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EMERGING LATIN AMERICAN AND THE CARIBBEAN(LAC) MARKETS: GROWTH, OPPORTUNITIES, AND CHALLENGES TO INDIA

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Abstract

Our paper – "Emerging Latin American and Caribbean(LaC) Markets: Growth, Opportunities, and Challenges to India", is aimed at analyzing and observing the shifts in Latin American and Caribbean trade integration and how changes in this crucial and volatile region will affect India's aggressive push to secure its energy security framework, food security and raw material requirement. As per the data provided by the Ministry of Commerce and Industry for the financial year 2012-13, Latin America has a share of ~4.5% of India's total exports, but taking various inputs into consideration, there remains huge potential yet to be tapped. The second part of the paper concentrates on the various socio-economic indicators which will compare Latin America and India in specific and BRICS in general. The next part touches upon several regional trade arrangements such as MERCOSUR, Andean Pact, CARICOM, CELAC etc. and their impact on India. This serves as an analysis of the course of development of the trade and investment relationship between India and Latin America over the years. The fourth part sheds light on the various challenges and opportunities for India in her business with LaC, placing it in the context of China\'s aggressive trade with the developing world. The concluding part reviews how the relationship between the two regions can be strengthened and also puts forth various suggestions for expanding trade horizons.

Keywords: LaC, MERCOSUR, CELAC, CARICOM, HDI, BRICS, PTA,

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Latin America and the Caribbean (LaC) is home to over 600 million people with a positive demographic dividend, a growing middle class and emerging economies. It is also a growing strategic importance while remaining a region of diverse opportunities and challenges. This region is now transformed politically and economically due to enhanced democracy and reliable microeconomic, monetary and fiscal policies. With combined GDP of US$5.34 trillion[1], LaC's economy is continuously growing in the global slowdown.

Steady growth and sound economic policies improved the lives of millions in the region over the past decade, with more than 70 million people lifted out of poverty and 50 million joining the ranks of the middle class between 2013 and 2011. For the first time ever, the number of people belonging to the middle class surpassed the number of poor, a sign that Latin America and the Caribbean is progressing toward a middle-class region like India (World Bank, 2013).

According to UNDP's Human Development Index(HDI), two Latin American nations namely Chile and Argentina were placed in Very High Human Development countries and 10 under the High Human Development countries and many countries ranked batter than India.

In the context of South-South cooperation[2] and changing India's Foreign Policy in the Post LPG era, Latin America and the Caribbean is the important strategic partner for India. Indian companies are extending their business horizons to African and Latin American nations. LaC countries, like India are young countries with strong democracy and emerging middle class. India needs to diversify its energy requirement in the context of present global and Middle East crisis. Venezuela and other Latin American countries have huge oil & petroleum reserves to satisfy India's energy demand.

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1. According to World Bank database, GNI per capita income for of Latin America is US$ 8,999 (2012) and total population is 581.4mn.

2.In 1974, the United Nations General Assembly, in its resolution 3251 (XXIX), endorsed "the establishment of a special unit within the United Nations Development Programme to promote technical co-operation among developing countries". With the endorsement of the Buenos Aires Plan of Action (BAPA) for Promoting and Implementing Technical Cooperation among

Developing Countries by the General Assembly in 1978 (resolution 33/134), the Special Unit was strengthened in order to fulfil its primary mandate, set forth in BAPA: to promote, coordinate and support South-South and triangular cooperation globally and within the United Nations system.

Human Development Index (HDI)*:- A comparison of Latin America and India

Table :- HDI of 2013

S.No	Country	HDI 2013
Very high Human Development Index		
1	Chile	0.819
2	Argentina	0.811
High Human Development Index		
3	Uruguay	0.792
4	Cuba	0.78
5	Panama	0.78
6	Mexico	0.775
7	Costa Rica	0.773
8	Venezuela	0.748
9	Peru	0.741
10	Brazil	0.73
Medium Human Development (Lowest to Highest)		
1	India	0.554
2	Guatemala	0.581
3	Nicaragua	0.599
4	Honduras	0.632
5	Paraguay	0.669
6	Bolivia	0.68
7	El Salvador	0.68
8	Dominican Republic	0.702

Source:- Human Development Report 2013, UNDP

* The Human Development Index(HDI) is a composite measure of health, education and income that was introduced in the first Human Development Resort in 1990 as an alternative to purely economic assessments of national progress, such as GDP growth.

CELAC and India

The Community of Latin American and Caribbean States (CELAC) is a regional bloc of 33 Latin American and Caribbean states. It was formed at the Unity Summit, which consisted of the 21st Summit of the Rio Group and the 2nd Latin American and Caribbean Summit on Integration and Development (CALC), in the Mayan Riviera, Mexico on 23 February 2010. The organization aims to unite all of the Latin American and Caribbean states in order to strengthen the political, social and cultural integration of the region, improve its quality of life, stimulate its economic growth, and advance the well-being of all of its people.

