

India-LAC: furthering economic partnerships for shared and sustained growth





Executive summary

India and the mega-region of Latin America and the Caribbean (LAC) have emerged as key growth markets in recent decades. The size of the Indian economy (nominal GDP in US\$) was ~US\$3.4 trillion in 2022 while the economy in the LAC region reached ~US\$5.8 trillion.

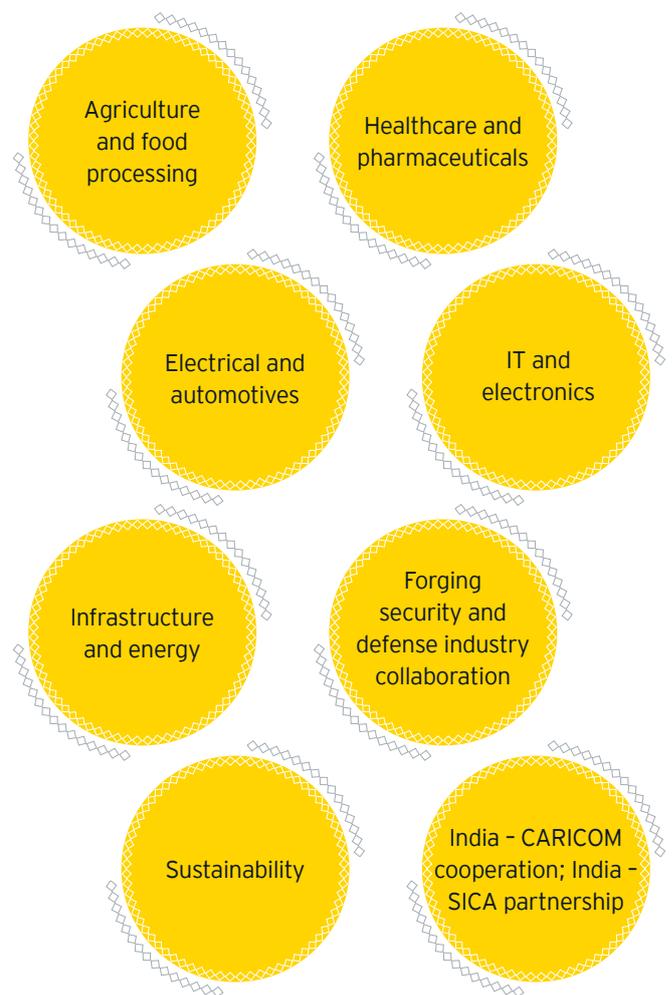
In trade terms:

- ▶ LAC accounts for roughly 3% of India's total imports and ranks **eighth** among India's import sources.¹
- ▶ On similar lines India accounts for 2% of LAC's total imports and ranks **ninth** among LAC's exporting partners.²
- ▶ In 2022, the total trade between these two regions stood at ~**US\$49 billion**.³ This impressive figure is largely attributable to India's trade with only a handful of countries from the LAC region, such as Brazil (30% imports, 56% exports), Colombia (12% imports, 8% exports) and Argentina (18% imports, 5% exports).

Several LAC nations have executed bilateral and multilateral trade arrangements with India to boost trade, like Chile, MERCOSUR, Colombia, and Argentina to name a few. *As both regions share diversity, trade complementarity, democratic values, social development, and a clear convergence of interests, there exists great potential in deepening the economic relations between India and the LAC.*

At present, the exports of LAC countries to India largely comprise **extractive** and **agricultural** products like petroleum oils, pearls and precious stones, and vegetable oils. On the other hand, India majorly exports **manufactured** commodities to the LAC nations such as motor vehicles, chemical products, and organic chemicals.

To further the business dialogue between the two emerging corners of the world, expanding and widening the trade basket is essential while exploring strategic avenues for collaboration. To this extent, **eight key tracks** are proposed in this paper that can act as primary economic drivers of growth and partnership.



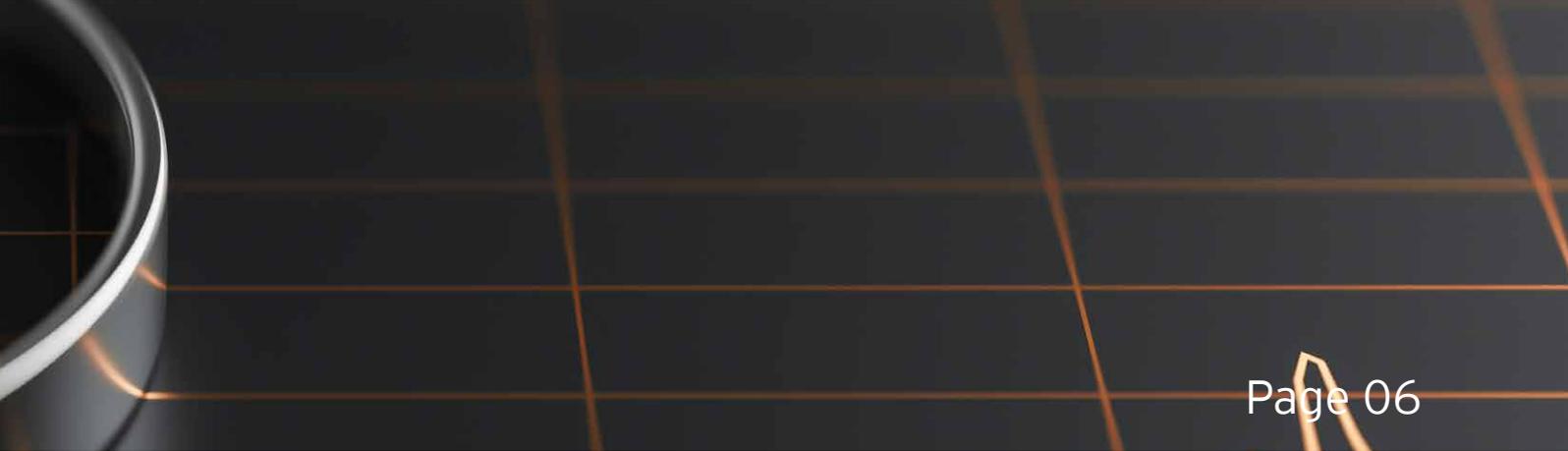
Thus, the current knowledge paper provides snapshots of the current macroeconomic indicators for the two economies, including bilateral trade between the two sides, followed by a discussion on each of the above tracks, indicating a present window of opportunity for India and the LAC region to enhance their economic cooperation.



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India and LAC: snapshot of the two economic regions



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Snapshot of the economies

The economic partnership between India and Latin America and the Caribbean (LAC) countries presents a promising opportunity to all. Both these economies complement each other well, offering a wealth of strategic resources that can foster strong commercial and investment ties for mutual gain. By leveraging their unique strengths, India and LAC have the potential to create a powerful alliance in trade that promotes prosperity, peace, and sustainability in a rapidly changing world.

Macroeconomic indicators of economies of India and LAC

- ▶ India's real GDP growth at 7.2% in FY23 was the highest among the major advanced and emerging economies of the world. As per the IMF, India's resilient domestic demand is expected to drive global growth in the medium term, despite global uncertainties that have significantly slowed growth in other countries.
- ▶ For the Latin America and Caribbean (LAC) region, growth in the medium is forecasted to average 2.4% from 2024 to 2028⁴, higher than the average growth of 0.5% during the five-year period preceding the COVID-19 crisis. This region showed a real growth of 7% in 2021 and 4% in 2022, marking a strong recovery from the contraction faced in the COVID-19 year of 2020⁵.

Table 1. Key macroeconomic indicators for India and LAC

Indicator	2022		Pre-COVID average (2015-2019)	
	India	LAC	India	LAC
Population (billion)	1.42	0.66	1.35	0.63
GDP (US\$ trillion)	3.4	5.7	2.5	5.18
GDP growth (annual %)	7	3.8	6.7	0.9
Unemployment, total (% of total labor force)	7.3	7	7.52	7.68
CPI inflation (annual %)	6.7	8.3	4.14	2.08
Current-account deficit (% of GDP)	2.0*	2.45	-1.3*	-2.5
General Government Gross Debt (% of GDP)	83.1	69.40	70.62	63.34
General Government fiscal balance* (% of GDP)*	-8.9	-3.9	-6.92	-5.22
Exports growth (%)	3	7.38	1.53	2.74
FDI inflows as a % of GDP	1.5	4	1.78	3.62

Source: IMF World Economic Outlook, April 2023

Notes: (1) For India, data is on fiscal year basis. For example, 2022 implies 2022-23 and so on; (2) Unemployment data is sourced from the World Bank

*+ve indicates a surplus and -ve indicates a deficit; #sourced from the RBI

Population

- ▶ India has a population of over 1.42 billion⁶ people, with a large and diverse market.
- ▶ LAC region is a large market of 33 countries, with a population of 659 million people.⁷

Gross Domestic Product (GDP)

- ▶ The size of the Indian economy (nominal GDP in US\$) was US\$3.4 trillion in 2022 as compared to the LAC region's size of US\$5.8 trillion.

Employment

- ▶ India's employment levels have risen as growth is inclusive when it creates jobs. The total unemployment rate has declined from 7.7% in 2021 to 7.3% in 2022⁸, close to the total unemployment rate for LAC which was 7% for 2022.⁹

Inflation

- ▶ India's inflation averaged around 6.7% in 2022-23¹⁰. According to RBI, India's Consumer Price Index (CPI) inflation is projected to decline to 5.2% in 2023-24. This is due to the projected easing of global crude and commodity prices in the financial year.
- ▶ The CPI inflation in the LAC region averaged 14% in 2022, its highest level since 1997, primarily led by the high inflation in Argentina. The IMF predicts that CPI inflation in the LAC region will slightly decrease to 13.3% in 2023.

