

INDIA-MEXICO TRADE AND COMMERCIAL RELATIONS

Updated on 08 May 2024

I. Economic overview

1. The Mexican economy registered a growth of 3.4% in 2023 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 2023 also presented signs of recovery from the pandemic as it grew 3.1%. 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 USD 36.1 billion of foreign direct investment in 2023 mostly owing to the nearshoring opportunities. Out of this, USD 13.6 billion FDI was from United States alone.

2. According to the 2024 World Economic Outlook of the IMF, Mexico's economy was ranked 12th 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 13 FTAs with 50 countries. The NAFTA renegotiation process was finalized and in early 2020, the new agreement was signed as USMCA, putting behind the uncertainty the renegotiation process brought to the Mexican economy. USMCA entered into force on 1 July 2020.

3. The interconnectedness of the Mexican and US economies is an important feature of its economy. Economic integration is derived from the 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. In 2023, Mexico became the largest trade partner of United States with total trade of USD 798 billion surpassing China and Canada.

4. 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. Manufacturing activity and Foreign Direct Investment (FDI) have accelerated in the wake of nearshoring opportunities.

5. 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 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

6. 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 in early 16th century, 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*".

7. We have a problem-free 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 12th 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 Norman Borlaug and his team in CIMMYT, Mexico.

8. India and Mexico agreed to work together to elevate their ties from a 'Privileged Partnership' to 'Strategic Partnership' during the Prime Minister Narendra Modi's visit to Mexico on 8th June 2016. There are 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. There also exist between India and Mexico several bilateral agreements, including for investment promotion and

protection, double taxation avoidance, extradition, administrative assistance in customs matters, air services, and cooperation in many other sectors.

9. In order to reinvigorate the trade and investment relationship between India and Mexico, a High-Level Group 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 HLG 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 8th Joint Commission Meeting between India and Mexico which was held virtually in October 2020, explored the areas of cooperation further and discussed some of the bilateral trade and market access issues.

10. An outstanding feature of our current engagement is the sharp spurt in our bilateral trade and investment in recent years. India-Mexico bilateral trade reached USD 10.6 billion in 2023. The bilateral trade reached USD 10.2 billion in 2018, surpassing the 10 billion mark for the first time and also reached an all time high of USD 11.2 billion in 2022. The trade balance is in favour of India (3.68 bn) in 2022. At the same time, about 78% of Mexico exports comprise just one item, crude oil. India imported about 3 billion USD worth of oil from Mexico in 2022 and was Mexico's second-largest market globally for crude oil. However, the oil exports from Mexico have gone down due to a change in policy by Mexico which has also affected crude oil exports to India.

11. Indian companies see Mexico as a major investment destination with access to NAFTA (now USMCA) and Latin America. Several Indian companies have already invested in Mexico in recent years to take advantage of the phenomenon of nearshoring. The three strongest performing areas for Indian investments in Mexico are information technology, pharmaceutical and automotive sectors. Almost all major Indian IT and ICT companies (TCS, HCL, Infosys, Tech Mahindra, NIIT, Aptech, Hexaware, Cognizant, Wipro, BirlaSoft, Zoho etc.) have operations in Mexico. Several Indian pharmaceutical firms (Lupin, Dr. Reddy's Laboratories, Zydus, Claris, Life Sciences, Hetero Drugs, Sun Pharma, and Solara) have investments and operations in Mexico.

12. In food processing sector, Parle-G is successfully running its only manufacturing plant in all of Americas in Mexico. Olam group, leading group in food and agri business and food ingredients, is looking to set up its production plant in Mexico. Sakthi group is investing in

the auto parts sector in Durango. Motherson Technical Precision Mexico has 15 plants in Mexico. Hero Motocorp, the largest two-wheeler maker of India also announced its plan to begin operations in Mexico after entering into a distribution agreement with Grupo Salinas in January 2021. Oyo Rooms entered the market of Mexico in 2019 and has continued to grow its operations. Recently, Flex Americas, a subsidiary of UFLEX Ltd. announced expansion of their operations with an investment of 100 million USD in the north of Mexico. Indian company UPL Ltd also announced an investment of USD 11 million in a new Research & Development Centre and manufacturing plant in Saltillo, Mexico. Zoho corp, an Indian IT company opened its first office in Mexico in February 2024. Tata group under the name Titan X opened auto cooling part fabrication plant in Mexico in April 2024. Overall, Indian investments in Mexico are far greater than the other way around. India's investments in Mexico upto March 2024 are around US \$ 4 billion. Presently, over 200 Indian companies have presence in Mexico.