CELAC is a successor of the Rio Group and CALC. Venezuela is a magnificent source of fossil energy for CELAC. it is having the greatest certified oil reserves in the world. It is also a leader with its gold, iron and diamond mines. Chile, Argentina, Colombia, and Peru lead global statistics for the extraction of minerals such as copper, coal, tin and nickel. Peru is the second largest producer of silver in the world, following Mexico; it is fifth in gold, second in copper and second in zinc.

Table :- India's trade with CELAC countries for the year 2011-12 and 2012-13

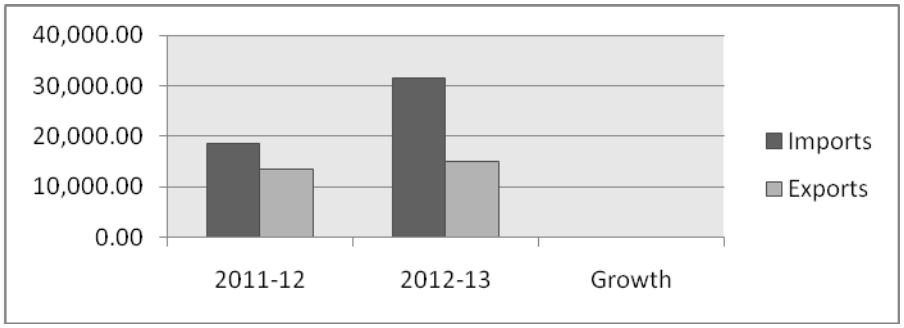
In Millions($)

	2011-12	2012-13	Growth
Imports	**18,581.57**	**31,514.64**	**69.6**
Exports	**13,581.03**	**15,066.45**	**10.94**
Total	32,162.60	45,095.67	40.21

Source:- Export Import Data Bank, Department of Commerce.

Graph :- India's trade with CELAC countries for the year 2011-12 and 2012-13

In Million($)



Source:- Export Import Data Bank, Department of Commerce.

*CELAC includes Mexico

Since CELAC's formation diplomatic relations with India is growing. It is building new mechanisms of economic cooperation as part of changing south-south cooperation in general. In August 2012, CELAC strengthened its international diplomatic relations with the emerging Asian powers, China and India. A triumvirate of CELAC foreign ministers (Chile, Cuba and Venezuela) held a series of meeting with China and India to establish new ways of deepening inter-continental economic cooperation and a united from the creation of a multipolar world.

The growth of commercial, economic and investment relations between India and CELAC is increasing year by year. Although trade between India and the region had crossed US$ 25 billion in 2012, it was still far below potential. Latin America is endowed with abundant and diverse mineral resources which could help to sustain India's growth rate. India is offering technical know-how to the CELAC countries in mapping of their geological resources by using India's remote sensing satellites.

Food Security is a concern for both sides due to prevalence of poverty, unemployment and lack of social security. In this regard, both have to deepen cooperation through the setting up of a mutually beneficial partnership in the agriculture farming and food processing sector. Agricultural research through institutional linkages and by exchanging ideas on their agriculture practices is crucial for agriculture knowledge sharing. In this regard, both agreed to set up an Agricultural Expert Group which is expected to submit recommendations to Ministers in 2012.

Recognizing that cooperation in science and technology is crucial for addressing poverty and developmental challenges. India offered to assist CELAC countries in the launch of low-cost satellites for communications as well as for weather forecasting. CELAC will be crucial for the support of India's aspiration to become permanent member in UN Security Council.

MERCOSUR and India

MERCOSUR is a trading bloc in Latin America comprising Brazil, Argentina, Uruguay and Paraguay. MERCOSUR was formed in 1991 with the objective of facilitating the free movement of goods, services, capital and people among the four member countries. It is the third largest integrated market after the European Union (EU), North American Free Trade Agreement. India signed Preferential Trade Agreement (PTA) with MERCOSUR in 2004. The aim of this Framework Agreement is to strengthen relations between the Contracting Parties, to promote the expansion of trade and to provide the conditions and mechanisms to negotiate a Free Trade Area in conformity with the rules and disciplines of the World Trade Organization[1]. The PTA agreement between India and Mercosur came into force in 2009 to create a free trade area. The agreement presently covers import and export of 452 products, which will eventually increase with special taxation. The PTA is different from the free trade agreement (FTA).In FTA, the two sides reduce or eliminate duties on maximum number of products they trade in, whereas in PTA, the tariffs are not necessarily eliminated, but are lower in comparison with the countries not party to the agreement.