Current-account deficit (CAD)

- ▶ India's current-account deficit widened to 2% of GDP in 2022-23¹¹ from 1.2% in 2021-22 on account of higher global crude prices. Current account deficit for the LAC region was at 2.45% of GDP in 2022 because of its subdued export performance.¹²

Fiscal deficit and gross debt

- ▶ India's fiscal deficit is projected to reduce from its peak of 9.6% between 2021 and 2023 to about 7.6%¹³ by 2028-29 owing to an increased emphasis on fiscal consolidation after the COVID-19 pandemic and subsequent challenges. Accordingly, gross debt (public debt/sovereign debt denoting financial liabilities of the government sector) is also projected to fall from its peak of 88.5% of GDP at the end of 2021-22 to nearly 83.6% by the end of 2028-29.
- ▶ For the LAC region, the government fiscal deficit more than doubled to 8.8% in 2020. The corresponding debt-to-GDP ratio was at 76.9%. These parameters are projected to moderate to 2.7% and 69.7% by the end of 2028.¹⁴

Exports growth

- ▶ India crossed an ambitious exports target of US\$ 400 billion in March 2023 marking a key milestone in its journey of Atmanirbhar Bharat (self reliance).¹⁵ India witnessed export growth by volume to the tune of 3% in the year 2022, whereas the growth marked by LAC region for exports was 7.38% in 2022.¹⁶

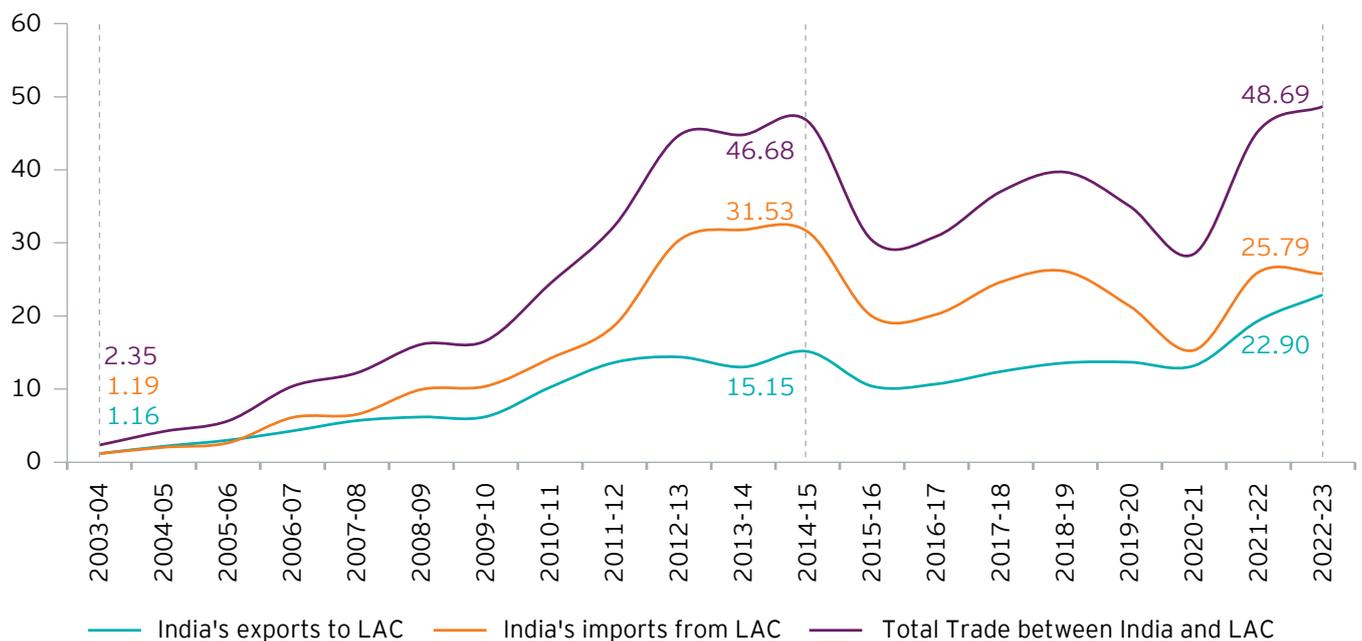
FDI inflows as a share of GDP

- ▶ India's net FDI inflows (percentage of GDP) was 1.5%¹⁷ in 2022 while the FDI inflows to LAC region increased as a share of regional GDP in 2022, accounting for 4%.¹⁸

Trade between India and LAC

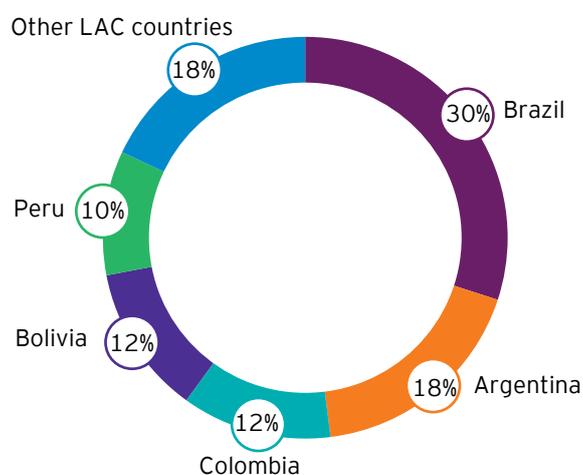
- ▶ India relies significantly on imports from several key regions, with a major portion originating from North-East Asia, West Asia-GCC, ASEAN, and EU countries. Additionally, Latin America plays a notable role in India's trade landscape, ranking as the country's eighth largest import source and contributing approximately 3% of India's total imports¹⁹.
- ▶ The majority imports in the LAC come from North America, North-East Asia, and Europe. India's share in LAC's total import is around 2%²⁰, which makes India the ninth largest exporter to LAC²¹.
- ▶ In the last two decades, trade between LAC and India has grown manifold i.e., ~US\$2 billion in 2003-04 to ~US\$49 billion in 2022-23²². Bilateral trade took off in 2004-05 and peaked in 2014-15 at ~US\$47 billion²³. Despite a temporary fall in 2009-10, trade grew at an impressive average annual rate of ~30.92% between 2004 and 2014 (Figure 1).
- ▶ While Indian exports to the region grew steadily to reach ~US\$23 billion in 2022-23²⁴, LAC exports climbed to ~US\$26 billion²⁵, leading to a trade deficit of ~US\$3 billion in 2022-23 (Figure 1).

Figure 1. Evolution of LAC-India trade in goods (US\$ billion, 2003-04 to 2022-23)



Source: Trade Statistics - Ministry of Commerce and Industry, India

Figure 2. India's imports from LAC in 2022-23

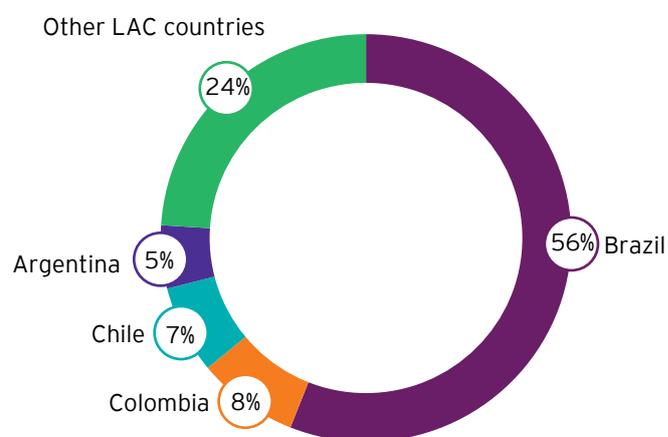


Source: Trade Statistics - Ministry of Commerce and Industry, India

Despite witnessing vigorous growth, trade between LAC and India is restricted to a handful of countries. In 2022-23 India's imports²⁶ were concentrated primarily from just five nations, namely Brazil (30%), Argentina (18%), Colombia (12%), Bolivia (12%), and Peru (10%), together constituting over 80% of India's total imports from the LAC region (Figure 2).

Similarly, India's exports to LAC in 2022-23 were primarily concentrated in Brazil (56%), Colombia (8%), Chile (7%) and Argentina (5%), constituting nearly 75% of India's total exports to LAC (Figure 3).

Figure 3. India's Exports to LAC in 2022-23



Source: Trade Statistics - Ministry of Commerce and Industry, India

Top LAC exports to India

India largely imports extractive and agricultural products from LAC. Four product groups namely, crude and petroleum products, pearls and precious stones/metals, vegetable oils, and ores accounted for nearly 86% of India's total imports from LAC in 2022 (Table 2).

