

Embassy of India
Mexico City

INDIA-MEXICO TRADE AND COMMERCIAL RELATIONS

I. Economic overview

The Mexican economy registered a growth of 3.1% in 2022 compared to the previous year, showing the recovery from the economic crisis caused by the Covid-19 pandemic when the Mexican economy fell by 8.3%. The annual GDP of 2021 also presented signs of recovery from the pandemic as it grew 4.8%. This represents a contrast to the trend of the last years during which the annual growth rates expanded at a more moderate rate. Mexico received foreign direct investment of USD 35 billion in 2022.

According to the 2023 Outlook of the IMF, Mexico's economy was ranked 14th in the world by GDP at current prices (only Brazil has a larger GDP among Latin American countries). It is currently one of only four Latin American members of the OECD (Chile, Colombia and Costa Rica). Mexico is also one of the WTO members with the greatest number of Free Trade Agreements with a network of 12 FTAs with 46 countries. The NAFTA renegotiation process was finalized and in early 2020, and the new agreement was signed as USMCA (US-Mexico-Canada). USMCA entered into force on 1 July 2020.

The interconnectedness of the Mexican and US economies is an important feature of its economy. Economic integration is derived from close linkages across four important economic channels: trade, remittances, investment, and financial channels. The trade channel is especially well developed, with around 83% of all Mexican exports destined for sale in the US domestic market. Similarly, Mexico has become the United States' second-largest export market and second-largest source of imports after China.

Mexico can attribute its transformation from a highly protected economy to its more open, regionalised, and market-based economy of today, to widespread trade liberalisation over the past several decades. This has encouraged multinational companies to set up plants to take advantage of relatively low labour costs and proximity to the US market. Though Mexican economic activity is dominated by the private sector, it may also be characterized as a mixture of modern, export-oriented industry and agriculture-based

economy. In the upcoming years, manufacturing activity and Foreign Direct Investment (FDI) could accelerate in the wake of nearshoring.

Much of Mexico's modern economy has been driven by competition and export opportunities stemming from Mexico's extensive network of Free Trade Agreements (FTAs), covering more than 90 per cent of the country's trade. They include FTAs with Chile, the United States and Canada (USMCA), the European Union, Israel, Colombia, Bolivia, Guatemala, El Salvador, and Honduras, Uruguay, the European Free Trade Area (Norway, Iceland, Switzerland, and Liechtenstein), Peru, Japan, and Panama. Recently it signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and is negotiating FTAs with Brazil and South Korea. Mexico is also a founding member of the Pacific Alliance- a trade liberalising pact between Chile, Colombia, Mexico, and Peru. India became an observer to the Alliance in 2012.

II. India-Mexico Trade & Investment Relations

Mexico's links with India go back many centuries to the time of the galleon trade between the Philippines and Nueva España (New Spain), when trade and commerce between Mexico and all the major countries of Asia, including India, flourished. This was the age in which *Santa Catarina*, the Catholic figure of Puebla, is reported to have come from Mughal India, bringing with her the so-called *La China Poblana*, which soon acquired the status of traditional women's dress in Mexico. This was the age in which the rich cotton scarves of Pulicut and Calicut in southern India were exported to the markets of Mexico and became known here, over time, as the "*Paliacate*".

Both countries share a cordial relationship based on goodwill for each other and tremendous prospects to enhance economic cooperation between India, the world's 5th largest economy, and Mexico, the world's 14th largest economy. In the 1960s, India's efforts to achieve food security were greatly assisted by the high-yielding hybrid wheat seed, 'Sonora' created by the noble laureate Norman Borlaug and his team in CIMMYT, Mexico.