Table: - India's trade with MERCOSUR for the year 2002-03 and 2012-13

(US$mn)

S.No.	Country	Exports	Imports	Total Trade 2012-13	Total Trade 2002-03
1	ARGENTINA	539.95	1,198.71	1,738.66	603.9
2	BRAZIL	6,048.53	4,825.76	10,874.29	581.9

3	PARAGUAY	82.94	8.66	91.6	11.2
4	URUGUAY	143.19	24.41	167.6	29.3
5	Total	6,814.61	6,057.54	12,872.15	1226.3

Source:- (a) Export Import Data Bank, Department of Commerce, MoC&I

(b) UN Comtrade Database

By analyzing above table India's total trade with MERCOSUR increased from US$1.2billion to US$12.8billion. PTA helped both regions to achieve such growth in a decade period. It is primarily Brazil and Argentina that make up virtually all of Mercosur's trade flow with India. The main product categories exported to India are edible oils (primarily soya bean), metallic and ferrous ores, metal scrap and non-electrical machinery, with soya bean oils comprising by far the largest export (around two-thirds of all exports). Some three-quarters of the soya bean oils are from Argentina, while most of the other major items primarily come from Brazil (its largest export).

According to the Article 2 of the Framework Agreement between the MERCOSUR and India India's major exports to Mercosur are drugs, pharmaceuticals and fine chemicals, transport equipment, inorganic/organic/agrochemicals, cotton yarn and cotton and manmade fabrics, makeup kit, readymade garments, dyes, intermediates and coal tar. Brazil is the main trading partner in most commodities, with transport equipment exported to Argentina being one of the few exceptions. However, Argentina's main import is chemicals.

CARICOM

Caribbean Community (CARICOM)* is one of the major trade blocs in the Latin America and Caribbean region. CARICOM was established in 1973 amongst Caribbean countries, viz; Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. The Bahamas, Haiti and Suriname joined the CARICOM subsequently. Since the objective of CARICOM is to form a common market, most intra- regional trade has been liberalized.

While some CARICOM economies have grown in the 1990s, unemployment and foreign debt remain high throughout the region. The global and regional trade agreements, such as the North

American Free Trade Agreement (NAFTA),have threatened the preferential access of CARICOM nations to foreign export markets in Europe and North America. CARICOM members mostly small island nations lacking the infrastructure and skilled manpower and hence unable to compete in international trade, when it comes to Export giants such like China.

CARICOM consists of 15 member states and 5 associate members. The objectives of the Community, identified in Article 6 of the Revised Treaty, are: to improve standards of living and work; the full employment of labour and other factors of production; accelerated, coordinated and sustained economic development and convergence; expansion of trade and economic relations with third States; enhanced levels of international competitiveness; organization for increased production and productivity; achievement of a greater measure of economic leverage and effectiveness of Member States in dealing with third States, groups of States and entities of any description and the enhanced coordination of Member States' foreign and foreign economic policies and enhanced functional co-operation

Table :- India's trade with CARICOM

(US$mn)

S.No.	Country	2012-2013 Exports	2012-2013 Imports	2012-2013 Total Trade
1	ANTIGUA	1.36	0.23	1.59
2	BAHAMAS	2,669.86	102.28	2772.14
3	BARBADOS	5.87	0.1	5.97
4	BELIZE	23.56	0.21	23.77
5	DOMINICA	2.4	1.58	3.98
6	GRENADA	0.85	0	0.85
7	GUYANA	21.94	4.59	26.53
8	HAITI	63.69	1.32	65.01
9	JAMAICA	29.7	2.4	32.1
10	MONTSERRAT	0.04		0.04
11	ST KITT N A	0.63	0	0.63

12	ST LUCIA	1.03	0.41	1.44
13	ST VINCENT	0.35		0.35
14	SURINAME	30.34	13.4	43.74
15	TRINIDAD	81.52	8.9	90.42
	Total	2933.14	135.42	3068.56

Source:- (a) Export Import Data Bank, Department of Commerce, MoC&I

India's bilateral trade with CARICOM countries has witnessed a healthy growth in recent years. During the last seven years India's total trade with the CARICOM countries has risen, from US$ 85.5 mn in 2003-04 to US$ 3069.56 mn in 2012-13. Rise in both India's exports to and imports from CARICOM countries have underlined the increase in India's overall trade with the region. India's exports to the CARICOM countries have risen from US$ 61.5 mn in 2003-04 to US$ 2933.14 mn in 2012-13. India's imports from the CARICOM region have also witnessed a rise from US$ 24.0 mn in 2003-04 to US$ 135.42 mn.

There are several supranational institutions apart from above-mentioned trade mechanisms, that through their operation influence the individual South American countries. Next we will list the most important of these international actors. We will write a short description of the institutions, highlighting the special characteristics of them.

1. ALADI (Asociación Latinoamerica de Integración) is an intergovernmental organization that continues the process started by the Latin-American Free Trade Association (ALALC) in 1960, and promotes the integration expansion in the region, in order to guarantee its economic and social development. ALADI was created in 1908 with the signing of the Montevideo Treaty. ALADI promotes the creation of an area of economic preferences in the region, aiming at Latin American common market.