Table 2. Top ten products that India imported from LAC in 2022²⁷

Chapter	Product	Product category	Share	Cumulative share
Chapter 27	Petroleum oils and oils obtained from bituminous minerals, crude	Extractive	30%	30%
Chapter 71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals	Extractive	25%	55%
Chapter 15	Vegetable oils; soybean oil and its fractions	Agriculture	22%	77%
Chapter 26	Ores, slag and ash	Extractive	7%	84%
Chapter 44	Wood and articles of wood; wood charcoal	Agriculture	2%	86%
Chapter 84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	Manufactures	1%	87%
Chapter 72	Iron and steel	Manufactures	1%	88%
Chapter 85	Electrical machinery	Manufactures	1%	89%
Chapter 17	Sugars and sugar confectionery	Manufactures	1%	90%
Chapter 29	Organic chemicals	Manufactures	1%	91%

Source: Trade Statistics - Ministry of Commerce and Industry, India

- ▶ Crude oil imports from Venezuela, Mexico, and Brazil, accounted for 30% of India's total import from LAC.
- ▶ Precious metals, representing 25% of total imports of India from LAC, are mostly sourced from Chile, Peru, and Brazil. Soybean oil and vegetable oil (22%) are shipped mostly by Argentina and Brazil. Industrial manufactures (machinery and mechanical appliances etc., iron and steel, electrical machinery, organic chemicals and sugars and sugar confectionery) add only 5% to the value of imports to India from LAC.
- ▶ For several LAC countries, exports to India are often restricted to just one dominant item²⁸ (Table 3).

Table 3. Dominant items of exports from LAC to India²⁹

Country	Product	Share in total export to India
Venezuela	Crude Oil	50%
Mexico	Crude Oil	74%
Bolivia	Gold	99%
Peru	Gold	80%
Argentina	Soybean oil	84%

Source: Trade Statistics - Ministry of Commerce and Industry, India

Top imports of LAC from India

India majorly exports manufactured commodities to the LAC nations, such as motor vehicles, chemical products, and organic chemicals followed by extractive products such as mineral fuels, mineral oils, aluminum, iron and steel, among

others. Manufactures and extractives commodities together account for nearly 78% of India's total exports to LAC in 2022 (Table 4).

Table 4. Top exports from India to LAC in 2022³⁰

Chapter	Product	Product category	Share	Cumulative share
Chapter 27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral	Extractive	21%	21%
Chapter 87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	Manufactures	19%	40%
Chapter 38	Chemical Products	Manufactures	8%	48%
Chapter 84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	Manufactures	7%	55%
Chapter 29	Organic Chemicals	Manufactures	7%	62%
Chapter 30	Pharmaceutical products	Manufactures	6%	68%
Chapter 76	Aluminum and articles thereof	Extractive	4%	72%
Chapter 85	Electrical machinery and equipment	Manufactures	3%	75%
Chapter 72	Iron and Steel	Extractive	3%	78%
Chapter 52	Cotton	Agriculture	2%	80%

Source: Trade Statistics - Ministry of Commerce and Industry, India



Trade agreements

- ▶ The regulatory framework governing trade and investment relations between LAC and India is still relatively modest compared to the proliferation of free trade agreements between LAC and other Asian countries.
- ▶ **India and MERCOSUR:** The Preferential Trade Agreement (PTA) signed between India and MERCOSUR (which is a customs union of Argentina, Brazil, Paraguay and Uruguay) came into effect in 2009.³¹ Under the PTA, India and MERCOSUR have agreed to fixed tariff preference concessions ranging from 10% to 100% to the other side on 450 and 452 tariff lines respectively, equivalent to about 3% of the tariff lines³². The two sides have raised their ambitions manifold and are now aiming to provide preferential access to about 3000 items and at updating trade regulatory standards.³³
- ▶ **India and Chile:** PTA between India and Chile got signed in 2006 with mutual intention to deepen the limited scope of earlier trade agreements. India had offered fixed preferences ranging from 10% to 50% on 178 tariff lines, and Chile offered a similar range of tariff preferences on 296 items. However, as per the terms of the new agreement in 2017, the coverage got expanded to 2099 tariff lines (30% to 100%) in Chile and to 1100 with duties from 10% to 100% lower than the multilateral import duties in India.³⁴
- ▶ The current preferential trade agreements (PTAs) that India has with MERCOSUR and Chile remain limited in scope; they are not as comprehensive as India's FTAs with South Korea, Japan or Association of Southeast Asian Nations (ASEAN).³⁵ This is despite India's trade with MERCOSUR already having surpassed that of Japan³⁶.
- ▶ **India and Peru:** India and Peru launched negotiations for a bilateral free trade agreement (FTA) for goods and services in August 2017. Since then, both countries have concluded four rounds of negotiations with the latest meeting on 11 March 2019. The main chapters of the trade agreement include market access for goods, trade in services, the movement of professionals, investments, dispute settlement, technical barriers to trade, trade remedies, rules of origin for goods, customs procedures and trade facilitation.
- ▶ **India and Colombia:** Several MoUs / agreements have been concluded between India and Colombia over the years in areas such as defense cooperation, trade promotion, cooperation in science and technology, IT, and tourism.³⁷
- ▶ **India and Ecuador:** Under the MOU on Economic Cooperation (2013), a protocol to establish a Joint Economic and Trade Committee (JETCO) was concluded in 2015. In May 2017, at the first meeting of the JETCO, the two countries decided to conclude a Preferential Trade Agreement (PTA). The Joint Feasibility Studies for the PTA were concluded in July 2019 and a protocol was signed to commence formal negotiations on the PTA in October 2019.³⁸

Products having the greatest Export Potential³⁹

The following products have the greatest export potential from India to LAC:

- ▶ Semi-milled or wholly milled rice
- ▶ Motor Vehicles for the transport of persons
- ▶ Motorcycles, piston engine >50 cubic cm but <=250 cubic cm
- ▶ Jewellery of precious metals
- ▶ Unglazed ceramic flags, paving, hearth, wall tiles, mosaic cubes and the like
- ▶ Medicaments consisting of mixed or unmixed products, for retail sale
- ▶ Agglomerated iron ores and concentrates (excluding roasted iron pyrites)

The products with greatest export potential from LAC to India, include:

- ▶ Crude soybean oil
- ▶ Gold, unwrought, for non-monetary purposes
- ▶ Copper ores and concentrates
- ▶ Raw cane sugar
- ▶ Copper cathodes
- ▶ Soybeans
- ▶ Chemical wood pulp, soda/sulphate (non-coniferous, semi-bleached or bleached)
- ▶ Crude sunflower-seed or sunflower oil

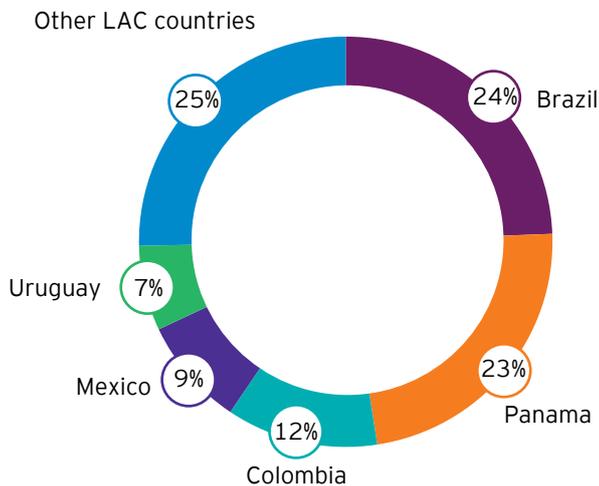
Investment relations

Foreign direct investment (FDI) flows between LAC and India are yet to rise to levels comparable to those witnessed with other Asian countries.

India's overseas direct investments in LAC

- ▶ Between April 2000 and June 2023, India engaged in significant Overseas Direct Investments (ODI), amounting to ~US\$292.66 billion. India's ODI to the LAC region was recorded at ~US\$2.5 billion, making up ~0.85% of India's total ODI during this period⁴⁰.
- ▶ Breaking down the investments in the LAC region from April 2000 to June 2023, certain countries emerged as key recipients. Brazil led the way, attracting ~24.38% of the total investments. Panama followed closely with ~23.18%, while Colombia received ~11.87%, and Mexico secured ~8.55%. Together, these four countries accounted for over ~60% of the total investments made by India in the LAC region⁴¹ (Figure 4).

Figure 4. India's overseas direct investments in LAC from April 2000 to June 2023

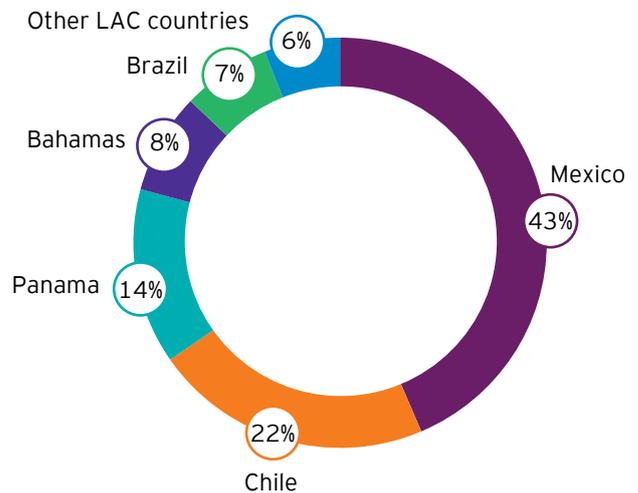


Source: Department of Economic Affairs, India

FDI inflow to India from LAC

- ▶ Between April 2000 and March 2023, India received a substantial sum of ~US\$ 634.44 billion in FDI. Out of this ~US\$722 million originated from the LAC region, accounting for 0.10% of India's total FDI during the period⁴².
- ▶ Analyzing the breakdown of FDI from the LAC region from April 2000 to March 2023, it becomes apparent that a significant portion came from specific countries. Mexico, with 44% of the investments, was the largest contributor. Chile followed with 22%, while Panama and Bahamas accounted for 14% and 8%, respectively. Brazil's share stood at 7%. In cumulative terms, these five countries alone contributed to more than 90% of the total FDI from the LAC region to India⁴³ (Figure 5).

