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India- Lac Economic Relations in the Post Reform Period

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Abstract

India and LAC (Latin America and the Caribbean) followed closed economy model prior to 1990s and barely had any economic ties with each other. In the 1990s both underwent economic reforms which led to the opening up of their markets and their active participation in global trade and investments. The economic reforms proved beneficial as both sides made significant economic and social development post economic liberalization. The post reform period also witnessed establishing of economic relations between India and LAC which has grown significantly over the past few years.

Key Words: Economic Reform, India-LAC Relations, Trade and Investment, Food and Energy Security.

I. Introduction: Historically, India and LAC didn't figure much in each other's foreign policies. This is due to different foreign policy priorities India and LAC countries pursued. While India was preoccupied with other regions, LAC traditionally looked to US and EU for most of its diplomatic and economic ties. Indian economic policy makers and businessmen also didn't pay much attention to LAC as they were reluctant to make necessary investment to explore the new markets. The closed economic model of both along with geographical distance and language barriers further hampered any scope of establishing economic relations. However, in the 1990s both India and LAC underwent economic reforms which led to opening up of their markets, privatization and their active participation in international trade. Economic reforms proved beneficial as both sides have witnessed significant economic growth. Remarkable progress has been made in social fronts also. The same period also saw India and LAC intensifying political and economic ties. Now India shares good diplomatic relations with most countries in Latin America and the Caribbean particularly with Brazil-- the largest country in the LAC— with which India actively cooperates in many multilateral forums such as IBSA, BRICS, BASIC (Brazil, South Africa, India and China) etc. Trade and investment between the two have also witnessed significant growth. Both sides have undertaken many steps to further enhance economic ties. India and LAC offer good trade complementary; both regions are emerging economies with large population—offering big market for each other. There is ample scope for further growth in economic cooperation between India and LAC.

This paper aims to analyse India-LAC economic relations in the post reform period. However, the first section of this paper examines economic development in India and LAC in the post reform period in order to examine whether India and LAC have benefited from the economic liberalisation or not. The second section will look into India-LAC economic relation in the 21st century which will include bilateral trade and investment. The third section will study the future scope of India-LAC trade by looking into various fields in which two can further strengthen cooperation and final section will study the obstacles or issues that hamper economic ties and recommend some remedies to overcome those obstacles.

II. Economic Development in Latin America and India in the Post-Reform Period

Economic Development in Latin America since 1990s: With rapid economic and polity reforms since 1990s, LAC has made significant progress in several fronts-- economic, political and social. The region is politically stable now with democratic governments in most of the countries. The region's GDP saw a significant growth since 1990s. GDP grew on average 1.8 percent in the 1980s to 3.1 percent in the 1990s. It further grew to 3.6 percent over the period from 2000-2008 (Table No. 1). Although, LAC's GDP fell by -1.2% in 2009, this slowdown, according to Garry and Merono-Brid (2015), was less acute in compare to the European Union and the advanced economies as a whole which witnessed GDP fall of 4.2% and 3.5%, respectively. However, the region made a quick recovery to +6.3 percent growth in 2010 from global financial crisis. This testifies the fact that Latin America has strong macroeconomic foundation and proves that the region has benefited from the economic reforms (Garry and Merono-Brid 2015). However, since 2011 economic activity has slowed down. Real GDP fell to 4.7 in 2011 which further declined 2.9% in 2013 (Garry and Merono-Brid 2015). This fall in GDP, according to The Economist (2016), stems partly from the fall in global commodity prices and President Dilma's economic policies of extravagant higher pensions and unproductive tax breaks for favoured industries.

Table No-1: Latin America's GDP growth and Export's contribution to GDP, 1980s -2013

Year	1980s	1990s	2000-08	2009	2010	2011	2012	2013
GDP Growth (%)	1.8	3.1	3.6	-1.2	6.3	4.7	2.9	2.9
Exports (% of GDP)	9.4	12.5	21.4	20.6	30.8	36.2	35.8	35.0

Source: Garry and Moreno-Brid 2015: 2

Post reform period also witnessed LAC countries' active participation in the global trade and investment. LAC's total foreign trade was US\$ 1084.8 billion in 2005, which witnessed double increase and reached US\$ 2179.6 billion in 2014. In the case of export, LAC's total export has increased from US\$ 570.9 billion in 2005 to US\$ 1068 billion in 2014 registering a fourfold growth since 2005. LAC's total imports have also witnessed a steady growth, increasing more than two fold, from US\$ 513.9 billion in 2005 to US\$ 1111.1 billion in 2014 (Exim bank 2015). The region--comprising of 44 countries-- accounted for 11.6 percent of the world trade in 2014. LAC's global trade has been strengthened by their

continuous reduction in tariff barriers. The average tariff in the 1980s (pre-reform years) was 48.9 percent which is cut down to 10.7 percent in 1999 (Lora 2001: 4), this further fell down to 6.25 percent in 2013.¹ Region's active participation in global trade resulted in increase in export's share in its GDP. In the 1980s the share of export in the GDP was only around 9.4 percent which rose to 35 percent in the 2013 (Table No. 1). The region's resilience to recent global financial crisis and its quick and strong recovery is further evidence of LAC's strong macroeconomic policies (Gregorio 2013).

