region it could not neglect if it wanted to become a major power in the world again [14, 15].

In this context, the two actors studied began to recognise comparable levels of development and complementarities, most of all between India and the major countries of Latin America and the Caribbean. This led to the strengthening of economic interactions. The materialisation of this was *Focus LAC*, an action plan launched by India in 1997 to revitalise Indo-Latin America trade and economic relations. The result was notorious. From 1991–1992 to 2000–2001, there was an increase of more than 260%⁶ [8]. It is important to note that, even though trade relations between India and Latin America are strong and very important, political and diplomatic relations are not at the same level of development [13, 16].

3. India-Latin America trade: Should China be worried?

It should have been noted that the trade relationship between India and Latin America has been growing rapidly since its *Focus LAC* policy. The question now is if this growth and its projection is enough to worry China. Is India becoming or could become a real counterweight to China in Latin America? It will be necessary to analyse how is this relationship today and compare it to the one with China in order to try to answer this question.

The first thing that should be addressed is that the relation between India and Latin America is mainly commercial, as it may have been noticed. In the case of South America, the relation is inter-industrial because it is based on the exchange of commodities and manufactures. In the cases of Mexico, Central America and the Caribbean, the relation is intra-industrial, based on textiles, autoparts and electronics. It is interesting to note that the main products imported by India from the region are vegetal oils, grains, sugar, minerals⁷ and petroleum, meanwhile its exports are mainly industrial and manufactured products [17].

In this regard, it is interesting to note that from 2010 to 2021, trade between India and Latin America has grown by 145%. Compared to what was said in the previous section, the growth is lower than that recorded in the decade 1991–2001. However, if one looks at the last 20 years up to 2021 as a whole, the recorded growth is 2000%.

⁶ The increase registered was from US \$473.66 million in 1991–1992 to US \$1705.8 million in 2000–2001 [8].

⁷ Mainly gold, copper and coal.

This is from 1.6 billion in 2001 to 22.36 billion in 2010 and 35.74 billion in 2024 [18, 19]. This growth can be seen in the following graph based on data published by the Indian government (**Figure 1**).

As can be seen, even though there has been a decline in trade, especially between 2014 and 2016, the trend continues to be upwards. To elaborate a little on the data, it is interesting to see that petroleum products are India’s main export to Latin American countries. These exports amounted to 4.7 billion in 2023, followed by the export of vehicles, which amounted to 4.33 billion. As for chemical exports, these accounted for 3.4 billion and machinery for 2.73 billion. Finally, pharmaceuticals accounted for 1.45 billion. In terms of the products that India imports from Latin America, the most important is crude oil, which accounted for 7.6 billion for the countries of the region, followed by gold worth 6.6 billion. Vegetable oil amounted to 5.7 billion. Copper accounted for 1.87 billion. Finally, machinery for 245 million [19, 20]. This is summarised in **Table 1**.

Within the context of these relations, India and Latin America have been working to strengthen ties. This has led both actors to reach agreements or work on understandings and trade frameworks that allow them to continue cooperating. Thus, there are two preferential trade agreements, one with Chile and one with Mercosur. There are also 6 trade agreements, with Argentina, Peru, Guatemala, Colombia, Cuba and Trinidad and Tobago. There are also four memorandums of understanding, two on economic cooperation with Costa Rica and Ecuador, one on the promotion and transfer of technology with Argentina and one on development cooperation with Colombia. To this should be added India’s foreign direct investment in Latin America, which, in 2023, reached 16 billion [19, 21].

Now, to determine whether this should be of concern China, it is necessary to compare the above data with that related to China. In this regard, it is important to note that while India is growing faster than China, it is still far from catching up. This can be seen in **Figure 2** [19, 22, 23].