13. An MoU was signed between the Government of the State of Uttar Pradesh and state of Nueva Leon for cooperation in trade, tourism, pharma and health sectors during the visit of Governor of the State of Nuevo Leon in Mexico Mr. Samuel Alejandro Garcia Sepulveda to India in August, 2023. Vimcarti Viney, an Indian electric vehicle company announced opening its first plant in state of Nueva Leon in Mexico with investment of US\$ 200 million. IT Indian giants like HCLTech, Infosys and TCS also announced new investments in state of Nueva Leon during the visit.

14. 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 become 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.

15. Overall, Indian investments in Mexico are far greater than the other way around. India's investments in Mexico are more than 4 billion USD. On the other hand, Mexico has only an investment of about 1 billion USD (both direct and indirect).

III. Bilateral Trade Performance in 2023

16. The year 2022 was unprecedented as for the first time, the bilateral trade between India and Mexico reached 11.4 billion USD in value. However, in 2023, the bilateral trade figures came down to USD 10.6 billion mostly due to fall in exports of crude oil from Mexico to India. Mexico continues to be the third most important trade partner of India in the entire Americas after the US and Brazil while India continues to be the 10th Largest trading partner of Mexico globally. The trade balance remained in favour of India for the ninth consecutive year.

India - Mexico trade, 2019-2023 (thousands USD)					
Year	2019	2020	2021	2022	2023
Exports to Mexico from India	5,181,121	4,255,564	5,931,153	7,540,793	8,035,907
Imports of India from Mexico	4,145,683	2,616,524	4,174,220	3,860,944	2,544,829
Total trade	9,326,804	6,872,088	10,105,373	11,401,737	10,581,803

17. India's total export to Mexico during 2023 reached a new all time high of USD 8.04 billion. On the other hand, India's imports from Mexico were USD 2.55 billion in the same year. Importantly, India's export to Mexico grew by nearly 6.5% in 2023 from its value the previous year. The value of the Indian export to Mexico show an steadily increase in the past five years, with the exception of 2020 due to the pandemic. Whereas Mexico's export to India increased by almost 60% from 2020 to 2021, however, presented important decreases since. The balance of trade of over USD 5.49 billion in 2023 is in India's favour, consecutively for 8 years.

18. 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 2023, India's export under this category was USD 1.99 billion which had an impressive increase of 22.1% compared to its value in 2022. India is Mexico's fifth-largest supplier of motor cars and vehicles after the US, China, Japan & Brazil. 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. Volkswagen India alone exported its 100,000th unit to Mexico in 2015 (a “Vento” model). 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.

19. In addition to the export of automobiles and auto parts, the Indian goods most in demand in Mexico are telephone sets and transmission equipment, electrical motors and equipment, chemicals and ceramic tiles. Additionally, one of the products that is increasingly imported is pharmaceutical products, of which Mexico imported almost USD 180 million in 2023, proving that India is fast becoming the ‘pharmacy of the world’. About 35 % of the Mexican pharma market is captured by the Indian pharma companies.

20. In the year 2023, exports of crude oil from Mexico to India remained the single largest item of imports. It registered an important decrease from USD 3.68 billion in 2022 to USD 1.62 billion in 2023. Mexican export of crude oil which was 64% of its total exports to India in 2023, while it represented almost 78% in 2022. India is among the largest buyers of Mexico’s crude oil in 2023 along with the US, Spain and South Korea.

21. Other products that Mexico exports to India are telephone sets and transmission equipment, gold, data processing machines, colouring materials, polymers and certain auto parts.

IV. Commercial delegations

22. 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. In addition, business delegations from Indian organisations have also come to meet their counterparts and establish links with Mexican industry. An example of this was the delegation from the Automotive Component Manufacturers Association of India (ACMA), which came to Mexico in March 2024. This visit was of great importance for the industries of both countries to come closer together.

23. There has been regular participation of Indian delegations in some of the most important 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.

24. From Mexico, the commercial wing has nominated and sent many businessmen to various events and exhibitions in India, such as Bharat Tex, iPhex, CII's India-LAC Conclave, Elecrama, etc. In addition, there have also been high-level delegations in various sectors. The current Governor of the State of Nuevo Leon, Mr. Samuel Garcia, along with a delegation attended the 9th India-LAC Conclave organised by CII in August 2023, where he gave a keynote speech. This visit was very important in attracting Indian companies to one of the most important automotive hubs in Mexico. 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.

Business chamber

25. A new Trade & Commerce Council of India and Mexico (INDMEX) was launched in December 2022 by the Embassy of India in Mexico city. It was inaugurated by former foreign minister of Mexico Mr. Marcelo Ebrard at the Ministry of foreign affairs of Mexico office. The Embassy works closely with INDMEX to organize various trade & investment promotion events, business networking, knowledge sharing sessions and participation at various business events. The council currently has 50 members which includes large, medium and small enterprises from both India and Mexico.