As a result of their steady economic reforms and development, the LAC has also emerged as a major destination of international FDI. As table 2 shows, FDI inflow in the Latin America and the Caribbean has reached US\$ 159 billion in 2014, which was only US\$ 8 billion in the year 1984 -89. The region has also made substantial investment abroad. Six major economies of region--Argentina, Brazil, Chile, Colombia, Mexico and Venezuela--have in total invested US\$ 5.651 billion in 1980-1990 which further rose to 10.632 billion in 2000-05. In 2014, the outward flow of FDI from these six countries reached US\$ 29.162 billion (Table No. 3).

Table No-2: FDI inflow in LAC (US\$ Billion)

Year	1984-89*	1990-92*	1993-95*	2005-09	2010	2011	2012	2013	2014
FDI	8	14	24	99	132	172	183	190	159

Source: *Nunnenkamp 1997; ECLAC 2015:19.

Table No-3: Outward FDI flow of five Major Economies of LAC --Argentina, Brazil, Chile, Colombia, Mexico, Venezuela—(US\$ Million)

Year	1980-90*	2000-05	2006	2007	2008	2009	2010	2011	2012	2013	2014
FDI	5651	10632	43447	24134	37440	16911	46276	44686	49439	33251	29162

Source: *Daniels et al 2007: 34; ECLAC 2015: 32.

LAC countries have entered into a significant number of trade agreements with countries around the world. These include around 90 trade agreements, of which 55 are Free Trade Agreements (FTA) and more than 40 are Partial/Preferential Trade Agreements. Of the 55 FTAs, 21 are between LAC countries and the EU or Asian economies, while the rest mainly address integration among LAC countries (Mukhopadhiya et al 2012: 149).

On the social front, progress has been made in many areas. As table 4 shows, there was significant fall in illiteracy rate; over 20 years it was cut to half and life expectancy increased by years. Infant mortality rate also declined significantly to 12.28 percent in 2014 from 50.1 percent in 1980. The region witnessed the drastic fall in the inflation rate from 126.3 percent in 1980s to 7.7 percent in 2000-2008. This further fell down to 5.7 percent by 2012 (Table No-5). The region also witnessed significant reduction in poverty rate since 1980s (Table No-5).

¹ For LAC's tariff of year 2013 see <http://wits.worldbank.org/CountryProfile/en/Country/LCN/Year/2013/Summarytext>

Table No-4: Literacy Rate, Life Expectancy and Infant Mortality Rate since 1980s (in average)

Illiteracy Rate				Life Expectancy				Infant Mortality Rate			
Year	1980	1990	2000	1980	1990	2000	2014*	1980	1990	2000	2014*
average	15.6	11.2	7.9	66.1	69.6	72.1	75.8	50.1	34.4	22.6	12.28

Source: Fraga 2004; *World Bank Data.²

Table No-5: Inflation and Poverty Rate (%)

Year	1980s	1990s	2000-08	2009	2010	2011	2012	2013
Inflation (%)	126.3	82.7	7.7	5.5	5.7	6.7	5.7	6.6
Poverty rate (%)	41.9	45.4	37.5	32.8	31	29.6	28.1	28.1

Source: Garry and Moreno-Brid 2015: 2.

Economic Development in India since 1990s: Like in the case of LAC, India also made significant progress on several fronts since the economic liberalisation in the 1990s. The average GDP growth rate in the ten year period from 1992-93 to 2001-02 was around 6.0 percent, which puts India among the fastest growing developing countries in the 1990s as shown in Table No. 6 (Alluvalia 2002: 67). This growth record is only slightly better than the annual average of 5.7 percent in the 1980s. However, it must be understood that the 1980s growth was unsustainable, driven by a buildup of external debt which resulted in the crisis of 1991 while growth in the 1990s was accompanied by remarkable external stability despite the East Asian crisis (Alluvalia 2002: 67). In 2015-16 India recorded the GDP growth of 7.6 percent which made India the fastest growing economy in the world (Dhasmana 2016).

