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Perspectives

Latin America 2012: India's Perspective

Indian trade with, and investment in, Latin America is expected to grow this year.

BY LBC STAFF

India's trade with Latin America will likely jump 20 percent this year, while Indian investments in the region will also grow, predicts R. Viswanathan, India's ambassador to Argentina, Paraguay and Uruguay and the country's leading [Latin America expert](#).

Latin Business Chronicle: How do you view the Indian business outlook for Latin America in 2012?

Viswanathan: Promising and attractive. The Indian business liked the Standard and Poors report which says "Latin America as a whole enjoys higher average sovereign ratings today than before the recent global recession" and the ECLAC report of December 2011 which says,

- Latin America and the Caribbean (LAC) region had a GDP growth of 4.3 percent (estimate) in 2011 and is projected to grow by 3.7 percent in 2012 despite the continuing crisis in Europe, uncertain outlook in USA and the slow down of the Asian markets.
- Both Imports and exports of LAC crossed the trillion dollar mark in 2011. Imports increased by 23 percent to \$1.038 trillion.
- Foreign Direct Investment leaped to a record level of \$130 billion from \$75 billion in 2010.
- Foreign exchange reserves increased to 761 billion dollars as of October 2011 from 655 billion dollars in 2010.
- The total external debt as a percentage of GDP declined to 19.2 percent in 2011 from 20 percent in 2010.
- The fiscal accounts of Latin America closed in 2011 with a primary surplus.

Indian business is convinced that a New Latin America has emerged with stronger macroeconomic fundamentals, less vulnerability to external shocks and is on a sustainable course of growth and prosperity. The Indian companies will target Latin America even more vigorously in 2012 to make up for the slow growth of exports to the developed markets. The Latin American business and governments are opening up more space for benign Indian business as part of their strategy to reduce overexposure to China and concerned by the uncertain and gloomy situation in developed markets.

2012 will see 20 percent increase in trade and more investment by Indian companies in Latin America. The first shot for 2012 was already fired by Godrej group of India which is acquiring 60 percent share in a Chilean cosmetics company in January third week. Last year Godrej bought 2 Argentine cosmetics cos. Their next target is Brazil.

Latin Business Chronicle: What will be the main challenges facing Indian business in Latin America in 2012?

Viswanathan: Indian business likes the word "Opportunity" more than the so called challenges. The only challenge is that the Indian companies should be hungry enough. They have lots of opportunities in the large Indian market itself. The number of Indian companies focusing on Latin America is relatively small and this has to increase.

Latin Business Chronicle: How do you view the Indian business outlook for Brazil in 2012?

Viswanathan: The trade with Brazil increased to \$9.2 billion in 2011 from \$7.7 billion in 2010. The trade should cross \$11 billion in 2012. Indian companies are looking for new investment opportunities as well as expansion of their operations and existing investment. Agrochemicals, mining, energy and manufacturing sectors will see more investment. For example, UPL of India which has already invested \$150 million in agrochemicals in Brazil plans to double its investment. They envision a business of a billion dollars in Brazil in the next three years. Birla Group, which has invested \$500 million in aluminium, is looking to diversify investment into mining, paper and engineering sectors.

Latin Business Chronicle: What will be the main challenges facing Indian business in Brazil in 2012?

Viswanathan: Again, Indian business sees more opportunities than challenges in Brazil and is thrilled by the following news headlines in December 2011

- Brazil has overtaken Britain as the sixth largest economy in the world – screamed grudgingly *Daily Mail* of London.
- Brazil's unemployment rate was the lowest (5.2 percent) in November 2011 in the last ten years – exclaimed enviously *Washington Post*

The huge investment plans of Brazil in infrastructure for Olympics and World Cup, petroleum, mining and ethanol are attractive for Indian companies. The only challenges are the high cost of operations in Brazil and the strong Real.