Figure 5. FDI inflow to India from LAC from April 2000 to March 2023



Source: Department of Economic Affairs, India





Proposed tracks: trends and present scenario

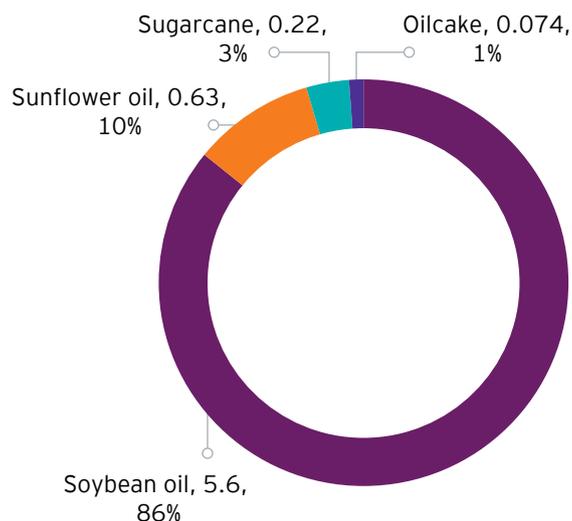
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Agriculture and food processing: partnering in food security

Overview

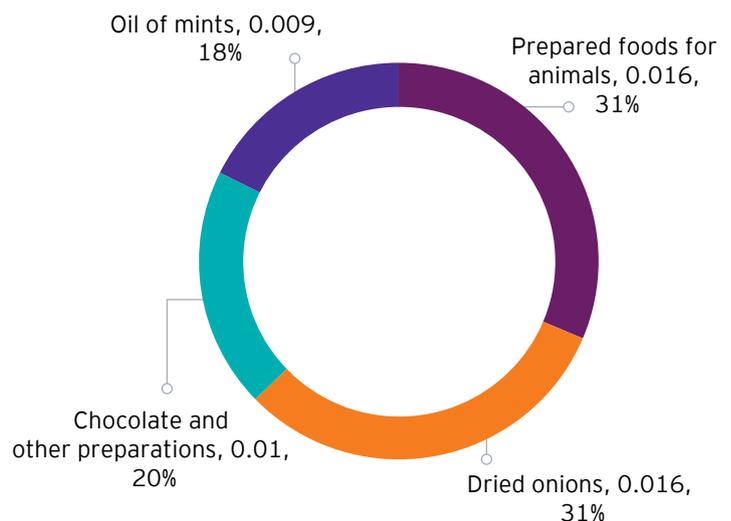
- ▶ Exports of processed foods from LAC to India were ~US\$6.6 billion in 2022 with soybean oil representing ~85% of the total volume at a value of ~US\$5.6 billion, followed by sunflower oil (~US\$0.63 billion), sugarcane (~US\$0.22 billion) and oilcake (~US\$0.074 billion)⁴⁴ (Figure 6).
- ▶ Exports of processed foods and agricultural products from India to LAC amounted to ~US\$0.1 billion in 2022, dominated by prepared food for animals (US\$0.016 billion) and dried onions (US\$0.016 billion)⁴⁵ (Figure 7).
- ▶ With US\$0.05 billion of exports of spices in 2021-22 and US\$0.062 billion of exports in 2022-23, a yearly growth of 24.69% is seen in Indian exports to LAC⁴⁶.
- ▶ LACs exported oil seeds and leguminous vegetables to the tune of US\$56 billion and US\$343 billion in 2022⁴⁷.
- ▶ Total import of Latin America from the world in agriculture and food products amounts to US\$196 billion, out of which India exports US\$0.75 billion to Latin America. India's total exports in the sector was US\$64.92 billion.⁴⁸ Hence, there lies a huge potential for India to increase its exports in the food and agriculture sector.⁴⁹
- ▶ Among all the Latin American businesses with a presence in India, food processing companies are one of the most successful. At present, there are four major entities in India: Grupo Bimbo (Mexico), Grupo AJE (Peru), Namastrade and Piporé (Argentina). Grupo Bimbo and Grupo AJE have made investments to the tune of US\$0.087 billion and US\$0.020 billion, respectively⁵⁰.

Figure 6. Top exports from LAC to India in processed foods 2022 (US\$ billion)



Source: "LAC-India New Horizons, New Hopes, Latin America and the Caribbean with India", 2023, CAF Development Bank of Latin America.

Figure 7. Top exports from India to LAC in processed foods 2022 (US\$ billion)



Source: "LAC-India New Horizons, New Hopes, Latin America and the Caribbean with India", 2023, CAF Development Bank of Latin America.



Areas of cooperation: agriculture and food processing

- ▶ **Food security:** With the LAC region almost being five times the size of India but half its population, there is immense opportunity for India to substitute its expensive imports, such as pulses and oil seeds from other countries like Africa (Benin and Togo⁵¹) and Southeast Asian countries (Thailand and Bhutan⁵²) at a higher cost.⁵³
- ▶ **Cereals:** The LAC region majorly imports cereals from the US and Canada. India is also one of the major exporters of cereals and can explore an export market in LAC region to further strengthen its trade with these countries.
- ▶ **Special oils:** More sophisticated export opportunities can be explored in terms of avocado and olive oils, replacing the traditional sunflower, palm and soybean oils being currently exported from Latin America to India.
- ▶ **Biotechnology:** The two sides can deepen actions to integrate scientific and technological systems, taking advantage of the Indian National Biotechnology Development Strategy 2021-2025 which aims to direct efforts in generation of biotech products, processes and technologies to boost efficiency, productivity, safety and cost-effectiveness of agriculture, food and nutritional security; affordable health and wellness; environmental safety; clean energy and biofuel; and bio-manufacturing.⁵⁴
- ▶ **Agriculture sustainability:** India can significantly benefit from the agriculture sector of Latin America. For instance, knowledge-sharing of modern technologies used in Brazil like refrigerated truck trailers that reduce the possibility of raw produces being ruined and techniques to kill bacteria and provision of a climate-controlled environment.⁵⁵ Software such as integrated management software is used for the purpose of product management on a regular basis. Brazilian farmers also make use of certain AI platforms for the purpose of monitoring agriculture trends such as production capacity, growth patterns and crop production. This provides farmers more information for making decisions on allocation of resources as well.⁵⁶

Healthcare and pharmaceuticals: partnering for a healthy future

Overview

- ▶ In 2022, total trade in pharmaceutical and medical instruments (HSN code: 30 & 90) between India and LAC region amounted to US\$1.83 billion⁵⁷ approximately. Out of which, total exports were valued at around US\$1.69 billion and imports stood at around US\$0.14 billion, making it a key export commodity from India to the region⁵⁸ (Table 5).

Table 5. Total trade in pharmaceuticals and medical instruments in 2022-23 between India- LAC

HSN Code	Categories	Export ⁵⁹	Import ⁶⁰
30	Pharmaceutical products	US\$1.44 billion	US\$0.09 billion
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof.	US\$0.24 billion	US\$0.49 billion

Source: Trade Statistics - Ministry of Commerce and Industry, India

- ▶ As of 2021, 25 Indian pharmaceutical companies have about 15 manufacturing facilities and about 65 sales offices in the Latin American region⁶¹.

- ▶ In the year 2022, the total imports in the LAC region amounted to approximately US\$73.36 billion⁶², with imports from India reaching US\$1.69 billion.⁶³ Meanwhile, India's total exports in the said sector in the same year stood at approximately US\$24.65 billion.⁶⁴ This indicates that there is an opportunity window for India to further enhance trade and economic cooperation in the pharmaceutical and healthcare track with the LAC region.

Areas of cooperation

- ▶ **Scope for enhanced trade in medical devices:** LAC countries are falling below the OECD average⁶⁵ for four medical devices - computed tomography scanners, MRI units, radiotherapy units and mammography units.⁶⁶ India has also started manufacturing MRI machines with a view to promote manufacturing and export capabilities.⁶⁷ Thus, a partnership in this regard can be explored in terms of trade between the two regions.
- ▶ **Barriers to entry in LAC region:** Due to the linguistic difference and many legal requirements, mid-size multinational companies find it difficult to establish manufacturing facilities in more than one country in the LAC region.
- ▶ **Biosimilar pharmaceuticals:** Both regions can allow greater manufacturing of similar pharmaceuticals to help fulfill the gaps in demand and supply of life-saving medicines. India's Dr Reddy's has signed an agreement with Prestige BioPharma (Singapore-based multinational) to manufacture, sale and market an oncology-based life-saving medicine in the LAC region.⁶⁸ India and LAC have biotechnological ecosystems of excellence, and a greater association between both regions may make it possible to shore up the position of each one in this market⁶⁹.
- ▶ **Traditional medicine:** The increased presence of traditional medicine ecosystem in both the regions can be harnessed through the avenue of partnership between India and LAC and possibility of joint leadership must be explored⁷⁰.