Table No-6: Indian GDP Growth (%)

Year	1991-92	1992-93	1993-94	1994-95	1996-97	1997-98	1988-99	1999-2000	2000-01	2001-02	2015-16*
GDP	1.3	5.1	5.9	7.3	7.8	4.8	6.5	6.1	4.0	5.4	7.6

Source: Alluvalia 2002: 68; *Dhasmana 2016.

India's participation in global trade has also witnessed constant surge in the post reform period. In the 1991/1992 the total value of India international trade (import and export) was US\$ 37.27 billion which increased to 45.84 billion in 1993/94. This trend continued in the subsequent years reaching US\$ 95.24 billion in 2001/02, 195.05 billion in 2004/05, 620.90 billion in 2010/11 and it reached 795.28 billion in 2011/12 (Table No. 7). The contribution of export to India's GDP has also witnessed upward swing. In 1991-92 export contribution to GDP was 6.5 percent which rose to 23.4 percent in 2004-05 (Table No. 8). However,

² For LAC's life Expectancy and Infant Mortality Rate of year 2014 see <http://data.worldbank.org/indicator/SP.DYN.LE00.IN/countries/all?display=default>

there is decline in exports share in India GDP in year 2005-06 with 14.3 percent and 15.4 percent in 2006-07; these figures can still be considered good enough in comparison to pre-reform period. India's active participation has been further bolstered by post reform policy of tariff reduction. The average tariff in 1991-92 was as high as 72.5 percent. However, it has been reduced substantially to 24.6 percent in 1996-97. The average tariff of all commodities stands at 13 percent in 2014/15 (as shown in Table No. 9).

Table No-7: India's Foreign Trade since 1991(in US\$ billion)

Year	1991/92	1993/94	1995/96	1998/99	2001/02	2004/05	2008/09	2010/11	2011/12
Export	17.8654	22.5372	31.7949	33.2187	43.8267	83.5359	185.294	251.1362	305.9639
Import	19.4105	23.3062	36.6753	42.3887	51.4133	111.5174	303.696	369.7691	489.3195
Total	37.2759	45.8434	68.4702	75.6074	95.24	195.0533	488.99	620.9053	795.2834

Source: Devi and Gandhimathi 2015.

Table No-8: Share of Export in GDP (in %)

Year	1980-91	1991-1997	2001/2	2002/3	2003/4	2004/5	2005/6	2006/7
Export (%)	6.5	9.9	13.0	14.6	14.9	23.4	14.3	15.4

Source: Mukherjee and Mukherjee 2012: 6.

Table No-9: Tariff Reduction since 1991

1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-02	2000-01	2001-02	2002-03	2010-12*	2014-15*
72.5	60.6	46.8	38.2	25.9	24.6	25.4	29.2	31.4	35.7	35.1	29.0	12.0	13.0

Source: Alluwalla 2002: 74; *The Hindu BusinessLine 2 June 2015.

Post reform period also drew substantial foreign direct investment in India. As table no. 10 shows, FDI in the India in 1991-92 was only US\$ 129 million which rose to US\$ 3.557 billion in 1997-98. There was little decline in FDI inflow in the year 1998-99 and 1999-2000 due to slowdown of global economy in 1998. However, after the recovery of the economy of the major countries in the world, inflow of FDI in India also witnessed further increase. In the year 2001-2002 total FDI inflow in India reached US\$ 6.130 billion and in 2014 FDI in India totaled US\$ 35 billion. As regard to Indian investment abroad, the total of US\$ 0.5 billion was invested abroad by in 2004 which increased to US\$ 15.5 billion in 2008 (Table No-11). A total outward FDI from India has reached US\$ 36.9 billion in year 2013-14.

Table No-10: FDI Inflow in India since 1991 (US\$ Million)

Year	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2014*
FDI	129	315	386	1,314	2,144	2,821	3,557	2,462	2,155	4,029	6,130	5,035	4,322	6,051	35,000

Source: Dutta and Sharma 2008: 4; *Economic Times 30 Jan. 2015.

Table No-11: FDI Outflow (US\$ Billion)

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2013-14*
FDI	0.5	1.4	1.7	1.9	2.2	3.0	14.3	17.2	18.5	14.9	36.9

Source: Satyanand and Raghavendran 2010: 9; *Assocham 2014.

Similar to the LAC countries, India has also embarked on numerous trade agreement with many countries totaling 15; FTA with Sri Lanka, SAFTA, ASEAN, Preferential trade agreement with Mercosur and Chile, Comprehensive Economic Partnership Agreement (CEPA) with Korea and Japan, Comprehensive economic cooperation agreement with Singapore and Malaysia and Early Harvest Benefits (EHS) agreement with Thailand and India has similar numbers of agreements are in the pipeline (Basu 2013).

