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## **Mexico, India Expand Economic Relations, Eye Free-Trade Agreement**

*by LADB Staff*

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Mexico and India have announced plans to expand economic and trade relations with an eye on eventually negotiating a full free-trade agreement (FTA). In a meeting in New Delhi in late May, Mexico's Economy Secretary Eduardo Sojo Garza-Aldape and India's Commerce Minister Kamal Nath agreed to create a group made up of senior trade officials to work out details for a trade accord. In a decisive step toward that goal, the two countries signed a second agreement, a 10-year accord to promote and protect investments.

The Bilateral Investment Promotion and Protection Agreement (BIPPA), which will remain in force for 10 years, will also provide for free repatriation of funds by an investor of either country. "We have signed two agreements with India, a bilateral investment promotion and protection pact and a memorandum of understanding to set up a high-level group (HLG) of top public officials and experts to look around for areas of synergy," Sojo told the New Delhi daily business newspaper The Financial Express.

The India-Mexico working group, which will be co-chaired by Sojo and Nath, is planning to hold its initial meeting in the next few months. Sojo said a goal of the group would be to find ways to further boost bilateral trade, which has already increased by 600% during the last six years. "We want to start a new year of trade investment and economic cooperation between the two countries," Sojo told reporters at a trade conference.

### ***Commercial relations could increase greatly***

Trade between India and Mexico amounted to US\$1.6 billion in 2006-2007, compared with only US \$251 million in 1990-1991. And some members of India's private sector foresee total trade increasing significantly in coming years. Bilateral trade could potentially reach US\$3 billion by 2010, said Sunil Bharti Mittal, president of Bharti Enterprises. One challenge for Mexico will be to find ways to narrow the trade deficit with India, which has widened as bilateral trade has increased.

The Secretaria de Economia (SE) said that India's exports to Mexico approached US\$1 billion last year, including transportation equipment, jewelry, engineering products, pharmaceuticals, and textiles and apparel. In contrast, India imported only about US\$600 million worth of goods from Mexico during the same period, including electronics, iron, and steel.

The two agreements announced in May follow another Mexico-India accord, signed in March 2006, to promote small and medium-sized businesses in the two countries. As part of that agreement, the countries agreed to develop workshops for small and medium-sized enterprises on opportunities in both countries. "Our main objective is to begin to build a relationship among small entrepreneurs in the two countries," said H.P. Kunhar, a business executive who traveled to Mexico as part of the

initiative. "We also want to look for opportunities for investment and transfer of technology in all areas."

Members of the Mexican private sector appear more interested in India than they are in China, the world's other emerging economic power. "There is a great disinterest in Mexico toward China," said Jaime Solano Soto, a construction-industry executive. "The level of trade between our two countries is still low, and there are many opportunities."

### *India seeks to take advantage of NAFTA, other accords*

Indian government and business officials readily admit that they see an FTA with Mexico as a bridge to the North American Free Trade Agreement (NAFTA) and to other countries in Latin America. And Sojo is using that premise to lure Indian companies to invest in Mexico. "We have free-trade agreements with 44 countries," the Mexican economy secretary said. "By establishing a base in Mexico, Indian companies can avail themselves of a preferential access to economies that account for 70% of the world's GDP."

The New Delhi-based newspaper The Hindu suggested that some Indian companies might look into establishing maquiladora plants near the Mexican border with the US. "Indian investment is likely to target especially the Mexican side of the Mexico-U.S. border which offers the unique combination of low wages and access to the US and Canadian markets, besides Mexico's own economy," said the newspaper. It said, however, that complex rules of origin could discourage a large influx of Indian companies into the Mexican maquiladora sector.

Sojo said Mexico views trade with India as another opportunity to diversify its commercial relations, which depend heavily on the US and Canada via NAFTA. "For quite a long time we were concentrating on the NAFTA market," said the economy secretary. "But we have now realized that there are many opportunities for us in trade and investment in Asia and India, in particular."

During his visit to India, Sojo also traveled to Mumbai and other financial and industrial centers. He met with executives from the information-technology, energy, automotive, and chemical sectors to seek opportunities for Mexican companies in India. In particular, he made a pitch to the automotive industry. "We have displaced Canada as the top supplier of auto parts to the US," he told The Financial Express. "Though I cannot disclose the names, I can tell you that there are two to three big Mexican companies in the auto-component industry doing their assessment to make huge investments in India."

### *Mexico also seeks to expand relations with Africa*

In addition to India, Mexico is also making overtures on the African continent. In late May, President Felipe Calderon's administration launched its new Africa campaign (Estrategia de Acercamiento a Africa), which includes opening nine new embassies and consulates in the region, creating a special office at the Secretaria de Relaciones Exteriores (SRE) to address issues dealing with 22 countries in the region, and creating a special commission (Comision Mexicana para Africa).

Observers said the administration's motivation to end its historic neglect of the African continent is economic as well as political. "The design and application of this strategy is based not only on the

enormous wealth of natural resources and economic potential in Africa but also on its 53 votes in the UN," said the Mexico City daily newspaper La Jornada. "This bloc of countries could mean the difference between victory and defeat for some multilateral decisions." Still, economics remains a principal factor behind the decision, as Africa has some of the world's largest reserves of crude oil, diamonds, chrome, gold, and platinum, Mexican diplomatic officials told the official news agency Notimex. "In the commercial arena, the SRE is promoting opportunities for trade and investment in various markets in Africa, seeking market niches that can be profitable for both sides," the sources said.

Officials said the potential to boost commercial relations with Africa is significant, with total trade with the entire continent, including North Africa, amounting to only about US\$650 million in each of the last three years. "This represents about 0.2% of our total trade," said La Jornada. "And this total involved only about a dozen countries." To boost trade, the Calderon administration will have to open new embassies and consulates, including some diplomatic missions shut down because of budgetary reasons during the administration of former President Vicente Fox.

At present, Mexico has embassies in three sub-Saharan countries (South Africa, Ethiopia, and Kenya) and two in North Africa (Egypt and Morocco). Officials said the Calderon government is hoping to reopen some of the embassies shut down during the previous administration, including in Ghana, Senegal, Namibia, and Nigeria. There are also plans to open consulates in Botswana and Sudan. Mexico's relations with Africa also involve cooperation in education, agriculture, energy, and health, primarily through the newly created Africa commission, said administration officials.

"The commission will allow better coordination among the various players, whether they are legislators, academics, or members of civil society," said La Jornada. One area where Mexico is hoping to boost cooperation with African countries is environmental protection. In late May, the Zoologico de Chapultepec in Mexico City announced several agreements with the governments of Kenya and South Africa to exchange information on protection of natural habitats. Scientists at the Universidad Nacional Autonoma de Mexico (UNAM) are also involved with African counterparts on studies related to global climate change, sources said.

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