India and Mexico agreed to work together to elevate their ties from a 'Privileged Partnership' to 'Strategic Partnership' during Prime Minister Narendra Modi's visit to Mexico on 8 June 2016. There are regular meetings of bilateral interactive mechanisms, which include a Joint Commission and a High-Level Group on Trade, Investment, and

Economic Cooperation as well as consultations between the two foreign ministries. Several bilateral agreements exist between the two countries, including for investment promotion and protection, double taxation avoidance, extradition, administrative assistance in customs matters, air services, and cooperation across different sectors.

In order to reinvigorate the trade and investment relationship between India and Mexico, a Bilateral High-Level Group (BHLG) between India and Mexico was created in May 2007 under a Memorandum of Understanding to promote trade, investment, and economic cooperation between the two countries and it held its first meeting in September 2007 during the visit of Mexican President Calderón to India. The first BHLG created six working groups on Trade Promotion, Investment Promotion (including infrastructure), Services, Customs Cooperation, Industrial dialogue with private sector participation (chemical-pharma, IT, textiles, and biofuels), and tourism. The 7th Joint Commission Meeting between India and Mexico which was held in Mexico in June 2017 explored the areas of cooperation further and discussed some of the bilateral trade and market access issues.

An outstanding feature of our current engagement is the sharp spurt in our bilateral trade and investment in recent years. India-Mexico bilateral trade has reached 11.40 billion USD in 2022, the highest amount in history. It showed an important increase (12.83%) compared to 2021. The bilateral trade reached 10.2 billion USD in 2018, surpassing the 10 billion mark for the first time. The trade balance is in favour of India (3.68 bn) in 2022. At the same time, about 78% of Mexican exports comprise just one item- crude oil. India imported about USD 3 billion worth of oil from Mexico in 2022 and is already Mexico's second-largest market globally. Even as India shifts its focus on cleaner sources of energy, its dependence on Mexico for oil remains high.

Indian companies see Mexico as a major investment destination with access to USMCA and Latin America. Several Indian companies have already invested in Mexico in recent years. The three strongest performing areas for Indian investments in Mexico are information technology, pharmaceuticals, and automotive sector. Almost all major Indian IT and ICT companies (TCS, Infosys, HCL Technologies, Tech Mahindra, Hexaware, Wipro, etc.) have operations in Mexico. Several Indian pharmaceuticals firms (Cipla, Dr. Reddy's Laboratories, Zydus, Hetero Drugs, Sun Pharma, Lupin, etc.) have investments and operations in Mexico. In the food processing sector, Parle has recently started manufacturing in the State of Mexico. This is their first plant in the western hemisphere.

Indian companies have also invested in manufacturing auto parts, tyres, packaging, and electricals. Tornel, which makes tyres for cars and trucks in Mexico, was acquired by JK Tyre, an Indian company. Bajaj Auto has a tie-up in Mexico for assembling and marketing two-wheelers (motorcycles) and three-wheelers. The Samvardhana Motherson Group (SMP) of India has investments in Puebla, San Luis Potosí, and other northern states, manufacturing auto components for original equipment manufacturers like Audi and VW. The group has over 15 plants in total in Mexico and employs more than 23,000 Mexicans. There are sizeable Indian investments in the north of the country, such as Flex Americas in Tamaulipas, Varroc Lighting (making modular LED lighting units for the auto clusters), KEC in Monterrey, etc.

Leading Mexican companies like Cinépolis, Tremec, Nematik, Softtek, Metalsa/Orbia, Ruhrpumpen, KidZania, and Bimbo and some others have likewise invested in India in recent times. Nematik, which is part of the ALFA Group of Mexico has invested 11 million USD in a manufacturing facility in Chennai. Softtek, an IT company from Monterrey, recently became the first Latin American company to invest in the service sector in India, when it invested 26 million USD in acquiring an Indian company in Bangalore. Great Foods & Beverages of Mexico has invested about 10 million USD in India and has a great future for its fruit chill bars and noodles.

Overall, Indian investments in Mexico are far greater than the other way around. India's investments in Mexico are more than USD 3 billion. On the other hand, Mexico has an investment of about 1 billion USD (both direct and indirect).