Significant progress has been made in social front also. Poverty declined significantly in the post-reform period, and at a faster rate than in the 1980s. Poverty rate in 1993 was 45.3 which were cut almost half to 21.9 by the year 2011 (Table No. 12). There has been substantial increase in the literacy and life expectancy rate. In 1981 literacy rate was 43.57 percent which grew to 74.7 percent in 2011, witnessing almost twofold rise (Table No. 13). Similarly, life expectancy rate has also improved substantially from 56 years in 1985 to 65 in 2005. It further rose to 68 in 2014 (Table No.14).

Table No-12: Poverty Rate

Year	1993	2004	1999	2011
Poverty	45.3	37.2	29.8	21.9

Source: World Bank Data.³

Table No-13: Literacy Rate

Year	1981	1991	2001	2011
Literacy	43.57	52.21	64.83	74.7

Source: Indian Institute of Population Science.⁴

Table No-14: Life Expectancy

Year	1985	1991	1995	2000	2005	2010	2011	2012	2013	2014
Age	56	58	60	63	65	67	67	67	68	68

Source: Author's compilation based on World Bank data.⁵

³ For India's poverty rate see <http://data.worldbank.org/indicator/SI.POV.NAHC?locations=IN&view=chart>

⁴ For India's Literacy rate see National Commission on Population's site http://population.commission.nic.in/content/933_1_LiteracyRate.aspx.

⁵ For Life expectancy of India see <http://data.worldbank.org/country/india?view=chart>.

III. India-LAC Economic Relation in Post Reform Period: As mentioned, due to different trade and foreign policy priorities, India and LAC could not develop any substantial economic relation during pre-reform period. This trend has changed in the post reform period as India and Latin America --both of which followed closed economy till 1990s-- have substantially increased trade relation with each other after the opening up of their economies. Both India and LAC has put in place many important policy measures and institutional frameworks in creating a suitable business environment. Major policy framework of India include among others, Focus LAC—started in 1997 to boost export to the region, IBSA initiative, India-LAC partnership conclave, Preferential Trade Agreement (PTA) with MERCOSUR (Southern Cone Common Market), PTA with Chile. Initiatives from Latin America includes granting India observer status in the emerging grouping the Pacific Alliance—consisting of Mexico, Colombia, Chile and Peru (Singhal and Ghosh 2014), selection of India as its first dialogue partner of 33 member community of Latin American and the Caribbean countries (CELAC) (Seshasayee 2012; Dikshit 2012). The first India-CELAC dialogue was held in New Delhi on August 7, 2012. Similarly, in 2003 India and CARICOM signed an agreement to establish a standing Joint Commission for consultation, cooperation and coordination (Bhojwani 2014: 37).

India- LAC Trade: There has been a significant rise in bilateral trade between India and Latin America. As shown in table no.15, in 2002 bilateral trade between two was US\$ 2.2 billion which rose to US\$ 49.1 billion in 2014 which include 15.5 billion Indian Export and US\$ 33.6 billion in Indian import from Latin America (Exim Bank 2015). In 2002 India's export to the Latin America was US\$ 1.2 billion and India's import from the region was US\$ 1.0 billion accounting the total trade of US\$ 2.2 billion. While bilateral trade in 2005 was US\$ 5.2 billion, this rose to US\$ 49.1 billion in 2014 which include US\$ 15.5 billion in India's export and US\$ 33.6 billion in import (Exim Bank 2015). In the year 2014, Brazil continued to remain the major destination for Indian export with export value of US\$ 7140.5 million followed by Mexico with US\$ 2921.0 million, Colombia 1125.2 million, Peru US\$ 754 million, Chile 618.7 million and Argentina with US\$ 499.4 million respectively (Table No. 16). In terms of import Venezuela remained the top source of Indian import with US\$ 13192.2 million in 2014 followed by Brazil with US\$ 5544.0 million, Colombia US\$ 3564.9 million, Mexico US\$ 3445.6 million, Chile with US\$ 3183 million and Argentina with 2012.6 million respectively in year 2014 (Table No. 17). Main items of India's import contains crude oil, edible oil, and copper among others while India's export basket contains mix of engineering goods, pharmaceutical, textile and IT services (Bhojwani 2014). However, it must be noted that--despite the significant strengthening — Indo-LAC trade still remain at a very low level; in 2011/12 only 4.4 percent of India's total export went to LAC and only 2.4 percent of total Indian import came from the region (Destradi and Kusser 2013: 5). From LAC's perspective, the volume of trade with India is even smaller, forming only 1 percent of its total trade —while China accounts for 8 percent of LAC's total trade (Shidhore 2013: 11).