2. IADB (Inter-American Development Bank) was established in 1959 as a development institution. It is the oldest and largest regional development bank. Now the IADB is the main source of multilateral financing for economic, social and institutional development projects and trade and regional integration programs in Latin America and the Caribbean. The Bank's two main goals are to promote poverty reduction and social equity as well as environmentally sustainable growth. Public entities eligible to borrow from the IADB include national, provincial,

state and municipal governments, also autonomous public institutions. Civil society organizations and private companies are also eligible.

3. ECLAC (Economic Commission for Latin America and Caribbean) is one of the five regional commissions of the United Nations. It was founded for the purposes of contributing to the economic development of Latin America, coordinating actions directed towards this end, and reinforcing economic relationships among the countries and with other nations of the world. The promotion of the region's social development was later included among its primary objectives.

4. IMF (International Monetary Fund) is an international organization of 184 member countries. The IMF is responsible for ensuring the stability of the international payments and exchange rates among national currencies that enables trade to take place between countries. The IMF seeks to promote economic stability and prevent crises; to help resolve crises when they do occur; and to promote growth and alleviate poverty. It employs three main functions – surveillance, technical assistance, and lending – to meet these objectives.

The IMF's resources are provided by its member countries, primarily through payments of quotas, which broadly reflect each country's economic size. The total amount of quotas is the most important factor determining the IMF's lending capacity. The annual expenses of running the fund are met mainly by the difference between interest receipts and interest payments.

5. UNCTAD (United Nations Conference on Trade and Development) was established in 1964, an UN-organization promoting the development-friendly integration of developing countries into the world economy.

6. UNDP (United Nations Development Program) is the UN's global development network, an organization advocating for change and connecting countries to knowledge, experience and resources to help people to build and share solutions to the challenges of: democratic governance, poverty reduction, crisis prevention and recovery, energy and environment, HIV/AIDS.

7. OPEC (Organization of the Petroleum Exporting Countries) is made of 12 developing nations (of which Venezuela is one) whose economies rely on oil export revenues. One of OPEC's primary missions is to achieve stable oil prices, which are fair and reasonable for producers and consumers. The ministers of energy and hydrocarbon affairs meet twice a year to review the status of the international oil market and the forecasts for the future in order to agree upon

appropriate actions which will promote stability in the oil market. The member countries also hold other meetings at various levels of interest, including meetings of petroleum and economic exports, country representatives and special purpose bodies such as committees to address environmental affairs.

8. ILO (International Labour Organization) formulates international labour standards in the form of conventions and recommendations, setting minimum standards of basic labour rights: freedom of association, the right to organize, collective bargaining, abolition of forced labour, equality of opportunity and treatment, and other standards regulating conditions across the entire spectrum of work related issues.

9. SELA (Latin American and Caribbean Economic System) is a regional intergovernmental organization found in 1975 that groups 26 Latin American and Caribbean countries. Its objectives are to provide the region with a system of consultation and coordination for the adoption of common positions and strategies on economic issues in international bodies and

forums and before third countries and groups of countries, and to foster cooperation and integration among the countries in Latin America and Caribbean. Latin American Council is the principal decision-making body of SELA. Each member state has one representative to the council, which meets regularly once a year. Its responsibilities include determining the institution's general policies and formulating specific declarations in the form of decisions approved on a consensual basis.

10. CAIRNS GROUP is a coalition of 19 agricultural exporting countries which account for over 25 % of the world's agricultural export. Of the South American countries are Argentina, Bolivia, Brazil, Chile, Colombia, Paraguay, Peru, and Uruguay members. The Cairns Group's objectives include deep cuts to all tariffs and removal of tariff escalation, the elimination of all trade-distorting domestic subsidies, the elimination of export subsidies and clear rules to prevent circumvention of export subsidy commitments. alleviate poverty. It employs three main functions – surveillance, technical assistance, and lending – to meet these objectives. The IMF's resources are provided by its member countries, primarily through payments of quotas, which broadly reflect each country's economic size. The total amount of quotas is the most important

factor determining the IMF’s lending capacity. The annual expenses of running the fund are met mainly by the difference between interest receipts and interest payments.

11. OAS (Organization of American States) is the region’s principal multilateral forum for strengthening democracy, promoting human rights, and confronting shared problems such as poverty, terrorism, illegal drugs and corruption. The OAS is made of 35 independent nations of North, Central and South America and the Caribbean. The member countries set major policies and goals through the General Assembly, which gathers the hemisphere’s ministers of foreign affairs once a year in regular session. Ongoing actions are guided by the permanent council made up of ambassadors appointed by the member states

12. CAN (Andean Community) was established in 1979 in order to achieve more rapid, more balanced and autonomous development through Andean, South American and Latin American integration. Member countries are Bolivia, Colombia, Ecuador, and Peru.

