Brazil and India:
A Deepening Relationship

Riordan Roett

Two events in April 2010 confirm the growing diplomatic and geopolitical ties between Brazil and India. Following the Nuclear Summit in Washington, D.C., in which both President Lula and Prime Minister Singh participated, there were two summit meetings in Brasilia: the second meeting of the four BRIC (Brazil, Russia, India, and China) countries; and one of a series of meetings of IBSA (India, Brazil, and South Africa). Both demonstrate that New Delhi and Brasilia are compatible on a range of policy issues. Given the track record to date, it is reasonable to assume that the ties will deepen as India and Brazil increase trade and investment relations in the years ahead.

The BRIC summit brings together four of the "new" economic and political players in world politics. Coined in 2001 by economists at Goldman Sachs, the New York investment bank, the acronym came into its own as the four states quickly surpassed Goldman's forecasts to become increasingly important in investment flows and global trade. Moreover, the four states, but especially Brazil, India, and China, have forged a flexible partnership on major international policy questions.

Brazil and India are both leading members of the two G-20s that have been formed in the last decade. The first, which is mainly concerned with trade, came into existence after developing market economies were unable to come to an agreement on a new trade regime with the United States and the European Union (EU). The debate over trade rules took place as part of the World Trade Organization (WTO) "Doha" round. The round ended in the

Riordan Roett is Sarita and Don Johnston Professor and Director Western Hemisphere Studies at Johns Hopkins University.

summer of 2008 in Geneva, when it became impossible to reach a compromise on agricultural subsidies in the industrial countries. Given their increasing importance globally, there will be no new round unless the BRIC countries are there when the agenda is formulated; if there is, Brazil and India will be lead players.

The second G-20 deals with the search for new financial architecture after the financial crisis erupted in 2008–09 in the United States and the EU. Realizing that the "old" G-7 of industrial countries could no longer control the international financial agenda, it was decided to assemble the largest 20 economies in Washington, DC, at the end of the administration of George W. Bush. In preparation for that meeting, the Brazilian Finance Minister convened a meeting in São Paulo to draft a set of principles to guide the search for greater market regulation and coordinated government action. The finance ministers also called for a restructuring of the World Bank and the International Monetary Fund (IMF) to give emerging economies a greater voice in decision-making in both institutions. Again, Brazil and India were outspoken advocates for an expanded role for themselves and their peers.

In follow-up summits of the G-20 in London in April 2009 and in Pittsburgh in September 2009, the four BRIC countries pressured the industrial countries to seriously review their banking procedures to prevent another crisis that would again have negative effects on emerging market economies. The next G-20 financial summit is expected to take place in Brazil later this year.

IBSA was founded in 2003 after the failure of a trade round held in Cancun, Mexico. The three nations decided to create a forum for discussing the policy challenges of developing countries. The IBSA summit in Brasilia will be the fourth meeting of the three countries — previous summits were held in Brasilia, New Delhi, and Johannesburg. IBSA seeks to galvanize South-South diplomacy and cooperation in such areas as agriculture, trade, culture, and defense. It has established the IBSA Facility for Poverty and Hunger Reduction to support achievement of the United Nations Millennium Development Goals. IBSA is increasingly concerned with helping poorer developing countries build their competitiveness and address critical issues such as health and education.

Economically, there has been increasing interaction between India and Brazil, which have become major trade partners. Indian companies have invested approximately US$9 billion in

South America in the past several years. India and Mercosur, of which Brazil is the leading member, have had a preferential trade agreement in place since 2003. In 2007, Brasilia proposed a free trade agreement between India, South Africa, and Mercosur; and in 2010 Mercosur and India notified the WTO that they will move to formalize a free trade accord. While the trade figures are as yet relatively low, officials in Brasilia expect trade between the two countries to reach US$10 billion in the next three to four years. The exports of the two countries are complementary: Brazil sends India sugar, vegetable oils and fats, aircraft parts, alcohol and ethanol, and heavy machinery. India sends Brazil organic chemicals, diesel fuel, drugs, and industrial machinery. Future collaboration between New Delhi and Brasilia will focus on ethanol production, climate change, and space exploration.

As the two countries have cooperated in BRIC and IBSA activities, diplomatic exchanges have increased. President Lula visited India for the first time in 2004. The Prime Minister and President of India travelled to Brasilia in 2006 and 2008. And in May 2009 President Lula went to New Delhi to sign a market access treaty between Mercosur and India and to discuss expanded collaboration in space research, cultural exchanges, and tourism.

The two countries share similar values. Both are consolidated democracies. Both are committed to multilateralism in resolving global issues. Both are contenders for a seat on the Security Council of the United Nations, and each has endorsed the other for the position. Given the emergence of Brazil and India as significant players in world affairs, Security Council membership for them seems logical to many developing world countries. As political and diplomatic ties deepen, and trade and investment increase in the years ahead, the relationship will take on greater importance as the role of India and Brazil in the new international order expands. ■