Table No-15: India-LAC Trade (US\$ billion)

Item	2002*	2004*	2005	2007	2008	2009	2010	2011	2012	2013	2014
Export	1.2	1.8	2.8	4.5	7.0	5.1	9.3	13.2	14.8	14.4	15.5
Import	1.0	1.8	2.4	5.9	10.5	8.4	13.6	16.8	27.7	33.3	33.6
Total	2.2	3.6	5.2	10.4	17.5	13.5	22.9	30.0	42.5	47.7	49.1

Source: Exim bank 2015; *CII 2011.

Table No-16: India's Export to LAC- Major Destinations (US\$ million)

Country	2005	2007	2009	2010	2011	2012	2013	2014
Brazil	969.8	1899.8	1781.9	3669.6	5391.3	6162.7	6111.8	7140.5
Mexico	405.8	559.2	532.1	766.9	1337.9	1597.1	2151.5	2921.0
Colombia	417.1	561.9	361.4	507.9	822.3	927.7	1043.7	1125.2
Peru	87.5	178.8	217.5	398.9	525.9	634.9	712.0	754.6
Chile	142.1	228.5	261.6	481.0	510.7	650.0	704.4	618.7
Argentina	259.0	261.7	248.0	375.7	462.9	502.8	671.8	499.4

Source: Exim bank 2015.

Table No-17: India's Import from LAC-Major Sources (US\$ million)

Country	2005	2007	2009	2010	2011	2012	2013	2014
Venezuela	9.3	535.7	1813.0	4993.3	6040.7	12123.2	14948.6	13192.2
Brazil	883.2	877.7	2897.3	3221.0	3735.2	5394.6	3831.8	5544.0
Colombia	12.4	95.7	336.7	765.6	713.4	1243.1	4293.6	3564.9
Mexico	99.3	1073.0	983.4	983.3	2168.6	3495.9	4295.4	3445.6
Chile	377.8	1885.5	888.8	1566.8	1829.0	2495.8	3242.0	3183.8
Argentina	648.0	725.4	608.8	1038.8	1097.0	1211.4	1149.2	2012.6

Source: Exim Bank 2015.

In order to further strengthen economic relations, India and LAC have put forward many institutional measures such as : (a) the Indo-Argentine Joint Commission; (b) the Indo-Argentine Joint Trade Committee; (c) the Indo-Mexican Joint Commission; (d) the Indo-Brazilian Commercial Council; (e) the Indo-Cuban Joint Commission; (f) the Indo-Cuban Trade Revival Committee; (g) the Indo-Suriname Joint Commission; and (h) the Indo-Guyana Joint Commission (Mukhopadhiya et al 2012: 153).

Indian Investment in LAC: In recent years, Indian companies have also made substantial investment in Latin America especially in sectors like natural resource sectors, pharmaceutical and IT/ITES. Indian Investment in Latin America stood at over US\$ 15 billion in 2014 (Business Standard 17 Oct. 2014).

Oil and Energy Sector: ONGC Videsh invested US\$ 200 million in natural gas reserves in Trinidad and Tobago in 2005 (IDB 2010: 77), it also bought 15 percent of Brazil's oil field at auction in 2006 (Destradi and Kussner 2013: 5). Along the same lines in 2008 the

government of India and Venezuela entered into a joint venture agreement, with former to invest US\$ 365 million for 40 percent stake, to develop oil fields in Venezuelan's Orinoco basin (IDB 2010: 77) and in 2013 ONGC Videsh has signed a pact with PDVSA for joint exploration and production of hydrocarbon resources in the oil-rich Faja area. ONGC Videsh has also invested over US\$ 600 million in oil and gas joint venture with Colombia (Shidore 2013:18). Indian private companies such as Reliance, Essar Group, Praj Industries and Videocon have also entered into separate pacts for collaboration in the energy sector in Latin America-- Reliance has signed an agreement for jointly evaluating the development of Ayacucho Block 8 in Orinoco Oil Belt of the Latin American country (Chaturvedi 2013) while Essar recently struck a crude import deal with Colombia's state owned company Ecopetrol (Shidore 2013: 18). Praj Industries has executed ethanol projects contract worth US\$ 22 million with Colombia (BusinessWire 27 July 2011). Videocon Industries Limited's joint venture with Bharat Petro-resources consortium was awarded an exploration contract in Brazil for US\$ 283 million. They acquired all of the shares of Encana Brasil Petroleo Limitada that belonged to the Canadian EnCana Corporation (CII 2015). In Caribbean, Gas Authority of India Limited (Gail) is considering US\$ 1 billion investment in Trinidad and Tobago in a major global LNG exporter (Shidore 2013:18).