13. APEC (Asian-Pacific Economic Cooperation), founded in 1989, is an economic forum for a group of Pacific countries to discuss matters on regional economy, cooperation, trade and investment. Of the South American countries are Chile and Peru partners.

14. CSN (South American Community of Nations) will be a continent-wide free trade area that will unite two existing free trade organizations (MERCOSUR and CAN) eliminating tariffs for non-sensitive products by 2014 and for sensitive products by 2019.

15. WB (World Bank) is made of two unique development institutions owned by 185 member countries – the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The WB is a vital source of financial and technical assistance to developing countries around the world. The IBRD focuses on middle income and creditworthy poor countries while IDA focuses on the poorest countries in the world. Together they provide low-interest loans, interest-free credits and grants to developing countries for education, health, infrastructure, communications and many other purposes.

These are organizations that all or some of the South American countries are partners of. The organizations guide the development of South America partly by trade regulations, partly by international investment flows (what kind of projects they support). They also conduct research, on the current status of the countries and of the challenges they face in their futures.(Tiina Tarja, Sami, Jukka &Jyrki 2007).

Country-Wise Analysis

Table :- India's top 10 exports Latin American countries

(US$mn)

S.No.	Country	2011-2012	2012-2013	%Growth
1	BRAZIL	5,769.75	6,048.53	4.83
2	BAHAMAS	2,243.52	2,669.86	19
3	COLOMBIA	892.42	912.12	2.21
4	CHILE	522.08	690	32.16
5	PERU	564.29	637.93	13.05
6	ARGENTINA	473.57	539.95	14.02
7	ECUADOR	231.55	263.55	13.82
8	VENEZUELA	249.72	234.14	-6.24
9	PANAMA REPUBLIC	232.17	226.49	-2.45
10	GUATEMALA	191.29	224.61	17.42

Source:- (a) Export Import Data Bank, Department of Commerce, MoC&I

The Federative Republic of Brazils is the largest country in LAC region and the most important trading partner of India in the entire LAC (Latin America and Caribbean) region. In the last two decades bilateral relation between India and Brazil trade has increased substantially. The level of co-operation between both countries exists in three levels: bilateral and plurilateral in forums like IBSA, BRICS, BASIC and G-20, and in the larger multilateral arena such as UN (including G-4 initiative), WTO, WIPO, etc. their bilateral cooperation includes all areas like trade and economic, education and culture, science and technology, environment, defense and space. Both countries have set a goal of $ 15 billion trade by 2015, which at the current rate is easily achievable. Compared to 2011-2012 there is 4.83% of growth in exports from India (see Table above). The major exports from India are on mining and energy sources ($ 2.1 bn). The second important exports from India are chemicals and pharmaceuticals ($697 million). The third largest export item was polyester yarn ($ 225 million). The recently concluded India- Brazil Joint Commission meeting in Brasilia has open wide opportunities for Indian private and public sector.

Both countries have agreed upon many business missions and exchanges. More than 50 of Indian countries have physical presence in Brazil and this number is increasing. ONGC have already ventured many programs in Brazil with a Level A bidder status. India definitely have huge interests in Brazilian oil fields. Indian presence in IT sector of Brazil is remarkable and offers great potential for its growth. Automobile parts and other engineering goods are largely exported from India. India's better technologies in defense and scientific advancement can be used to create more opportunities in Brazilian soil. And the most recent agreements on cyber security between the two developing states have showed positive growth in their relations.

The Commonwealth of Bahamas, a group of islands in the Atlantic Ocean is known for its tourism industry. Chinese investments in Bahamas are huge and wide. Indian investors are also keen on Bahamian markets. Her interests are visible with the booming of exports to $883.78 million in 2009-2010 to $2669.86 million by 2012-2013.

Indian investors are finding their opportunities in Bahamas energy sector, especially in solar energy. Tourism is another area which can be exploited well. Hotels, ayurvedic spas,yoga centers can be set up in islands. India can also influence Bahamas through forums like CHOGM,UN..etc. India have also helped Bahamas through ITEC(Indian Technical & Economic Cooperation Programme). But the challenge is Bahamas being a tax heaven, poses threat to Indian trade with black money returns through exports and imports.

India-Argentina relations are cordial and encompass political, economic, scientific and technological cooperation including Antarctic research and cultural cooperation. India exports to Argentina include chemicals, vehicles and auto parts, plastic products, machinery, garment and synthetic fiber, while imports comprise soybean oil, sunflower oil, leather and wool. India emerged as a substitute to China in Argentina with tripling the soybean oil imports(Argentina is the largest exporter of soybean oil and India is the largest importer of soybean oil). India and Argentina enjoy warm and friendly relations based on shared values of democracy, rule of law and inclusive growth. Indian presence in Argentina is very evident with 14 companies employing Argentinean nationals. TCS itself employs 450 nationals in Argentina. India gives 10 ITEC scholarships to Argentine candidates every year. Argentine diplomats attend the courses at the

Foreign Service Training Institute of India from time to time. Argentina expects its trade with India to more than double to about $4 billion in the next five years. There are still many untapped potential in Argentina where India can showcase her strength. More than worrying about Chinese in LAC, India can spread her wings because India and China in LAC are not competing for same goods, but Indians have variety of goods in her arsenal to offer in Latin America.

