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THEDIALOGUE

FEATURED Q&A

How Important Are Ties Between India & Latin America?

Brazilian President Dilma Rousseff and Indian Prime Minister Narendra Modi met earlier this month during the BRICS summit in Russia. // File Photo: Brazilian Government.

Q Uruguayan President Tabaré Vázquez is slated to visit India next year, and the country's foreign minister, Rodolfo Nin Novoa, is expected to attend the India-Latin American conference in October. The moves are seen as efforts by Uruguay to boost trade ties with India, a country whose population is expected to exceed China's in the decades ahead. Meanwhile, Indian Prime Minister Narendra Modi visited Russia earlier this month for the BRICS summit, along with Brazilian President Dilma Rousseff. How economically important are India and Latin America to each other? What areas and economic sectors present the biggest opportunities for India and countries in the Western Hemisphere? To what extent does India compete against Latin America in terms of global trade and investment?

A Riordan Roett, director of the Latin American Studies program at the Johns Hopkins University's School of Advanced International Studies: "Relations between India and Latin America have been developing slowly but steadily over the last decade. Over the last year, India's trade with Venezuela and Brazil were more than its trade with France. Oil dominates trade with Venezuela, but the trade profile with Brazil is more varied. Brazil has emerged as the ninth-largest global destination for India's exports. Mexico, Chile, Colombia and Argentina are increasing their trade with India as well. The principal exports from India to the region are diesel, vehicles and auto parts, pharmaceuticals, organic chemicals, equipment and machinery, garments, synthetic yarn and fibers, iron and steel products, chemical products and cotton. Major imports from Latin America include crude oil, miner-

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Brazil Cuts Fiscal Savings Goals

President Dilma Rousseff's government also announced cuts in spending as it faces a fall in tax revenue.

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Citi Closing Banamex USA

Citigroup said it is shuttering Banamex USA and has agreed to pay regulators $140 million in fines.

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Mexican Immigration to U.S. Drops Sharply: Study

The number of Mexicans migrating from Mexico to the United States has fallen by more than half since 2003, according to a new study. Main reasons include a falling birth rate in Mexico, said the study's lead author, Rogelio Saenz of the University of Texas at San Antonio.

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Saenz // File Photo: University of Texas at San Antonio.

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ECONOMIC NEWS

Brazil Cuts Fiscal Savings Goal Amid Drop in Revenue

Brazil on Wednesday sharply revised downward its fiscal savings goal for this year and next amid a drop in tax revenue, Reuters reported. At the same time, the government also announced new cuts to spending in an effort to demonstrate its commitment to austerity and

Levy // File Photo: Brazilian Government.

maintain investor confidence. The government cut its primary surplus target for this year to 8.7 billion reais ($2.70 billion), or 0.15 percent of GDP, from 66.3 billion reais, or 1.1 percent of GDP. It also cut its 2016 primary surplus target to 0.7 percent of GDP from 2 percent. The primary surplus, a measure of revenue available to make interest payments on debt, is watched by markets and credit rating agencies as an indicator of a country's ability to repay its debt. The move may make it more difficult for the government of President Dilma Rousseff to regain the confidence of investors and ratings agencies, which have warned that they may lower the South American nation's credit rating. "The target revision should not be taken as a sign that we are abandoning the fiscal adjustment," Finance Minister Joaquim Levy told reporters. "We are committed to fiscal discipline." Levy added that the government's decision to cut an additional 9 billion reais in spending shows it commitment to fiscal discipline. The government in May said it would cut 70 billion reais in a bid to restore investor confidence.

POLITICAL NEWS

Immigration From Mexico to U.S. Drops Sharply: Study

The number of Mexicans migrating to the United States has fallen by more than half since peaking in 2003, according to a study released Wednesday by demographers at the University of Texas at San Antonio and the University of New Hampshire, Reuters reported. Among the reasons for the fall are a drop in available construction jobs in the United States due to the country's 2007-2009 recession as well as a falling birth rate and growing economy in Mexico, according to the study's lead author, Rogelio Saenz, the dean of UTSA's College of Public Policy. "Back in the 1960s and 1970s, the average Mexican woman was having about seven births. That created a very youthful population in Mexico, with 35 percent of the population a few decades ago less than 15 years of age," said Saenz. However, Mexico's birth rate has declined and is now about equal to that of the United States, he added. "There is no longer the excess labor force that Mexico had just a few decades ago," Saenz said. Between 2008 and 2012, a total of 819,000 people migrated from Mexico to the United States, according to U.S. Census figures. That number compares to 1.9 million between 2003 to 2007. The figures include both legal and illegal immigration.