Mining: Indian investment in mining projects includes the Jindal steel and power group investment of US\$ 2.1 billion in the mining iron ore in Bolivia's El Mutun mine and another US\$ 600 million in 2012 the projects, however, these projects ran into trouble and had been canceled by Bolivian government (Destradi and Kussner 2013:5; Soutar 2016). Monnet Ispat, largest coal-based sponge iron producer, is set to acquire majority stake in a coal mine in Colombia (Singh 2012). Arcelor Mittal has acquired the Argentine steel company Acindar and steel distribution company Magjadalani for over US\$ 600 million (MEA 2013).

Pharmaceutical: Indian pharmaceutical companies have also made significant investment in the region. Ranbaxy made a pioneering entry into Brazil in 2000, Dr. Reddy's laboratory acquired a plant in Mexico and Glenmard has invested in Argentina and Brazil (Shidore 2013: 22). Zydus-Cadila acquired two Brazilian pharma companies and is now a significant player in the market. The largest recipient of Indian investment in pharmaceutical has been Brazil, followed by Argentina, Mexico, Peru and Colombia (Shidore 2013: 22).

Agri-business and Agro-chemical: United Phosphorus has acquired rights of manufacturing and distribution of agri-chemical in Colombia. Sterling Group of India (owned by NRI Sivasankaran) acquired a 2,000-hectare olive farm and another 17,000 hectare for growing peanuts in Argentina (Rowden 2011: 7). Similarly Shree Renuka Sugar purchased sugar and ethanol producer Vale Do Ivaí S.A. Acucar e Alcool in November 2009 for US\$ 240 million, including its 18,000 hectare of land for sugarcane; and acquired a 51-percent stake in Equipav SA Acucar e Alcool for US\$ 329 million that owns two sugar mills and has 115,000 hectare of cane growing land in south-eastern Brazil (Rowden 2011: 7). Olam international acquired 17,000 hectare in Argentina to grow peanuts and 16,000 hectare in Uruguay for dairy farming (Rowden 2011: 7). Olam is a Non- Resident Indian

firm based in Singapore.

IT/ITES: Indian IT companies have also made a robust presence in Latin America. There are now 25 Indian IT/ITES firms present in LAC (Shidore 2013: 23). Indian IT companies have established software development centres, BPOs, KPOs and call centres in many countries –Argentina, Brazil, Chile, Uruguay, Mexico, Colombia, Peru, Ecuador and Guatemala—of the region employing 17000 Latin Americans (Viswanathan 2011: 15). These companies have developed a new near-shore business model of 12/12 in which they service their North American clients for 12 hours from the same time zone operations in Latin America and the remaining 12 hours from India (Viswanathan 2011: 15). TCS still remains the largest presence of these. Along with pharmaceutical, Indian IT/ITES business runs surplus in India's favour which helps balance the trade deficit in the natural resources sectors (Shidore 2013: 23).

Manufacturing Sectors: Mumbai-based Tata Motors, in partnership with Fiat, has undertaken US\$ 80 million project in Argentina to build pickup trucks (Padgett 2011). In 2008, JK Tyres of India bought Mexican tyre company Tornel (MEA 2013). Godrej acquired cosmetic companies in Argentina and Chile (Shidore 2013: 23). On September 2015 Hero Motorcorp opened its first global manufacturing facility –project costing US\$ 70 million--in Colombia; the plant will have an initial production capacity of 80,000 units per annum which will be expanded to produce 150,000 units per annum in the next phase (Business Standard 10 Dec. 2015).

LAC'S Investment in India: Latin American companies have also made significant investment in India. Brazil leads as the country with largest investment in India. Brazilian automobile company Marcopolo Company has a joint venture with Tata Motors for the production of buses in India; Production capacity is 14,000 vehicles per year. Petrobras has been awarded three offshore blocks for exploration in collaboration with ONGC Videsh Ltd., Weg , the Brazilian supplier of heavy electrical motors and generators, has set up a subsidiary operation in India, Stefanini—Brazilian software company-- has set up IT design centres in Bangalore and Hyderabad, Brazilian steel manufacturing company Gerdau has invested US\$ 71 million in a joint venture with Kalyani Steel, Dedini, manufacturer of equipments for sugar and ethanol plants, has signed a memorandum of understanding with the Walchand Group for the supply of equipment for ethanol production in India, Brazilian auto parts making company COFAP has set up a 50:50 joint venture in India with the Endurance Group for manufacturing shock absorbers, Perto—Brazil based ATM machine manufacturer-- is setting up facilities in India (ECLAC 2011: 74). Perto has already sold 825 ATM machines to the State Bank of India. The total Argentinian investment in India stands at US\$ 120 million (MEA 2016). Argentine seamless steel tubes manufacturing company Techint has set up office in Delhi employing around 200 people (MEA 2016a). IMPSA, an Argentine engineering company, specializing in hydroelectric projects, has opened an office in Gurgoan; they are exploring opportunities for projects as well as supply of power generation equipment such as turbine (MEA 2013b). A major Argentine pharmaceutical company Bago has opened its office in Hyderabad and is in the process of

