

## INDIAN AND CHINESE ENGAGEMENT IN LATIN AMERICA AND THE CARIBBEAN: A COMPARATIVE ASSESSMENT

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This monograph is a comparative assessment of the activities of the governments and companies of the Republic of India and of the People's Republic of China (PRC) in Latin America and the Caribbean covering a 15-year period, from the beginning of the 21st century through 2016.

That engagement is examined with respect to the high-level diplomacy of each of the two actors, as well as the volume and patterns of trade, the activities of Indian and Chinese companies in the region, and their relationships to their respective governments in eight sectors. These sectors are: (1) petroleum and mining; (2) agriculture; (3) construction; (4) manufacturing and retail; (5) banking and finance; (6) logistics and port operations; (7) technology, such as telecommunications, space, and high technology; and, (8) military sales and activities.

Across the areas examined, Indian engagement is significantly less than that of the PRC, and concentrated on a more limited subset of countries and sectors. Within selected sectors, Indian engagement generally features a greater number of smaller actors, more independent from the state, and often more entrepreneurial. The efforts by the Indian Government to support Indian companies in the region are more modest, and often less coordinated, than those of the PRC.

With respect to diplomatic engagement, the PRC has generally made a broader and more concerted effort to engage with the states of Latin America and the Caribbean than has India, including three state visits to the region by Chinese President Xi Jinping by the end of 2016. These

featured trips to multiple countries, as compared with a single visit to the region by India's leadership—the July 2014 trip to Brazil by Prime Minister Modi in conjunction with the BRICS summit.

With respect to commerce, India's bilateral trade with Latin America and the Caribbean of \$46.53 billion in 2014 was only about one-sixth of the PRC's \$285.66 billion in trade with the region. Yet, the rate of growth of India's trade with the region is comparable to that of the PRC, and India's balance of trade is more beneficial to the region.

Both Chinese and Indian companies are significant investors in Latin America's petroleum and mining sectors. Chinese companies have generally been larger purchasers of that sector's products and have an ownership share in a greater number of countries in those sectors; yet, Indian companies are generally positioned in higher-value-added activities.

In agriculture, although China and India are competing purchasers of Latin American foodstuffs, Indian companies have invested in niche areas such as sugar refining. On balance, however, Chinese efforts have surpassed those of India, with attempts to establish agro-industrial complexes and to acquire major companies such as H.K. Noble and Nidera, with important holdings in Argentina and Brazil.

In construction, significant activities by Chinese companies, concentrated in loan-based infrastructure construction projects in the ALBA (Bolivarian Alliance for the Americas) countries and the Caribbean, are in contrast to an almost complete absence of Indian firms from the sector.

India's absence is due to a combination of Indian construction firms working at near capacity in India itself, a lack of experience in doing business in Latin America, and the difficulty for Indian companies to obtain major loans to support projects abroad from India's development bank.

In manufacturing and retail, both China and India have a significant presence in the region, although with different areas of emphasis. While a small number of Indian companies, such as Bajaj and Mahindra, have sold products to Latin America since the 1990s, Chinese manufacturers have moved more aggressively to establish final assembly facilities in major markets, such as Brazil and Mexico, on a greater scale than their Indian counterparts. Yet, Indian companies have often demonstrated a greater skill in acting as local players (employing local managers and workers) and at becoming perceived as members of the local community than have their Chinese counterparts.

In the banking and finance sectors, Chinese banks have made significant advances in Latin America, including not only more than \$125 billion lent to the region in the past decade, but also the expansion into branch banking in the Southern Cone, as well as currency swaps in support of conducting transactions in Chinese  *yuan* or (RMB). By contrast, Indian banks have been almost entirely absent from Latin America in all three of these areas.

In logistics and port operations, Chinese companies have a modest but growing presence built around the Hong Kong-based firm Hutchison Whampoa, and the shipping companies, China Shipping and China Overseas Shipping Company (COSCO). As in banking, Indian firms have been almost entirely absent from this sector.

Both Chinese and Indian companies have made important advances in Latin American technology sectors, yet the types of technologies and the principal markets for each are different. Chinese companies have built a significant presence in telecommunications from the ground up through the firm Huawei and, to a lesser extent, ZTE. China has also developed and launched satellites for, and built space infrastructure in, Latin America. Indian companies, by contrast,

have established a significant presence in the biotechnology and software development sectors of Latin America, in which China is almost completely absent. India has also become a major local employer through call centers and other technology services companies.

With respect to military engagement, Chinese companies have sold an increasing quantity of arms to the ALBA countries and Peru, including aircraft, radars, and military vehicles, while Indian arms sales have been limited to the sale of Mahindra military trucks and an ill-fated contract to supply light helicopters to Ecuador.

The Chinese military has participated in a variety of bilateral and multilateral military activities in the region, including the sending of its hospital ship, the "Peace Arc," to the region in 2011 and 2015, as well as combat exercises with Chile in 2013. Virtually all of the Latin American states that recognize the PRC have sent military officers to education and training programs in China; People's Liberation Army (PLA) soldiers have attended Latin American training programs such as those in Tolemaida, Colombia, and Manaus, Brazil. By contrast, Indian military contact with counterparts in Latin America has been limited to occasional institutional visits and participation in the naval exercise, Rim of the Pacific (RIMPAC) in 2014.

While Chinese activities in Latin America have thus generally eclipsed those of India, the nature of Indian companies and their engagement with the region creates opportunities for significant advances in the future, in a manner that is viewed positively by Latin American governments and societies.

On one hand, the type of engagement by Indian firms in Latin America and the sectors in which they are concentrated makes them appear less "threatening" to the governments and people of the region than their Chinese counterparts, with less competition from Indian (versus Chinese) products in low-end manufactured products and greater concentration of Indian investments on high-value-added technology and services. In addition, Latin America (as well as the United States) generally perceives that the PRC, rather than India, is the principal challenger to the Western-led global order, if such a challenger exists.

At the corporate level, the tendency for Indian firms to be seen more positively than their Chinese counterparts is supported by their employment of relatively more local labor and management, and their experience in managing risks in complex democracies. This allows them to relate more effectively than their Chinese counterparts with local communities, labor forces, and interest groups.

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