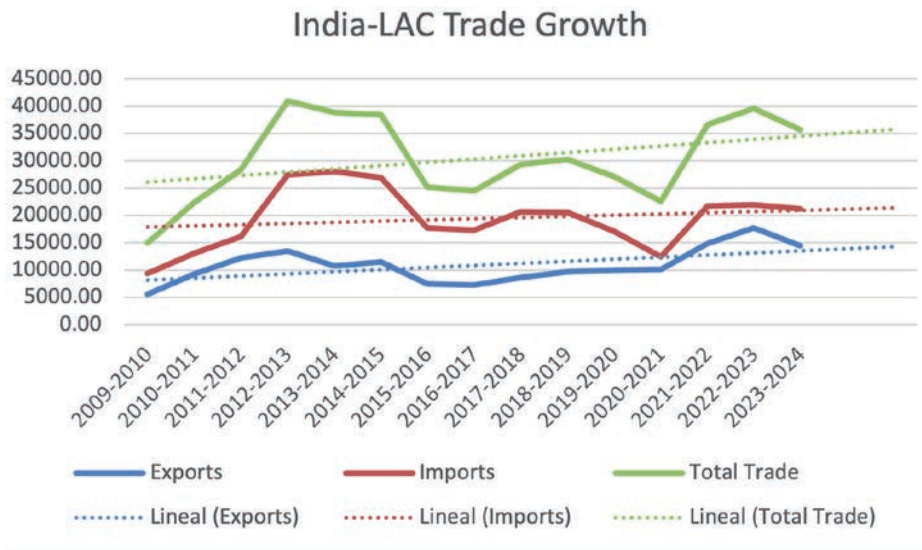


Figure 1.
India-LAC trade growth 2009–2024. Elaborated by the author with data from Government of India.

Exports to LAC	Amount	Imports from LAC	Amount
Petroleum Products	US \$ 4.7 billion	Crude Oil	US \$ 7.6 billion
Vehicles	US \$ 4.33 billion	Gold	US \$ 6.6 billion
Chemicals	US \$ 3.4 billion	Vegetable Oil	US \$ 5.7 billion
Machinery	US \$ 2.73 billion	Copper	US \$ 1.87 billion
Pharmaceuticals	US \$ 1.45 billion	Machinery	US \$ 245 million

Elaborated by the author with data from Government of India.

Table 1.
Main exports and imports 2023.

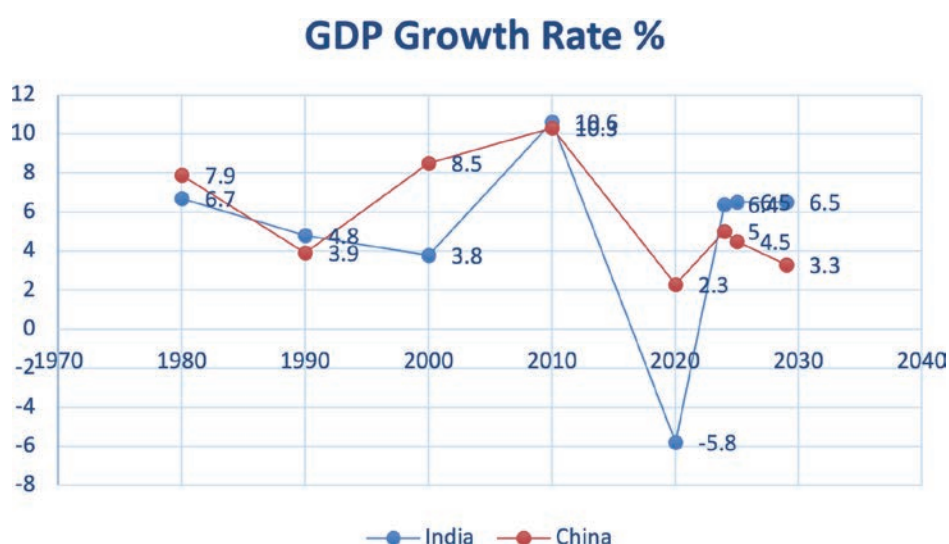


Figure 2.
GDP growth rate, %, India and China (2025 and 2029 values are IMF forecasts). Elaborated by the author with data from IMF.

In terms of the comparison between China's trade with the Latin American region and India's, the question posed can be answered to some extent. It is clear that India does not register sufficient numbers to worry China. However, the fact that it is not a counterweight to China in the region today does not imply that, if it decides to close the gap, it will be able to do so in the same way as it has been doing in its own region [23–25].