marketing their products in Thailand with joint collaboration with Ranbaxy (MEA 2013b). Mexico's Cinopolis will invest US\$160 million in India to set up multiplexes across four states, making India their largest market outside Mexico (CII 2015). Mexican construction company Homer has entered in joint venture with Indian Darksh builders (Vishwanathan 2010: 18) and Puravankara Projects for affordable housing projects (The Hindu Business Line 31 Mar. 2010). At the same time Mexican auto component companies such as Metalsa (part of Grupo Proeza) and Nemark (part of Alfa Groups) are enlarging their footprint in India (FICCI 2014: 11). Colombian company Fanalca has got a contract for collection and processing of solid waste in one third of the city of Chennai employing 2600 Indian worker (Viswanathan 2011:18), Indian company Biocon has entered into a joint venture with Cuba for manufacture of vaccines in India with Cuban technology (Viswanathan 2011:18). Total Latin American investment in India reached almost US\$ 1 billion till 2014 (Business Standard 17 Oct. 2014).

IV. The Future of India-Latin America Economic Relation:

Cooperation in Trade and Investment: India and Latin America offer each other huge opportunity in trade and investment. “The LAC region is home to around 600 million inhabitants nearly half the population of India with combined GDP of about US\$12 trillion (PPP)” (Business Standard 17 Oct. 2014). The region is politically stable with increasing democratization and the youth bulge under 30 accounting for more than half of the population of South America (Chand 2014). The region can be a good destination for India's manufactured products. Already more than 100 Indian companies are present in Latin America and invested in various fields like mining, IT/ITES, Pharmaceutical, mining etc. (Business Standard 17 Oct. 2014). India –with rapidly growing economy and more than one billion population-- offers good market for Latin American products and investments.

Trade in Natural Resources: India and Latin America can offer a great partnership in trade in natural resources particularly in oil, gas, iron ore, copper etc. of which Latin America is abundant. The region has second largest oil reserves in the world which account for 50 % of Venezuela's revenue, 57% of Trinidad and Tobago and almost 40 percent of Mexico's government revenue and recent offshore discoveries in Brazil may place it among the countries with largest oil reserves in the world (Revenue world Institute 2010). India is, by any measure, a country relatively poor in natural resourceful (IDB 2010: 54) and imports 70 percent of its energy requirement (Dharmawardhane 2015: 5). Latin America can be good source for its requirement for natural resources and raw material especially crude oil and prove to be a good partner to enhance India's energy security. India depends on volatile Middle Eastern countries for importation of crude oil, while Latin America is politically stable now with democracy in most of the countries. In 2013, India emerged as the largest importer of energy from LAC-- among Asian countries-- accounting for 50.1% percent of LAC's energy exports to Asia (Sheshaheye 2016). LAC's share of India's total oil imports have been increasing since 2003—from 4.5 percent in 2003 to 20 percent in 2014 (Sheshaheye 2016).

Food and Agri-business: The LAC region has 28% of potential new arable land and highest shares of renewable water resources in the world (The World Bank 2013). Currently, LAC region is the largest food exporting region in the world and it is agriculture production is growing fast (IDB 2014). In compare to India, the region has better agricultural technology, better practices, high yield and world class infrastructure and logistics for agribusiness (Viswanathan 2011:16). As of now around 80% of the soybean oil imported to India is from Argentina (Dharmawardhane 2015: 9). Latin America can be a good source for the importation of agricultural goods and can make significant contribution towards India's food security.

Cooperation in Renewable Energy: While conventional energy has been a growing sector of cooperation, especially in trade with Venezuela, there is also scope in renewable energy sources as the South American countries are emerging as a leader in the field of renewable energy especially biomass and bio-fuel (Flavin 2014: 1). Furthermore, countries such as Chile, Mexico and Argentina are increasingly engaging into wind power production. According to CII (2009: 22) India has the potential to generate 85,000 MW of renewable energy and estimated market for energy efficiency in India stands at US\$ 3 billion. So there is immense potential for cooperation on technology, services, grids, equipment manufacture and upstream and downstream activities in developing and promoting renewable energy. This will also help India to reduce its dependence on imported petroleum oil.