After Brazil, Colombia is the most preferred Latin American country to do business with by Indian companies. India and Colombia have been responsible for an exponential increase in their bilateral commercial relations in last three years. From 2009 to 2013 there is an increase of 150% in exports from India. With 36 Indian companies in Colombian land makes the trade relations much stronger. This includes IT firms, automobile, energy, pharma companies and most recently BPO's. Companies like ONGC,MECL,SIPC have emerged as the key players of heavy crude oil in Colombia. India's technical assistance programs are active in Colombia. India's opportunity in Colombia is diverse from infrastructure, logistics, and hospitality industries, mining machineries, geological consultations, food processing industries.etc. But the main challenge in Colombia is expensive transportation.

The Bolivarian Republic of Venezuela, the largest holder of oil reserves in the world have very cordial and friendly relationship with India. The main items of India's exports are pharmaceuticals, chemicals, calcined petroleum coke (CPC), textiles and engineering products such as scooters, equipment and machinery. The main items of India's imports from Venezuela are crude oil, iron pellets and electrical cables. Venezuela has expressed interest in cooperation with India for import of relevant technologies and machinery for various development projects in the country such as agro-processing.

There is also interest in collaboration with India in the health sector, biotechnology, remote sensing, IT and other areas. But the major challenge is language difficulties faced by Venezuelans , which made utilization of ITEC slots and other training programs slow and sporadic. Infosys, Tata motors, Cipla, Dr. Reddy's Labs, Sun pharma etc. are famous in Venezuela. In spite of being the largest holder of oil reserves, Venezuela stands 9th in net export of oil in the world. This provides room for Indian companies like OVL,Reliance,GAIL..etc to take more shares in Venezuelan oil and also to diversify Venezuelan customers other than US(70% of oil exported to US). India can be right spot for Venezuela to refine its huge crude oil reserves. India can also negotiate with Venezuela for cheap exchange of oil for technology, food and medicine.

No country is farther away from India than Chile, still Chile is the only country in Latin America to have a FTA(Free Trade Agreement) with India. India’s exports to Chile primarily include inorganic chemicals, vehicle parts, iron and steel and products, leather, and gems and jewelry. Exports are diversified with the largest component of inorganic chemicals at about one-fifth of the total. On the import side, items of trade are heavily concentrated in the category of ores, slag and ash. Recently signed CEPA(Comprehensive Economic Partnership Agreement) have made zero tariffs for copper import to India (India’s largest import from Chile is copper). Chile with her geo-position can be a gateway for India to Americas, more than that Chile has FTAs with Canada, USA, EU, and Mexico and is a member of Mercosur and Latin America Integration Association. It is a participant in the Free Trade Area of the Americas which seeks to create a single FTA for the region. These positive sides can boost Indian presence in LAC through Chile.
Republic of Peru is another Latin America country which have billion-dollar trade with India. India’s main exports to Peru are iron and steel laminated products, rubber tires, three wheelers /motorcycles & parts, pharmaceuticals, organic and inorganic chemicals, yarns, etc. Main Indian imports from Peru are copper and its concentrates (80% of imports), zinc and fish meal. : Peru is the world’s largest producer of silver, second largest producer of copper and zinc, the third largest producer of tin, bismuth and tellurium, the fourth largest producer of lead and the fifth largest producer of gold. According to the Peruvian Government, only 20% of the country´s mining potential has been explored. Being one of the major copper importing country, India can explore its opportunities in Peru through investing in mines. Peruvian soil has got large deposits of gold, which India should find ways to exploit to feed Indian domestic market. Both countries are working on FTA, which can make a big difference in their bilateral relations. India can easily reach billion dollar export with Peru with more understanding of Peruvian local markets and its IT industry.

