

## INDIA, MEXICO CONTINUE TO STRENGTHEN TRADE AND INVESTMENT TIES

*February 1, 2012 by Sumeet Chugani and Ricardo Ortiz Gil Lamadrid*

Blessed with a shared commitment to democracy, similar geography and climate, and large, thriving domestic markets, India and Mexico have continued to deepen their partnership in the global economy. New investment flows in high-technology, agro-chemicals, and crude oil have solidified the bridge that these two “emerging” nations have been building for the past fifty years.

On May 21, 2007, India and Mexico signed a ten-year bilateral investment promotion and protection agreement (BIPPA) to promote the flow of trade and investment between the countries and to permit the free repatriation of funds by investors. Since then, bilateral trade between the regions has grown rapidly. In 2010, trade between the regions touched \$2.8 billion, and is currently growing at a rate of 40% annually. Investment between the regions will likely surpass \$10 billion by 2015. Yet, there is still room for further growth.

Mexico’s current imports from India are largely comprised of petrochemicals, engineering goods, automobiles, auto parts, and pharmaceutical products. Crude oil is a major Mexican export to India, along with iron and steel, as well as engineering goods. For example, the Indian giant, Mangalore Refinery and Petrochemicals Limited, is in talks with Brazil and Mexico to purchase heavy crude oil. India, on the other hand, exchanges this crude oil with Mexico for its own refined oil. India also exports agricultural goods, including sesame seeds, medicines, and tea extracts to Mexico. Major Indian IT companies, pharmaceutical companies, and engineering firms have also begun entering Mexico to capitalize on Mexico’s status as a member of NAFTA and its strategic location. For example, leading Indian IT companies, including TCS, Infosys, and Hexaware, and Pharmaceutical giants, Sun Pharma and Wockhardt, have set up joint ventures in Mexico.

Leading Mexican infrastructure companies, such as Homex and Cinopolis, have also begun investing in India. Homex, which specializes in affordable housing, has partnered with Indian construction company, Puravankara, on new housing projects in India, and specifically in Tamil Nadu. Cinopolis, the world’s fourth largest multiplex operator, has partnered with several Indian-based commercial developers to begin construction of new malls and movie theaters around India. Today, there are currently more than 200 joint ventures between Indian and Mexican companies.

But the two trade partners must first implement a workable free trade agreement, in order to establish better business fundamentals and benefit investors in both regions. According to Jaime Nualart, Ambassador of Mexico to India, a free trade agreement between India and Mexico would spur domestic economic and social development in both regions. Dinesh Kumar, India's Ambassador in Mexico, agrees, and believes that the two emerging nations are on the cusp of a new bilateral trade agreement.

As the first Latin American country to recognize India's independence, Mexico continues to maintain strong diplomatic ties with India. However, for this partnership to rise to the next level, promotional measures by both sides in direct shipping, banking, aviation and free trade agreements must increase. The bridge between India and Mexico will play a pivotal role in the new global economy, once both sides take the necessary steps to solidify their shared goal of increasing bilateral trade and investment.