Cooperation in Promoting Tourism: Latin America is known for its vibrant culture, scenic beauty/locales, festivals, carnival, dances and sports and the region can be promoted as tourist hub for Indian tourists. The region has the potential to become a sought after destination for Indian tourists. Many Indian movies are being shot there which further helps promote tourism in LAC countries. Similarly, as Indian culture, movies, music and dances are popular in Latin America, the India can also attract large numbers of Latin American tourists. Right steps in this direction is being taken as Air India is planning direct flight to Latin America and visa norms are being made flexible (Pasricha 2013).

V. Obstacles: Although, India and Latin America has witnessed significant growth in their economic and political relationship, there still exist some serious challenges: lack of air and sea connectivity, high transportation cost, language barriers, high tariff issues, serious deficiency in infrastructure and competitiveness. India and LAC countries need to work on these issues in order to further intensify the bilateral economic relations. India's trade with LAC has reached US\$ 49.1 billion in 2014, however, this is relatively modest, especially when compared to US-LAC trade of US\$ 850 billion in 2013 (Fumento 2014) and China's US\$254 billion trade with LAC in 2013 (Ray and Gallagher 2015).

Long distances have naturally restricted trade between India and LAC, which is further aggravated by lack of direct shipping services. Currently India has no direct shipping services to LAC region-- China has already established direct shipping routes. Goods have to be shipped first to Singapore or Europe which increase both freight rates and shipping times (IDB 2010: 69). Direct shipping services would reduce both shipping time and freight

expenses. In case of Brazil, for instance, shipping from Santos directly to Mumbai take an estimated 27 days and 15 hours. Shipping via Singapore would approximately 36 days and 18 hours—almost nine days longer (IDB 2010: 69). Lack of good ports and efficient multimodal transportation system further hampers timely delivery of products and services (Mareira 2009: 72).

High tariffs on goods, according to ECLAC (2011), also hampers trade between the two. India's average tariff on Latin American agricultural goods is 65 percent, more than five times China's 12.5 percent tariff (ECLAC 2011). Even though Latin American tariffs on Indian goods were not as high—reaching 9.8 percent in the case of manufactured products—they were well above the Organisation for Economic Co-operation and Development (OECD) range of four percent to six percent and a ten percent reduction in average tariffs imposed on Indian products, according to the study, could increase exports of Indian goods by thirty-six percent to Chile and Argentina (Bhojwani 2015).

India faces stiff competition from China in the region. China has built strong networks of businesses with LAC countries and India's presence there is minuscule in compared to it. However, it appears that Latin American countries are getting disillusioned with China and are willing to intensify business with India as a part of their strategy to reduce their dependence on China which is increasingly being perceived as a threat to domestic industry (Vishwanathan 2011:1). Furthermore, Latin America is keenly seeking new export markets for natural resources in the context of waning demand from China (Soutar 2016), this might lead to an increased Indian market share for Latin America natural resources. Common democratic values of India and LAC can also provide an additional reason for furthering trade and investment relations.

VI. Conclusion: India and Latin America have come a long way from the closed economies to the fully integrated markets post reform. Economic reforms have brought many changes in the economic policies resulting in economic growth, increased inflow of FDI and progress in the social fronts. Economic relations between the two sides have also come a long way from the passive relation in the past to the much intensified ties in the 21st century. Both the India and LAC now understand each other's importance in present day political and economic scenario and further bonding would be beneficial to both sides. So far both sides have benefited from the economic ties and yet many opportunities are yet to be realized especially during the time when South-South Cooperation is gaining importance and slowdown of developed world's economies. There also exists an inherent complementary between both the economies and this has helped strengthen ties. While Latin America provides commodities and energy required by India, New Delhi possesses capital and a developed service industry that Latin America covets. In terms of energy security for India, LAC can play a critical role. With an increasing unstable west Asia and North Africa, LAC is one of the few parts of the world with oil and gas discoveries in the recent years and democratic and peaceful atmosphere (Lora 2001: 4). However, India has to ensure that it does not follow Chinese path-- importing raw material and exporting cheap manufactured goods, which may antagonize the Latin America partners. Further

intensification of economic ties between two sides can strengthen political and diplomatic ties also. Cooperation in political areas can help them in getting greater role in the global governance. It may also help bolster India's long standing aspiration for a permanent UNSC seat for which support of LAC countries would be crucial.

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