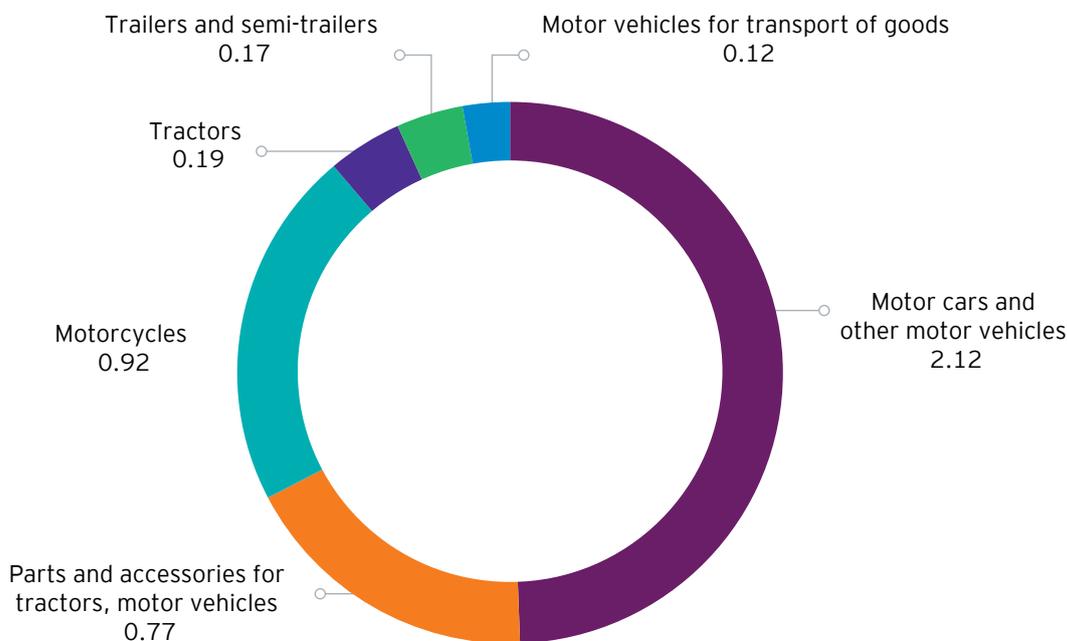


Electrical and automotives: complementing for mutual benefit

Overview

- ▶ In 2022, the total trade in motor vehicles between India and LAC reached about US\$4.41 billion.⁷¹ Out of this total exports from India were valued at US\$4.33 billion approximately and imports to India from LAC stood at US\$0.08 billion approximately, making it a key export commodity from India to the region⁷².
- ▶ In the year 2022, the total imports in the LAC region amounted to approximately US\$113.07 billion⁷³, with imports from India reaching US\$4.332 billion.⁷⁴ Meanwhile, India's total exports in the same year stood at approximately US\$21.22 billion.⁷⁵ This indicates that there is an opportunity window for India to further enhance trade and economic cooperation in the automotive sector with the LAC region.
- ▶ Exports of motor cars and vehicles constitutes a majority of the share amounting to US\$2.12 billion approximately, followed by motorcycles at US\$0.92 billion approximately followed by other vehicles and its components (Figure 8).
- ▶ Notably, India (4th), Mexico (7th), and Brazil (8th) ranked among the top 10 motor vehicle producers globally⁷⁷.
- ▶ 53% of the total lithium reserves of the world are concentrated in Bolivia (21 million tons), Argentina (20 million tons) and Chile (11 million tons)⁷⁸ in the LAC region. Since electrification of automobiles is on the rise globally, the lithium reserves in this triangle positions LAC as a global pole for energy transition.

Figure 8. Indian exports of automobiles, auto components and motorbikes to LAC in 2022 (US\$ billion)⁷⁶



Source: Trade Statistics - Ministry of Commerce and Industry, India

Mutual investments in India and LAC

- ▶ **Automobiles:** Indian automobile manufacturers have expanded their presence and established manufacturing facilities in regions such as Chile, Peru, Colombia, Guatemala, Ecuador, Paraguay, Costa Rica, and Caribbean. Such regions have proved to be the primary markets for Mahindra in the LAC region, as it has established a strong presence with over 100 dealerships and a fleet of more than 50,000 vehicles operating in these countries. Chile stands out as the largest market, boasting over 50 dealerships and fleet of 30,000 vehicles.⁷⁹
- ▶ **Auto parts:** Motherson is a renowned global auto parts component manufacturer having established a significant presence in the LAC region since 2009. In Mexico alone, it operates 18 state-of-the-art manufacturing centres and employs over 21,000 skilled professionals. When considering its combined presence in Brazil and Argentina, it extends employment with an additional 25 manufacturing centres and a workforce of more than 26,000 dedicated employees.⁸⁰
- ▶ Mexican auto components manufacturers, such as NemaK, Tremec, Metalsa and Katcon, have ventured into the Indian market to expand their presence.⁸¹

Areas of cooperation

- ▶ **Tapping lithium usage potential:** While there are large lithium reserves, supply chains need to be strengthened in both India and LAC so that lithium-ion batteries can be produced. The concentration of major lithium reserves in three countries of LAC, may allow the expansion of relationships between the 2 regions in this sector and allow decarbonisation goals to be met.
- ▶ **Electrification of motorcycles and two-wheelers:** With major Indian players present in the LAC region such as Hero Motors, Royal Enfield and Bajaj (in Colombia, Argentina, Mexico and Brazil), there is great potential in decarbonising this segment of motor vehicles⁸². Indian companies can take a lead in this, given their diversified presence in the region.
- ▶ **Trade barriers:** Despite the high volume of trade and economic activity between India and LAC in motorcycles, there are multiple barriers for Indian companies, such as lack of adequate motorcycle distribution networks in LAC countries.⁸³
- ▶ **Electric vehicle infrastructure:** Manufacture of electrical components such as chargers, motors and electrical systems is likely to open up a host of opportunities for the auto parts segment, with processes that imply greater investments in R&D.⁸⁴



IT and electronics: promoting digital partnership through technology

Overview

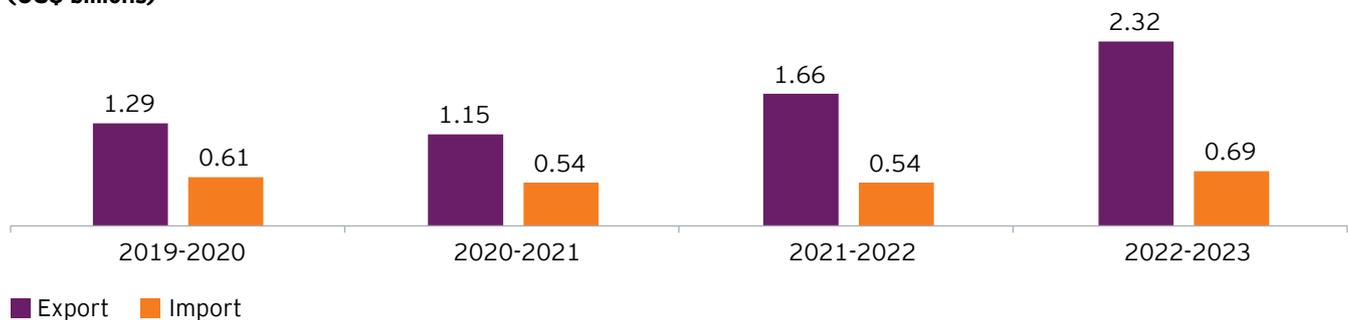
- ▶ In the last few years, there has been a steady increase in the trade of electrical machinery and equipment between India and the LAC region as shown in Figure 9⁸⁵. The major products that the LAC region imported from India included electrical transformers, parts of generators and motors, telecommunication products and other electrical apparatus while India imported majorly telecommunication products, parts of electric motors and generators and other electrical apparatus from the LAC region.⁸⁶
- ▶ The consumer electronics market in the LAC region is expected to register a CAGR of 8.4% during the period 2022-2027 driven by increasing consumer demand for innovative and advanced technologies.⁸⁸

than US\$178 billion in the same year, including IT services (US\$95 billion); business process management (US\$39 billion); engineering and R&D (US\$36 billion) and software products (US\$7 billion).⁹⁴

Areas of cooperation

- ▶ **Non-tariff barriers:** Regulatory environment surrounding the technology industry in LAC varies vastly making it difficult for this sector to operate and attract investments. Despite presence of commercial agreements between countries such as in the MERCOSUR bloc, traders still face several regulatory requirements requiring different compliances and procedures.⁹⁵ The regions can explore partnerships by entering into preferential trade agreements to enhance trade through limited entry barriers.

Figure 9. Trends of Imports and Exports of electrical machinery and equipment from India to LAC for 2019-2022 (US\$ billions)⁸⁷



Source: Trade Statistics - Ministry of Commerce and Industry, India

▶ The LAC region imported a total of US\$387.22 billion of electronics from the world⁸⁹ in 2022. In the same year, India exported electronics worth US\$2.32 billion⁹⁰ to LAC implying that there is still a lot of potential to increase trade in electronics between LAC and India.