Now, there is one sector in which India has already overtaken China in the region. This is in the export of cars. In this case, China and India compete at the same level. In fact, India exports more cars to Latin America than China. However, China still exports more motorbikes and auto parts. Despite this, India is the second largest supplier of motorbikes in the region, so competition in this area is tight and it is an area where, if maximised, India can effectively become a counterweight to China [26, 27].

Another important sector is energy; however, in this case, the competition is different, and the difference gives China the advantage. Indeed, while India focuses its participation in this market on investment, China is concerned with investment and infrastructure development. Thus, China has focused on owning and operating

energy infrastructure. On the other hand, India has preferred to prioritise trade and investment in order to diversify its own energy sector [7, 21, 28].

Overall, again, India is too far behind China to be an effective counterweight in the region. In 2023, while India recorded trade of about \$43 billion, China had \$487 billion. It is only by 2028 that India is projected to reach \$100 billion, which is still far from China [7, 29, 30]. Despite this, India's importance should not be discounted. Nor should it be dismissed that China, despite being Latin America's main partner today, is a country that tends to be viewed with some apprehension and a certain amount of suspicion. To this must be added the closeness of most Latin American States to the United States, who is also close to India [21, 24, 25, 27].

4. Conclusions

In conclusion, first of all, it must be recognised that India is a middle power that since its liberalisation has taken an important place on the international stage. Its economic potential and influence cannot be underestimated. This has been even clearer in its own region. However, for some decades now, it has also been positioning itself outside the region. This has led it to engage with Latin American countries, and its presence today is increasingly visible.

As far as the relationship between India and Latin America is concerned, it must be said that it is not a long-standing one. On the contrary, one of the obstacles to the deepening of relations between Latin America and India has been precisely the lack of historical ties that generate a certain bond between the two actors. Similarly, geographical distance and the linguistic gap have been factors that have made it difficult for this relationship to be as strong as the one that Latin America has with powers such as China or the United States.

In this sense, India prioritised strengthening its influence and its relationship with its neighbourhood rather than going out to other regions. This was reflected in its Look East Policy and its subsequent Act East Policy. This made India's presence in Latin America late and slow. In fact, the first rapprochements between the two actors took place in the context of the Cold War and the Non-Aligned Movement, in which India and many Latin American countries participated.

It was only at the end of the Cold War that Latin America began to look attractive to India. The region offered India the opportunity to diversify and better position itself as a power. Thus, towards the end of the 1990s, India developed a foreign policy towards Latin America that has changed very little since then. This has come to be known as Focus LAC. However, it is a relationship that has always prioritised the economic and commercial aspect over the political, which is reflected in India's reluctance to conclude very general agreements that cover more aspects than necessary.

In terms of this relationship, as we have seen, trade between India and Latin America has grown by nearly 2000% in the last 20 years. This is an indicator of India's interest in the region. The main products traded are petroleum products, crude oil, agricultural products, textiles, gold, copper and the energy, automotive and pharmaceutical sectors.

Now, given the question posed at the beginning of this chapter, should China be concerned? Could India become a counterweight to China in Latin America? The answer should be divided into two. The first answer points to the short term and the second to the long term.

With regard to the short term, it should be borne in mind that, although India has been increasing its presence in Latin America, its numbers are still very small compared to China's. In fact, as already mentioned, trade with India is 43 billion against 487 billion with China. In this sense, the latter need not lose any sleep over India's increasing trade with the region, especially since it is known that India is not moving very fast in this regard, as it continues to prioritise its own region, especially in security issues.

Finally, in terms of the longer term, the most important fact is that India has begun to grow at a faster pace than China. Even so, India still has a long way to go to reach the level of power that China has achieved, both in its own region and in the rest of the international arena. Today, India competes very closely in its own region, but in the rest of the world, it is still a middle power struggling to gain a more important position. In this sense, it does not seem that China should be worried either, but it should remain vigilant, because at the current rate of growth and with the influence it has been achieving, not only commercially but also culturally, India could eventually become a real counterweight to China, not only in the Asian region but also on the entire international stage.

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