

# INDIA AND BRAZIL STRENGTHEN TRADE TIES AMID UNCERTAINTY

**Brics members deepen links on rare earths, innovation and AI to diversify growth beyond the West**

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India and Brazil are stepping up efforts to boost trade cooperation among developing economies and regional blocs as a hedge against mounting global trade uncertainty, after signing agreements in New Delhi ranging from rare earths to digital infrastructure.

The deals were sealed during Brazilian President Luiz Inacio Lula da Silva's five-day visit to India, which ended on Sunday, in the presence of Indian Prime Minister Narendra Modi. In January, India assumed the rotating chair of the Brics bloc of emerging economies from Brazil.

Modi and Lula have pledged to increase bilateral trade to US\$30 billion by 2030. Brazil is India's largest trading partner in Latin America.

The deal on rare earths is particularly significant as Brazil has the world's second-largest reserves of critical minerals, according to analysts. Rare earths are crucial in the production of goods ranging from smartphones to jet engines.

Closer cooperation between the two founding Brics members is expected to build momentum

for a more multipolar world in which developing countries play a larger role in global affairs.

"Brazil is an important partner for India, from Brics to achieving net zero emissions. But more importantly, trade between India and Latin America can be catapulted to a new level," said Vivek Mishra, deputy director of strategic studies at the Observer Research Foundation.

Both countries also signed agreements and memorandums on digital cooperation, health, entrepreneurship and other sectors on Saturday.

Modi said the two countries were working to establish a Centre of Excellence for Digital Public Infrastructure in Brazil. "We are also prioritising cooperation in areas such as artificial intelligence, supercomputers, semiconductors and blockchain," he said.

Lula said: "Increasing investments and cooperation in matters of renewable energies and critical minerals is at the core of the pioneering agreement that we have signed today."

While bilateral trade grew by 25 per cent to US\$15 billion last year, both governments said the figure was way below the potential, with Indian Commerce and Industry Minister Piyush Goyal calling it "truly suboptimal".

India has also sought to expand the scope of its existing trade agreement with the Mercosur bloc, comprising Brazil, Argentina, Paraguay and Uruguay, along with suspended member Venezuela.

Referring to the agreement, which has been in force since 2009, Modi said: "Collaboration in the fields of technology and innovation holds significance not only for our two countries but also for the entire Global South."

The increased cooperation between India and Brazil comes

as global trade continues to be rattled by uncertainty over Washington's tariff policies.

On Friday, the US Supreme Court ruled against President Donald Trump's sweeping tariffs imposed under a law covering national emergencies.

Trump responded by imposing a blanket 10 per cent tariff on all US imports and said he planned to raise it further to 15 per cent. On Monday, he warned in a social media post that any countries that intended to "play games" after the court ruling



**Brazilian President Luiz Inacio Lula da Silva and Indian Prime Minister Narendra Modi walk hand in hand in New Delhi last week. Photo: EPA**

could face "a much higher tariff". Biswajit Dhar, an economics professor at the Delhi-based Council for Social Development, said Washington's protectionism was likely to accelerate diversification and partnerships between emerging economies such as India and Brazil.

"This is the way forward. All countries hit by Trump tariffs should negotiate together. The countries that have been silently suffering the most are developing countries," Dhar said.

During his visit to Delhi, Lula said the commercial priorities of India and Brazil had long been focused on "other countries", adding that the two countries "have now resolved to change that behaviour".

Referring to Lula's comments, Dhar said India had to widen its export base and expand cooperation with countries in the Global South.

He said the European Union would also be a key partner for both India and Mercosur in their drive for trade diversification.

In January, the EU concluded separate free trade agreements with the two parties.

Given the lingering global volatilities, Dhar said emerging economies and regional blocs such as the EU and Mercosur should also work together to strengthen the World Trade Organization and other multilateral institutions.