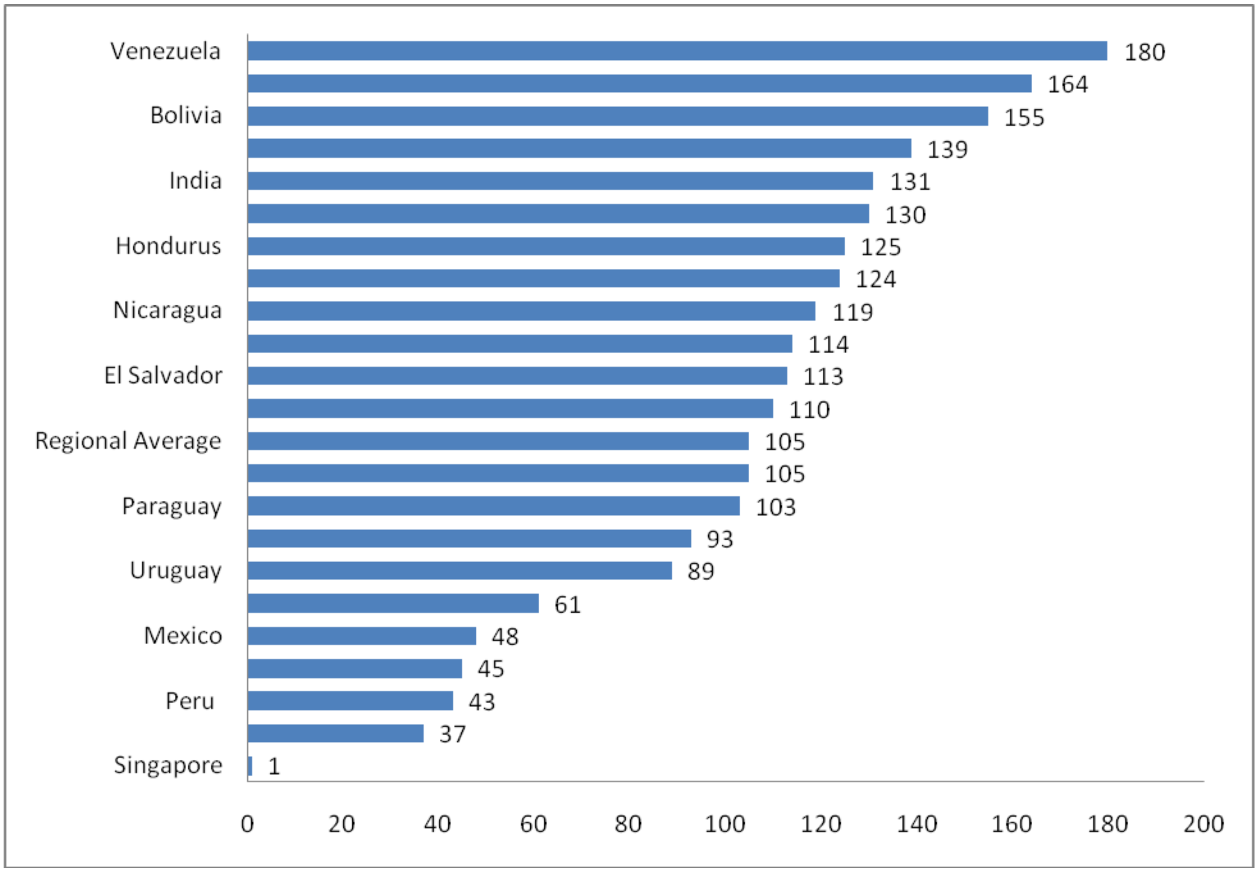
WOT Analysis

STRENGTHS:	WEAKNESS:
• High HDI countries. Which implies better education, health and economic growth • Stable states with vibrant democracies • Untapped Natural recourses • Huge Diversity	• No common play rules • Lack of well-developed capital markets • Heavy dependence on raw materials • Less state spending on innovation and R&D • Distance as a weakness for trade
OPPORTUNITIES : • Improved infrastructure • Common market and internal markets • Energy security • Better technology, new ways to exploit natural resource deposits • IT-applications and infrastructure (e-learning etc.) • Better environment for doing business	THREATS: • Climate change • China's dominance • Nexus with US i.e. Intercontinental disputes • Corruption • Can the South American countries see the benefits of creating the Union of South American Nations or will they drive their individual goals? • Is win-win situation possible in LaC.

Of the 50 economies improving business regulation for local firms the most since 2005, six are in Latin America and the Caribbean. Colombia stands out in the region as having advanced the most in making its regulatory environment business-friendly. Besides Colombia, the five other regional economies improving the regulatory environment the most since 2005 are Guatemala, Peru, Mexico, Uruguay, and the Dominican Republic. In the year from June 2011 to June 2012, 15 of 33 Latin American economies implemented regulatory reforms making it easier for local entrepreneurs to do business.

Costa Rica is the only regional economy among the global top 10 improves during the past year. Costa Rica implemented regulatory changes in four of the areas measured by Doing Business*. Chile is the regional leader in the ease of doing business, ranking 37 among 185 globally(Doing Business Report, 2013)

Graph :- Doing Business Report 2013.



Source:- Doing Business Report 2013, IFC, World Bank.

The Doing Business Project, a project of World Bank Group provides objective measures of business regulations and their enforcement across 189 economies and selected cities at the subnational and regional level.

By gathering and analyzing comprehensive quantitative data to compare business regulation environments across economies and over time, Doing Business encourages countries to compete towards more efficient regulation; offers measurable benchmarks for reform; and serves as a resource for academics, journalists, private sector researchers and others interested in the business climate of each country.