BUSINESS NEWS

Citi Closing Banamex USA, Paying $140 Mn in Penalties

Citigroup announced Wednesday that it is shutting down its Banamex USA unit and will pay U.S. and California state regulators a total of $140 million to settle investigations about alleged deficiencies in its anti-money laundering programs. In its statement, Citi said ensuring

NEWS BRIEFS

Guatemalan Mayoral Candidate, Three Guards Fatally Shot

Guatemalan mayoral candidate Horacio Quinones and his three body guards were gunned down Wednesday in the town of San Miguel Dueñas, in Sacatepéquez department, his party said, Agence France-Presse reported. Quinones, a member of the Todos political party, was the second member of the group killed in less than a week, leaving only an opposition party candidate in the mayoral race. A deputy mayoral candidate was killed in another municipality last Thursday. Guatemalans will vote Sept. 6 for president, vice president, deputies and mayors.

Trump to Visit U.S.-Mexico Border

U.S. presidential candidate Donald Trump is planning today to visit the U.S.-Mexico border to meet with border control agents, BBC News reported. Trump has been criticized for recently calling Mexican immigrants "criminals" and "rapists." A poll released Monday by The Washington Post and ABC News showed Trump in the lead for the Republican nomination.

Colombia Considering Cuts to Local Bond Taxes

Colombia may cut taxes on foreign investors' earnings on local bonds from the current rate of 14 percent before the end of the year as the country looks to further its capital market integration with the Pacific Alliance, Deputy Finance Minister Andrés Escobar said, Bloomberg News reported. Colombia cut the tax rate in 2013, which helped boost foreign holdings of pesos bonds, and may do so again to remain competitive with Mexico, Peru and Chile, Escobar said. The change may be included in a tax bill sent to Congress in August, which the minister said will be the start of a tax reform process.

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als, soy oil, gold and precious stones, raw sugar and wood. The trade relationship with India follows the path of the region's global trade ties—exporting commodities and raw materials and importing higher value-added goods. A more rapid expansion of trade ties will require greater connectivity. India, unlike China, has no direct shipping services to Latin America. Goods are shipped first to Singapore or Europe, which increases both freight rates and shipping time. The absence of direct airline connections makes tourism, cultural and even official contact difficult and expensive. Diplomatic interaction has increased in recent years. The major interlocutor for India in the region is Brazil. Both countries are active members of the IBSA Forum and the BRICS group. A formal dialogue has been established between India and CELAC, the latest multilateral organization that represents all of the countries of the region. The first president of the new BRICS development bank, located in Shanghai, is an Indian citizen. But a cursory look at the Indian press indicates that New Delhi's principal focus remains regional—Pakistan, China and its neighbors. Latin America receives minimal coverage, but when the region is mentioned, it is in a cordial manner. Ties between India and Latin America will evolve slowly over the next decade or so, but New Delhi represents, overall, a positive addition to Latin America's global outreach."

Jahangir Aziz, managing director and chief Asia economist at J.P. Morgan in Singapore: "Last year, Indo-Latin America trade stood at $39 billion, of which exports from India were $12 billion and imports from Latin America amounted to $27 billion. The size pales in comparison to China-Latin America trade, which has shown that distance is no longer a barrier to global transactions as long as there is a double-coincidence of wants: China needed commodities to fuel its growth, while Latin America had them in large supply. This trade also showed what happens when one becomes overly dependent on a single source of demand. Latin America's recent growth woes owe a lot to the softening of China's commodity demand, which has begun to reduce the resource intensity of growth. India's trade with Latin America is also overly commodity-based. Take away the oil imports from Venezuela and exports of refined petroleum to Brazil and the size of the transactions falls to just $23 billion. But the fact that India imports oil all the way from Venezuela, refines it and then re-exports some of it to Brazil, again corroborates that distance is not why India and Latin America do not trade much more. Perhaps there is a lack of a double-coincidence of wants. But I doubt that. For example, India needs cheap and reliable sources of commodities to fuel its $1 trillion infrastructure development dream, while Latin America sorely requires new sources of demand. My guess is that there is a serious lack of awareness of each other's products, especially among SMEs, in these countries. Greater interaction, at least among these countries' leaders, is a good start to raise this awareness. If Bollywood can film in Rio, there is no reason why Mumbaikars can't eat Chilean sea bass."