- ▶ In case of export of IT services, Indian IT companies were among the first movers to enter the Latin American region.⁹¹ While India has mostly exported IT services, few of the countries in the LAC region such as Brazil have exported IT-enabled business services.⁹²
- ▶ The LAC region exported information technology and telecommunications services worth US\$11.9 billion in 2021, expanding at a compound annual growth rate (CAGR) of 25 % in the previous five years. Brazil, Argentina and Costa Rica accounted for 57 % of total exports.⁹³
- ▶ 8% of India's GDP in 2022 was attributable to the IT-enabled services sector. The country exported more

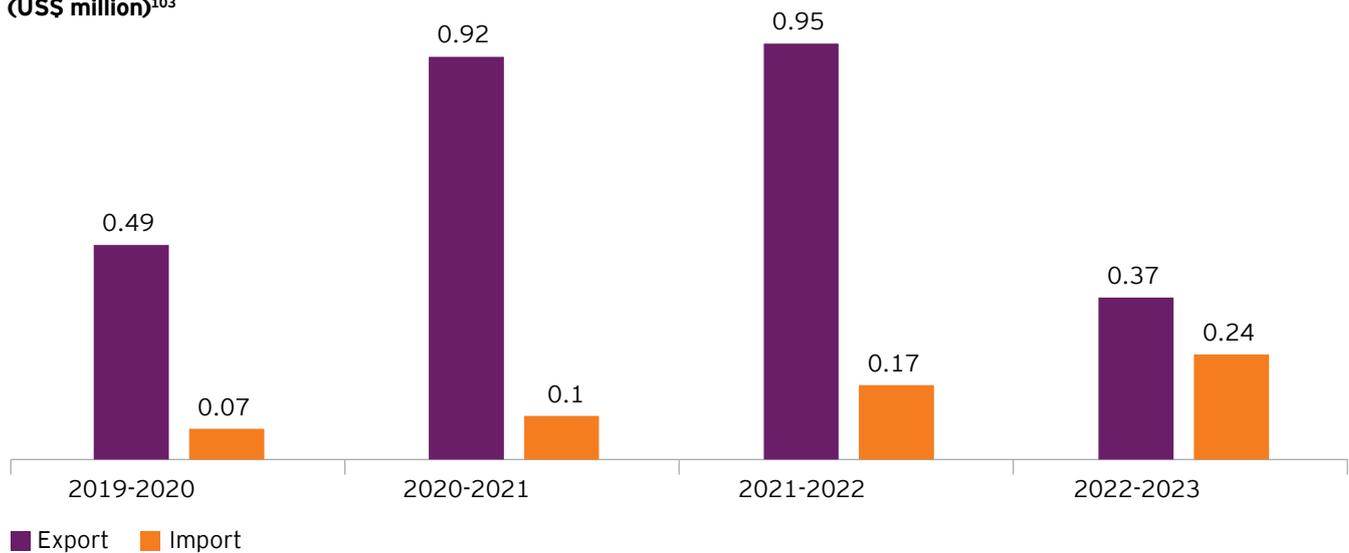
- ▶ **Digital payments:** India's unified payments interface (UPI) has been lauded worldwide and is being adopted by other countries as well.
 - ▶ The Monetary Authority of Singapore and India's RBI launched the linkage between UPI and Singapore's PayNow to provide customers ease of cross-border transactions.⁹⁶
 - ▶ Other countries such as the UAE, Nepal, Bhutan, Malaysia have also undertaken similar activities to enable usage of UPI in their countries.⁹⁷
- ▶ **E-waste:** Electronic waste in 13 countries of the LAC region during 2010 to 2019 rose by about 49% with only 3% of it being safely collected and managed.⁹⁸ Similarly India generated 3.2 million tons of e-waste in 2019 of which only 10% was collected for recycling⁹⁹. Both the regions can collaborate to devise a suitable methodology for safe disposal of e-waste.

Forging security and defense industry collaboration

Overview

- ▶ In FY 2022-2023, India's defense exports reached an all-time high of US\$1.94 billion¹⁰⁰ including exports in artillery guns, missiles, radars, simulators, mine protected vehicles, armoured vehicles, aircrafts among others¹⁰¹.
- ▶ India is a net exporter of arms to the LAC region as shown in Figure 10¹⁰².
- ▶ India has the world's fourth largest standing army, with more than 5.1 million active-military manpower,¹⁰⁴ supported by a commensurate budgetary allocation. The latest allocation for the year 2023-2024 is about US\$73.8 billion.¹⁰⁵

Figure 10. Trends of Imports and Exports of defense products from India to LAC for 2019-2022 (US\$ million)¹⁰³



Source: Trade Statistics - Ministry of Commerce and Industry, India





- ▶ Currently, the LAC region spends about 1.2% of their total budget on defense in 2021¹⁰⁶ and procures missile systems, submarines, aircrafts, helicopters and others from major defense partners such as the US, Germany and France among others¹⁰⁷.
- ▶ The LAC region imported about US\$ 460 million of arms and ammunitions from the world¹⁰⁸ whereas India exported US\$0.37 million of arms and ammunitions¹⁰⁹ to the LAC region in 2022 indicating that both the regions can increase their defense trade.
- ▶ Defense collaborations:
 - ▶ India and Argentina have signed a MoU and a training agreement to deepen collaboration on defense matters¹¹⁰.
 - ▶ India has also signed numerous MoUs with Chile including MoUs on defense to provide more training slots to the Chilean military officials in Indian defense institutions¹¹¹.
 - ▶ At Aero India 2023, Brazilian delegation discussed numerous defense industrial cooperation issues and the potential for collaboration¹¹².
 - ▶ Argentina has shown interest in buying fighter aircrafts and missile systems from India¹¹³.

Areas of cooperation

- ▶ **Security concerns:** LAC region faces risks in the form of piracy¹¹⁴ and unreported and unregulated fishing in its waters. Considering that India has capabilities in defense equipment, it can cater to the needs of LAC region through enhanced trade, building defense corridors, etc.
- ▶ **Furthering military training:** India can also increase the quota for military officials from the LAC region in the National Defense Academy (NDA), Indian Military Academy (IMA), and other defense academies to deepen its training engagement with LAC and also establish a mutual beneficial military leadership. India and LAC can also establish their own joint military exercise to further deepen their collaboration and engagement.



Sustainability: 'Green chemistry'

Overview

- ▶ In 2022, the trade between India and LAC in organic, inorganic, and other chemical products reached US\$3.88 billion approximately.¹¹⁵ Out of which total exports were valued at US\$3.43 billion approximately and imports stood at US\$0.45 billion approximately, making it a key export commodity from India to the region¹¹⁶ (Table 6).

Table 6. Total imports and exports between India and LAC region in 2022 (US\$ billion)¹¹⁷

HSN Code	Categories	Export	Import
28	Inorganic chemicals; organic or inorganic compounds of precious metals of rare earth metals or of isotopes	0.18	0.15
29	Organic chemicals	1.48	0.23
38	Miscellaneous Chemical products	1.77	0.07

Source: Trade Statistics - Ministry of Commerce and Industry, India

- ▶ In 2022, the total import of organic, inorganic, and other chemical products in LAC region amounted to approximately US\$93 billion,¹¹⁸ with import from India reaching US\$3.43 billion. Meanwhile, India's total exports in the same year stood at approximately US\$32.5 billion.¹¹⁹ Thus, there is scope for enhancing trade and economic cooperation between India and the LAC region.
- ▶ Globally, India is the sixth largest chemical producer¹²⁰. With steady growth, chemicals and petrochemicals market in India was valued at US\$178 billion in 2022,¹²¹ providing a big opportunity for collaboration with LAC.

Areas of cooperation

- ▶ **R&D in green and sustainable chemistry:** The SENAI Institute of Innovation for Green Chemistry (Rio de Janeiro, Brazil) develops industrial solutions using alternative techniques and renewable raw materials to create more efficient, lower-cost products and processes which reduces or eliminates the use/generation of harmful substances.¹²² There is scope for collaboration between India and Brazil, as well as other Latin American nations to scale up chemistry research and innovation.
- ▶ **Use of sustainability metrics:** The inclusion of green chemistry in the sustainability assessment and reporting framework may provide an overall sustainability performance of companies and producers in the chemical industry as well as downstream sectors. Systems like the Registro de emisiones y transferencia de contaminantes (RETC) established by Mexico work¹²³ towards building trust between communities and industry, while allowing facility owners to showcase pollution prevention initiatives.
- ▶ **Building a roadmap:** UNEP has invested approx. US\$0.065 billion as of 2020 in the LAC region to carry out projects on chemicals and wastes.¹²⁴ Given that, the region imports high volumes of chemicals and that India produces and exports large quantities of chemicals, both regions can collaborate to develop a roadmap on sustainable and green chemistry to achieve the sound management of chemicals and waste.

India: CARICOM and India SICA

India-CARICOM cooperation: unleashing the potential of Global South

- ▶ CARICOM consists of 15 members: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago
- ▶ Trade between India and CARICOM was recorded at US\$0.634 billion in 2022. It has declined by 19% from US\$0.78 billion in 2021 (Table 7).

