



# Opportunities beckon

The new Latin America offers unprecedented prospects for Indian investors and businesses to explore, says R Viswanathan

**A** confident and optimistic Latin America is embarking on a growth decade. The region's markets have undergone a paradigm shift in the past two decades, emerging decisively from the twin curses of instability and cycles of boom and bust that had plagued many countries.

As a result macroeconomic fundamentals have become more resilient and less vulnerable to external shocks. This is evident from the manner in which Latin America has withstood the global crisis, growing by an impressive 6% in 2010. GDP growth in 2011 is projected to be more than 4%.

There has been a fundamental change in the mindset of Latin American policy makers, who have become more pragmatic and pursue balanced, pro-business policies of inclusive development. In doing so, they are following the model adopted by Luiz Inacio Lula da Silva, Brazil's popular president who stepped down at the start of this year.

Latin American businesspeople have started looking beyond the crisis-ridden markets of the US and Europe and are focusing instead on large growth markets, such as India. Indian businesses need to recognize the new market of Latin America and the new mindset of Latin Americans and explore the unprecedented opportunities for trade and investment.

India's trade with Latin America reached US\$23 billion in 2010, up from US\$2.6 billion in 2001. Indian exports to the region rose from US\$1.5 billion in 2001 to US\$9 billion in 2010. This can be increased to US\$20 billion by 2015 if Indian exporters systematically target this market.

Latin America has become a regular source of crude petroleum, edible oil and copper, which account for three-fourths of India's imports from the region. India is likely to increase these imports in the future to fill the growing gap between demand and domestic production in India and to fuel economic growth.

Indian companies have invested about US\$12 billion in the region in information technology (IT), pharmaceuticals, energy, agrochemicals, steel, mining, agribusiness and other sectors. Two dozen Indian IT companies have established software development, business process outsourcing (BPO), knowledge process outsourcing and call centres employing 20,000 people in 14 Latin American countries. Almost all the operations are run by Latin American managers.

There is tremendous scope for India to increase its trade with and investment in Latin America. Some opportunities that Indian businesses should immediately focus on are:

- Projects and supply of materials in Brazil for the World Cup 2014, the Olympics 2016 and other infrastructure development; the five-year plan of Petrobras to spend US\$220 billion in the petroleum sector (currently the world's largest corporate investment plan); and the proposed

investment of US\$270 billion over the next two decades in the mining sector, to triple the production of gold, iron and copper by 2030;

- Investments in commercial forestry and paper pulp in Argentina, Brazil, Uruguay and Chile;

- Oil sector investments in Colombia, which expects investments of US\$28 billion over the next four years to increase its oil production to 1.4 million barrels a day by 2014 from 963,000 barrels a day in 2010;

- Mining investments in Peru, which attracted US\$4 billion in 2010. Peru is the hottest destination for such investments these days; and

- Investments in agribusiness to source edible oil, pulses and biofuels. Encouraged by high prices and demand triggered by long-term global concerns about food and energy security, Argentina, Brazil, Uruguay and Paraguay are increasing agricultural output and expanding the area devoted to agriculture.

What about the challenges for business with Latin America? Indians think of distance as the first barrier. This is passé. Today, Indian BPO companies are using distance as an advantage by doing 12 hours of work in Latin America followed by another 12 hours in India.

High freight charges and long shipping times? Not to worry. As the volume of trade grows, these are coming down. In any case, Indian products are competitive even with these factors in comparison to the products of developed countries. Complicated legal and regulatory regimes? These give Indian business a competitive edge, as Indians are used to navigating even more complicated regimes within India. Chinese competition? The Latin American enthusiasm about China has peaked and the region's people now understand the risks of overdependence. Latin American businesspeople want to visit Mumbai on the way back from Shanghai.

India offers a "comfort zone" for Latin Americans, millions of whom practice yoga and follow Indian gurus. The India story of high growth with a vibrant democracy resonates with them. Latin Americans find Indians understandable, reliable and likeable. Similarly, the Indians who visit Latin America go back not only with contracts, but also happier and younger.

The synergy in spirit between the new mindset of Indians and Latin Americans supplements the complementarity between the markets of the new Latin America and the new India. ■

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