Challenges:-

A multiplicity of trade agreements South American countries have recently signed many free trade agreements and are concurrently negotiating others. Given resource limitations, this strains the capacity of governments to cover adequately all negotiation fronts. The frantic pace of meetings makes it difficult for negotiators to analyze options properly and adopt optimal negotiating positions. Lack of regional coordination also leads to reduced synergies and weakening of the region's collective strength. The private sector could play a larger role in assisting their governments in their efforts towards regional integration (International Trade Centre report,2006)

With all the efforts on negotiations, initiatives to facilitate a conducive trading environment and to foster the international competitiveness of enterprises do not receive enough attention. Lack of government support to R&D, product upgrading and standards, among others, is proving a limitation to companies, particularly small- and medium-sized enterprises (SMEs). Public and private stakeholders need to increase coordination of micro-level actions.

Latin American countries are less investing on the R&D facilities and technological innovations. This will impact the manufacturing sector and sustainability in the global markets. Though there are Trade Support Institutions (TSI) for the region, there are cases of insufficient coordination and duplication of functions between various national, local, sectoral and technical TSI. Though there are regional stock exchanges like Latin American Integrated Market (MILA), they are not well developed.

There are trade barriers between India and LaC. India's import duties are generally higher than other countries. While LaC's import duties are generally less i.e. tariff is not a major issue for unidirectional trade flow from India to LaC countries, but it's a problem when trade flow from LaC to India. Except with Mercosur and Chile, India do not have PTA with CELAC and CARICOM. Another observation is that, though tariff rates of China are similar to India; trade with China is for exceeding with India from Latin America. China has started pursuing vigorously its Latin American policy. It has already replaced the US as the largest trading partner of Brazil and Chile. Its trade with Latin America has grown since the last decade. From 2000 to 2011, it has grown 20 fold, from $3.9 billion to $86 billion.(Mahapatra 2013) China has direct shipping links with Latin America through the Panama Canal.

China is planning to build a rail link through Colombia to trade with Latin America thus making it easier for China to export goods through the Americas and imports raw materials such a coal and iron ore from Latin American Nations. China so as to overcome existing barriers of trade with Latin America has taken an indirect route and adopted strategic moves to increase their trade in the region.

In order to boost trade, both India and Latin America must lower tariffs and trade barriers, the study concludes. India’s average tariff on Latin American agricultural goods is 65 percent, more than five times China’s 12.5 percent tariff. Even though Latin American tariffs on Indian goods are not as high—reaching 9.8 percent in the case of manufactured products—they are well above the 4 percent to 6 percent OECD range, the study said. A 10 percent reduction in average tariffs imposed on Indian products, for example, would likely increase imports of Indian goods by 36 percent in Chile and Argentina.(Mauricio 2010)

Moreover, India and Latin America must reduce transport costs. Currently, India, unlike China, has no direct shipping services to this region. Goods have to be shipped first to Singapore or Europe, which increases both freight rates and shipping times. In the case of Brazil, for instance, shipping a product from Santos directly to Mumbai would take an estimated 27 days and 15 hours. Shipping via Singapore would take approximately 36 days and 18 hours – almost nine days longer.

The Mauricio(2010) estimates that a 10 percent reduction in freight rates would likely boost imports of Indian goods by as much as 46 percent and 47 percent in Chile and Argentina, respectively.Climate Change is a global phenomenon that continues to pose challenges of enormous proportions and constitute of the Small Islands and low-lying coastal countries of the Caribbean Community.

Recommendations

Both regions should exchange their success stories and rich experience. For example, India can provide important lessons based on its success in creating dynamic information technology services, burgeoning aerospace microfinance and pharmaceutical industries and top-notch universities to train its leaders, just to name a few areas. Latin America, on the other hand, can provide success stories in agriculture, mining, aeronautics, biofuels, private pension schemes and poverty alleviation programs, all of which could help India address some of its economic growth constraints.

As Latin America and the Caribbean(LaC) is India's next growth driver for service sector, India should gear up its efforts to sign trade pacts especially in service sector. India needs to establish direct shipping channel in order to reduce the time and distance gap.

In the context of South-South cooperation, BRICS as a block should engage with CELAC. The BRICS' engagement with CELAC is not only a factor in promoting multilateralism and fostering a multipolar world structure, but it also accrues economic advantages to both the groupings. While the BRICS members are fast rising economies with huge financial resources, the CELAC countries have also registered growth despite global economic slowdown. The Latin American countries are also rich in natural resources. The huge population of CELAC makes the region a vast market for investment and also for import from the BRICS countries.(Mahapatra 2013)

BRICS, instead of computing among themselves, they must come up with common strategies in exploring resources in the region for mutual benefit. In this venture the proposed BRICS bank can be an effective tool.

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