Table 7. Trade between India-CARICOM (2018 to 2022) (US\$ billion)¹²⁵

Trade	2018	2019	2020	2021	2022
India's exports	0.314	0.299	0.309	0.402	0.464
India's imports	0.306	0.222	0.272	0.380	0.170
Total Trade	0.620	0.521	0.581	0.782	0.634

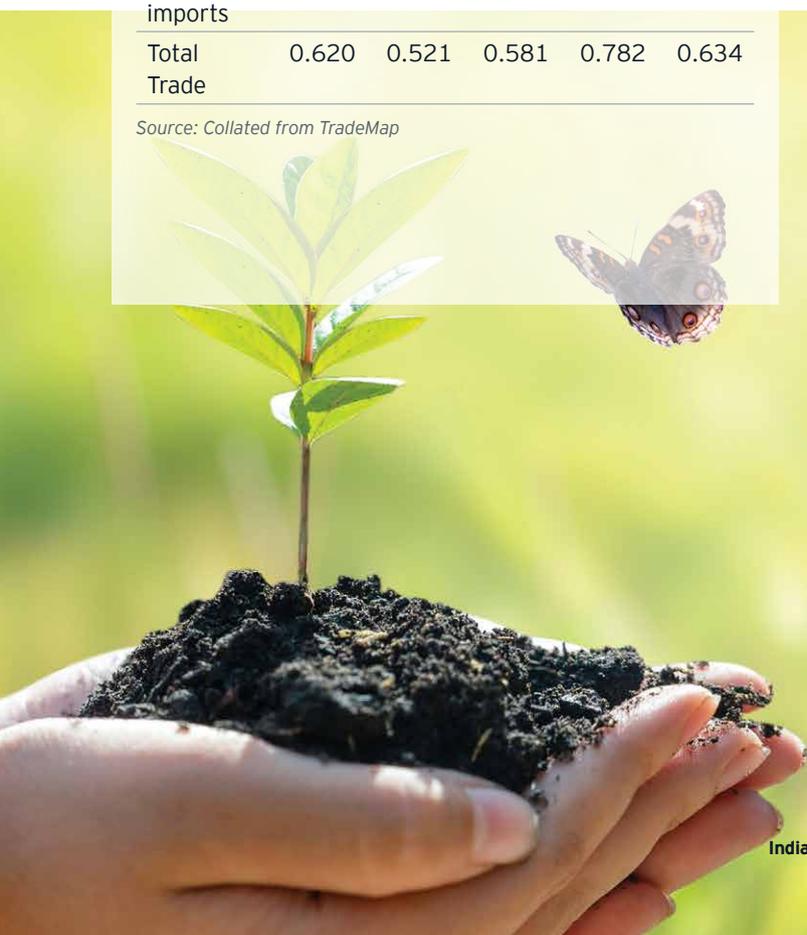
Source: Collated from TradeMap

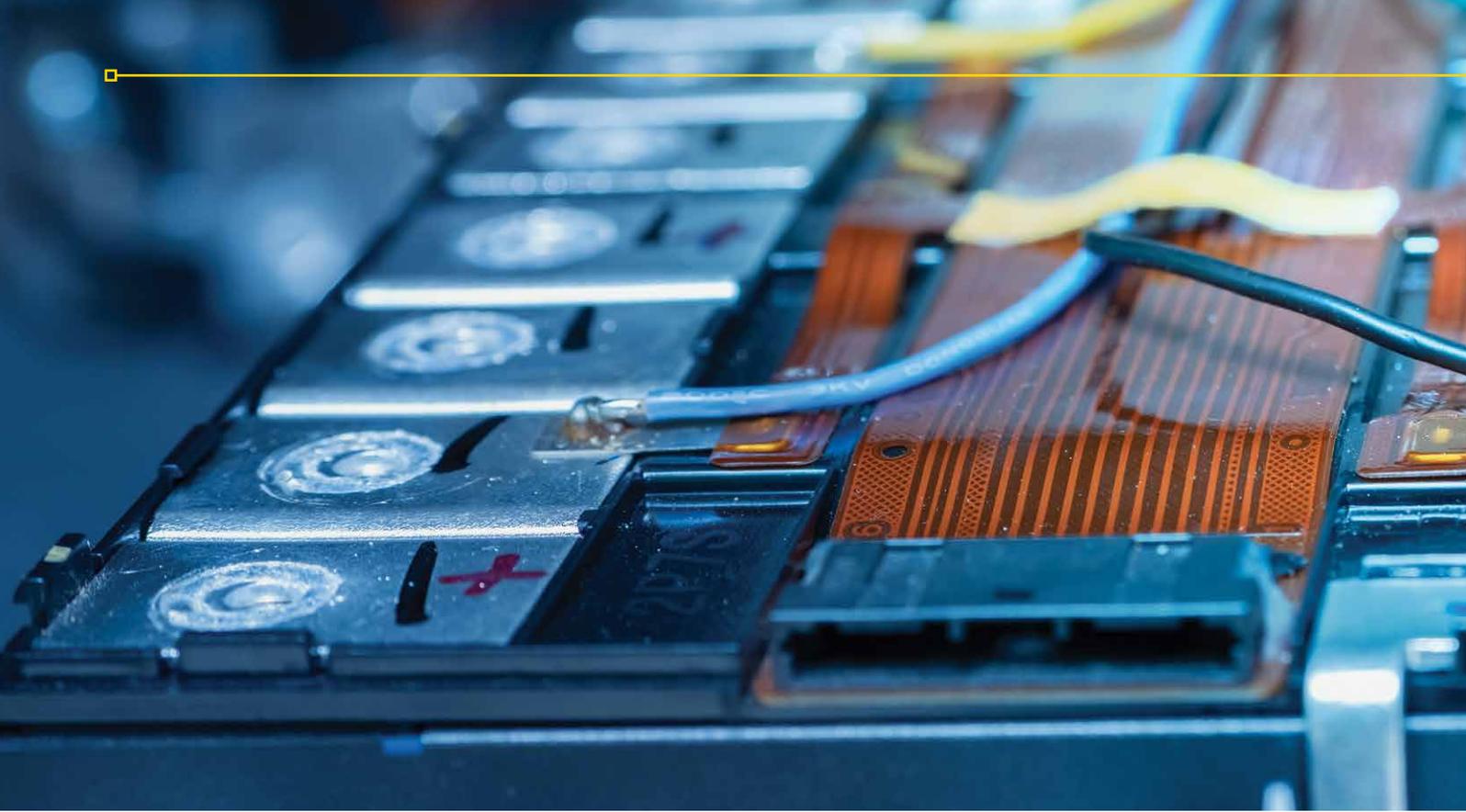
- ▶ Currently, trade between India and CARICOM is focused around the following sectors (Table 8).

Table 8. Top products that India Exported to CARICOM in 2022¹²⁶

Chapter	Product	Share	Cumulative share
Chapter 30	Pharmaceutical products	21%	21%
Chapter 72	Iron and Steel	13%	34%
Chapter 87	Vehicles other than railways and trams, parts, and accessories thereof	12%	46%
Chapter 38	Plastics and articles thereof	9%	55%
Chapter 84	Nuclear reactors, boilers, machinery, and mechanical appliances; parts thereof	6%	61%
Chapter 73	Articles of Iron and Steel	4%	65%
Chapter 69	Ceramic products	2%	67%

Source: Collated from TradeMap





- ▶ The imports from India constitute 1.2% of the total imports by the CARICOM nations.¹²⁷
- ▶ In 2022, top imports for India from the CARICOM region focused around the following sectors (Table 9).

Table 9. Top products that India imported from CARICOM in 2022¹²⁸

Chapter	Product	Share	Cumulative share
Chapter 44	Wood and Articles of Wood and Wood Charcoal	41%	41%
Chapter 47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper	23%	64%
Chapter 85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	20%	84%
Chapter 89	Ships, boats and floating structures	4%	88%
Chapter 76	Aluminum and articles thereof	3%	91%

Source: Collated from TradeMap

India-SICA partnership: addressing supply chain vulnerabilities

- ▶ **SICA consists of seven members:** Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama; and Dominican Republic as the Associate Member.
- ▶ Trade between India and SICA has reached US\$3.24 billion in 2022 from US\$2.07 billion in 2018, which is a 56% growth (Table 10).

Table 10. Trade between India-SICA (2018 to 2022)¹²⁹ (US\$ billion)

Trade	2018	2019	2020	2021	2022
India's exports	1.28	1.33	1.23	2.06	2.6
India's imports	0.786	0.562	0.336	1.00	0.640
Total Trade	2.066	1.892	1.566	3.06	3.24

Source: Collated from TradeMap



- ▶ In 2022, top exports by India to SICA countries focused around the following sectors (Table 11).

Table 11. Majority products exported by India in 2022¹³⁰

Country	Chapter	Product	Share in total export
Belize	Chapter 24	Tobacco and manufactured tobacco substitutes	43.12%
Costa Rica	Chapter 87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	23.62%
El Salvador	Chapter 87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	28.32%
Guatemala	Chapter 87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	36.31%
Nicaragua	Chapter 87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	31.18%
Dominican Republic	Chapter 30	Pharmaceutical products	18.83%