III. Bilateral Trade Performance in 2022

The year 2022 was unprecedented as for the first time, the bilateral trade between India and Mexico reached 11.40 billion USD in value. Mexico also emerged as the third most important trade partner of India in the entire Americas after the US and Brazil. The global trade and economic crises deeply affected the trade between India and Mexico in 2020. The year 2021 showed signs of recovery in the trade exchange as the total trade ascended to 10.11 billion USD. The trade balance remained in favour of India for the eighth consecutive year.

India - Mexico trade, 2018-2022 (thousands USD)					
Year	2018	2019	2020	2021	2022
Exports to Mexico from India	5,231,927	5,181,121	4,255,564	5,931,153	7,540,793
Imports of India from Mexico	4,961,823	4,145,683	2,616,524	4,174,220	3,860,944
Total trade	10,193,750	9,326,804	6,872,088	10,105,373	11,401,737

India's total export to Mexico during 2022 reached 7.54 billion USD. On the other hand, India's imports from Mexico were 3.86 billion USD in the same year. Importantly, India's export to Mexico grew by almost 40% from 2020 to 2021 and 27.14% from 2021 to 2022. Mexico's export to India increased by almost 60% from 2020 to 2021, but presented a decrease of 7.5% between 2021 and 2022.

In the past years, India recorded impressive growth under the automobile and auto component sector (HS Code: 87), particularly in the four-wheelers category. In the year 2022, India's export under this category was 1.63 billion USD which had an impressive increase of 43% compared to its value in 2021. India is Mexico's fourth-largest supplier of motor cars and vehicles after the US, China and Japan. The export figures under "Motor Cars and Vehicles" (HS Code 8703) have seen this upward trend because in the last couple of years, Volkswagen, Ford, Chevrolet, and Nissan have started exporting their four-wheelers which are 100% made in India. General Motor's Beat which is sold as Spark in the Mexican market, Hyundai's i10 Grand and Creta, and Kia's Seltos are being exported to Mexico from their India based operations. There are strong demands for India-made cars in Mexico and in years to come, exports of these are bound to increase.

In the year 2022, exports of crude oil from Mexico to India remained the single largest item of imports. It registered an increase from 3.46 billion USD in 2021 to 3.68 billion USD. Mexican export of crude oil was 78% of its total exports to India in 2022, while it represented almost 83% in 2021. India was the second-largest buyer of Mexico's crude oil in 2022 after the US, thereby surpassing Spain and South Korea.

IV. Commercial delegations

One of the major drivers of trade between the two countries has been the steady flow of trade missions from India to Mexico. In recent years, Mexico has seen more than 200 Indian companies visit and explore the market almost every year. There has been regular participation of Indian delegations in some of the most reputable exhibitions in Mexico such as FAMEX, InterModa, Expo Ferretera, Expo Plastimagen, and Expo CIHAC. The Embassy supports the trade mission in all possible ways. In addition, CII, FICCI, and TPCI have a cooperation agreement with the largest chamber of commerce in Mexico - COMCE.

From Mexico, the commercial wing has nominated and sent many businessmen to various events and exhibitions in India. In addition, there have also been high-level delegations visits in various sectors. In 2022, a delegation of business people from COMCE visited India during their Asian tour and held meetings with several Indian business chambers. In previous years, several delegations visited India, including the former Foreign Minister of Mexico in March 2022 (with 35 member business delegation) and March 2023 for G20 Foreign Minister's Meeting, the current Minister of Energy in 2020. Other important visits have been by the former head of COFEPRIS (Mexico's drug regulatory authority equivalent to CDSCO), the CEO of ProMexico (Mexico's former national investment promotion agency), and the Governor of the state of Nuevo León.

Mexico being one of the major economies of Latin America is one of the focus countries for Indians. The real potential of the India-Mexico bilateral commercial and economic relationship is yet to be realised.

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