Francisco Velázquez de Cuellar, managing partner of Axon Partners Group: "India-Latin America relations are increasingly acquiring strategic orientation and moving ahead. India's trade with Latin America has increased from $2.6 billion to $42 billion over the past decade and is expected to increase to $100 billion in the next four years. Axon Partners Group has seen many businesses interested in the synergies and complementary elements that India and Latin America have. Indian businesses are attracted by the stable and predictable Latin American market, with vibrant democracies and strong macroeconomic fundamentals, whereas India offers a large and growing market for Latin American businesses. Trade, energy

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"strong and sustainable" compliance with the Bank Secrecy Act and preventing money laundering "is an ongoing mission." The New York-based financial services company added, "Citi is committed to devoting the resources and expertise needed to continuously execute a robust and comprehensive program that helps protect the integrity of the financial system." Banamex USA is an arm of Banamex, Mexico's second-largest bank, which Citi owns. Citi established Banamex USA in order to make it easier for individuals and businesses to transfer money across the U.S.-Mexico border, the Los Angeles Times reported. In August 2012, the U.S. Federal Deposit Insurance Corporation and California's Department of Business Oversight ordered Banamex USA to correct alleged violations of the Bank Secrecy Act. The federal law governs anti-money laundering and compliance programs and has requirements for banks to report any suspicious activities by customers. However, the bank failed to properly fix the problems, said regulators. "Banamex agreed three years ago to correct numerous weaknesses in its anti-money laundering program. It has failed to do so," Department of Business Oversight Commissioner Jan Lynn Owen said in a statement. The $140 million penalty that Citi has agreed to pay includes a $100 million fine to the FDIC and a $40 million fine to the Department of Business Oversight. Banamex USA has three branches—in Los Angeles, Houston and San Antonio—in addition to about 300 full-time employees, assets of more than $500 million and a deposit base of approximately $460 million, said Citi. The bank said that the two Texas branches will close by October, with the Los Angeles branch remaining open throughout the wind-down process.

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> **— Jan Lynn Owen**

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and geopolitical relations are key areas for strategic cooperation between the two regions. India perceives Latin America as a long-term contributor to its energy and food security. Governments across both regions should make concerted efforts to open up markets, cut redundant regulations, boost education and promote cooperation in trade and investment between the two regions. IT would be an important sector for India and Latin America due to their strong workforces and India's large English-speaking population. India is one of the largest suppliers of IT services to Latin America with more than 35,000 Latin Americans employed at these companies in the region. These two regions enable companies to provide support services around the clock due to the time difference. Technology transfer and marketing connections from Asian multinationals can assist Latin American firms in joining global value chains and can promote internationally competitive industrialization. Latin America's competition with India is low. Export structures of most Latin American countries are very different from Indian export structures, with Mexico being the only country in Latin America whose comparative advantage has been moving in the same direction. Axon believes that small- and medium-sized enterprises in both India and Latin America should take advantage of the burgeoning market in the other region. Identifying niche market gaps in the regions that can be filled with expertise of native companies will be paramount to successful market entry."

Hari Seshasayee, independent researcher of India-Latin America relations: "The announcement that Uruguay's foreign minister, Rodolfo Nin Novoa, will attend the annual India-Latin America Conclave is a welcome one. Uruguay may be a small country, but it is a valuable partner: it is a founding member of Mercosur, with which India has signed a preferential trade agreement, and it remains a regional hub for Indian companies such as TCS, and more recently, for Tata Motors and Zamin Resources. The growing significance of India-Latin America relations is manifest in the recent growth in trade and investments,

> **"There is more complementarity than competition between India and Latin America."**
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> **— Hari Seshasayee**

high-level political exchanges and cultural exchanges through cinema and the arts. Some on-the-ground measures implemented by the Indian government may help expand the relationship with Latin America, such as the appointment of a special secretary for the Americas and a call for external consultants in the Ministry of External Affairs. The energy, pharmaceuticals, mining, information technology, agricultural and motor vehicles sectors form the greatest components of the India-Latin America commercial relationship. There remains considerable potential for collaboration in renewable energy, infrastructure and joint manufacturing. There is more complementarity than competition between India and Latin America; together, they form an integral part of the global economy as engines of economic growth; they provide each other the opportunity to diversify and expand to relatively new markets, and lessen their dependence on traditional partners; and they complement each other in terms of trade and investment, with only a few areas of overlapping interests. We can expect more cooperation in the areas of energy and food security."

Editor's note: The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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