Source: Collated from TradeMap

Areas of cooperation

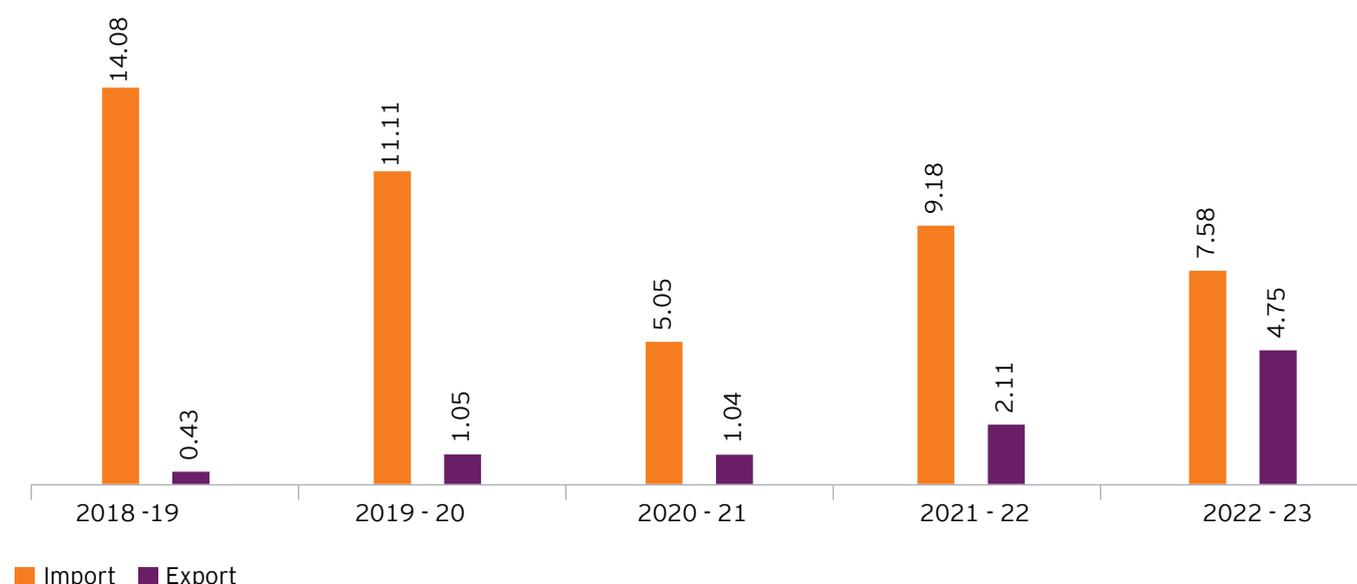
- ▶ India and CARICOM/ SICA regions can work together on global issues such as food and energy security and combating climate change through focused cooperation
- ▶ Development of partnership and capacity building are other areas of cooperation through tailor-made training courses and deputation of experts based on the requirements of the CARICOM/ SICA countries
- ▶ India can explore the possibility of increasing exports of automobiles to the CARICOM/ SICA countries.

Infrastructure and energy: building a roadmap for development and energy transition

Overview: energy

- ▶ The total energy trade between the two regions in 2022 reached around US\$12.32 billion.¹³¹ The value of India's exports from the region was about US\$4.75 billion, while imports stood at roughly US\$7.58 billion in 2022 making it a key import commodity for India from the LAC region.¹³²

Figure 11. Trend in exports and imports between LAC and India between 2018-19 to 2022-23 (US\$ billion)¹³³



Source: Trade Statistics - Ministry of Commerce and Industry, India

▶ In 2022, the total energy products exported by the LAC region reached a value of approx. US\$159.21 billion¹³⁴, with exports to India amounting to only 4.76% of this, i.e., US\$7.58 billion.¹³⁵ Meanwhile, India's total energy imports for 2022 stood at approx. US\$260.9 billion, indicating that only a small proportion of India's energy import requirement was attributable to the LAC region.¹³⁶ Thus, there is a significant opportunity for India to further enhance trade and economic cooperation in the energy track with the LAC region.

- ▶ The share of both India and LAC countries in the carbon dioxide (CO₂) emissions is remarkably low at 3% each of total per capita emissions from 1750 to date, with US, EU and China at 25%, 22% and 13%, respectively.¹³⁷ As per Our World in Data's 2022 rankings of CO₂ emissions, India and LAC countries show very low CO₂ emissions per capita with 1 to 2 tons (India) and 1 to 5 tons (LAC)¹³⁸ (Table 12).

Table 12. Ranking CO₂ emissions per capita (T), 2021¹³⁹

Country	CO ₂ emission
Honduras	1.06
Peru	1.67
Colombia	1.78
India	1.93
Brazil	2.28
Mexico	3.21
Argentina	4.12
Germany	8.09
United States	14.86
Qatar	35.59

Source: Our world in Data (2022)



- ▶ In terms of energy transition, India has already achieved its target of 40% installed electric capacity from non-fossil fuels ahead of 2030 and has advanced the target to 50%.¹⁴⁰ The launch of the National Hydrogen Mission and Green Hydrogen Policy has also put the country on its way to being energy independent by 2047.¹⁴¹
- ▶ The LAC region at present has one of the greenest energy matrices globally,¹⁴² for e.g., 45% of energy comes from Chile's green sources, which has the goal of reaching 70% renewable energy by 2030.¹⁴³ In 2021, renewables accounted for 13% of total energy supply globally,¹⁴⁴ 33% of which was attributable to LAC alone.
- ▶ Renewable sources such as biofuels, solar, wind and geothermal energy constituted 24% of LAC's total renewable sources in 2021, while hydroelectric represented 9% - figures well above the world average of 6%-7%.¹⁴⁵

Overview: infrastructure

- ▶ India has the second largest road network in the world of about 63.73 lakh km.¹⁴⁶ Total length of national highways in India amounts to 1,44,634 km in 2022.¹⁴⁷ To boost infrastructure, the country launched the National Infrastructure Pipeline (NIP) for FY 2020-2025 with a projected investment of US\$1.5 trillion.¹⁴⁸
- ▶ In the LAC region also, important investments have been made in large scale public transportation systems in the past decades. For instance, Medellin's metro system in Colombia, and subway system in Santiago offer efficient public transportation to their users.¹⁴⁹

Areas of cooperation: infrastructure and energy

Energy security

- ▶ **Energy security:** 65% of households in India had medium and severe levels of energy poverty during 2020, while between 1 % and 23 % of households in LAC were in a condition of severe energy poverty in 2022¹⁵⁰.

Despite the enormous efforts and advances made in the last two decades, both regions still have a debt with their population in terms of energy supply. Thus, both regions need to prioritise the climate agenda through joint technological ventures that aim to bring technology advancements to strategic natural resources. The mission is no longer just to achieve full energy coverage, but also to make the access to energy affordable, safe and sustainable.

- ▶ **Combatting impacts of climate change:** Both regions are facing various issues due to climate change such as flooding, water security issues, low-yields in agriculture due to frequent droughts and lesser rainfall¹⁵¹ posing a serious threat to livelihoods, tourism, health and food security.¹⁵² This emphasises the need for realising joint synergies for India and LAC in adopting energy-friendly solutions in the form of climate policy instruments and agreements.
- ▶ **Oil:** LAC region exports high volumes of oil which presents an important opportunity for India to diversify its energy imports.

Infrastructure

- ▶ **Transport infrastructure and logistics:** At present, there is significant scope for enhancing and expanding the infrastructure and logistics ecosystem in the LAC region.¹⁵³ Joint and concerted efforts between India and LAC on the creation of industrial corridors and improving transportation and logistics may support the LAC countries to become more competitive in their trade with India as well as globally.
- ▶ **Smart cities:** Cities in LAC region like Santiago, Rio de Janeiro and Curitiba have undertaken notable smart city projects.¹⁵⁴ Since this is an area of keen interest and focus for India too, it can be a promising track for collaboration between the two regions.
- ▶ **Water security through infrastructure:** Since both India and LAC face issues like extreme water stress, contaminated surface water and lack of access to piped water supply, both regions can synergise efforts through investments in essential infrastructure systems to deliver clean drinking water, reliable sanitation and managing water resources and water risks.

Marching forward

Both LAC countries and India have immense potential, making it a great opportunity for them to collaborate and align their efforts towards creating a robust trade landscape that benefits both economies. This includes adopting ways to have strong economic cooperation, balanced trade relationships, and promoting sustainable development. The various opportunities that both these regions can explore include:

- ▶ **Formation of a ministerial council on 'trade and strategic technologies':** LAC and India must ensure sustainability, national security, and cybersecurity. Both regions can come together on a single high-level platform and address these concerns. Specific ministerial meetings can be organized on key areas in this space, such as green energy, sustainable value chains, and digital connectivity.
- ▶ **Enhancing people-to-people exchange:** To strengthen the bond between India and the LAC region, more cultural exchange programs should be initiated in literature, films, sports, and art. Educational collaborations and tourism can also help.
- ▶ **Diversification of the trade basket:** The bulk of export from LAC to India is extractive, i.e., relating to natural resources like oils and precious metals. With India primarily exporting automotive goods and medical devices in the manufactured category, there is a clear need to strengthen economic cooperation in sectors such as infrastructure, information technology, more manufactured products, and broader avenues in agriculture. The same will ensure a more balanced trade relationship and promote sustainable development.
- ▶ **Trade facilitation:** To boost economic activity between India and the LAC, it is crucial to simplify customs procedures and reduce tariff and non-tariff barriers to trade. Streamlining regulations, enhancing connectivity, and promoting digital platforms for trade will go a long way in boosting bilateral commerce.
- ▶ **Comprehensive economic partnership:** Governments in both areas may consider executing Preferential Trade Agreements (PTAs) to increase trade and ensure that the same is also simplified.
- ▶ **Encouraging investments:** Encouraging Indian companies to invest in LAC and vice versa will be instrumental in fostering economic growth. Governments should create a favorable investment climate by providing tax incentives, protecting intellectual property rights, and ensuring political stability. Promoting public-private partnerships will also help in leveraging resources and expertise for joint projects. India, at present, offers a favorable investment climate with a host of incentive schemes in the manufacturing space, making it an attractive destination for investment. Both Indian and the LAC governments can explore adopting various investment-focused policies.
- ▶ **Capacity building and skill development:** India has been making strides in IT, healthcare, education, road connectivity, etc. The LAC countries can benefit from the Indian experience to build capacities in these critical fields. The countries can explore training programs, vocational exchange programs, and knowledge-sharing activities to improve available talent and skills in their respective economies.

The suggestions can go a long way in bridging the economies and engaging in deeper economic cooperation that is long-term, strong, and mutually promising.



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