India-Mexico relation

Why in news?

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The Mexican ambassador to India has invited Indian IT professionals to use Mexico as the base for near-shore US operations, after Trump’s H-1B visa restrictions.

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What is the present sceja?

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- Mexico is already a major bilateral as well as fast emerging trade partner for India.
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- India and Mexico will benefit from higher trade due to the discriminatory policy of Trump presidency.
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- India’s exports to Latin America as a whole declined in 2016 but exports to Mexico have increased by an impressive 22 per cent from last year ($2.77 billion) and doubled from $1.56 billion in 2012.
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- In Latin America, Mexico overtook Brazil ($2.3 billion) in 2016 as the largest market for India's exports.
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- Mexico has emerged as the biggest market for India’s vehicle exports.
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- Mexico accounts for 13 per cent of India’s global exports of vehicles which stood at $14.98 billion in 2016.
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- This is remarkable in view of the fact that Mexico itself exports $80 billion of vehicles and is the fourth largest exporter in the world.
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- India’s vehicle exports to Mexico have increased by an incredible 56 per cent from 2015 ($1.17 billion) from a mere $397 million in 2012.
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- Besides vehicles export, India’s exports to Mexico included engineering goods, chemicals, textiles, plastics and pharmaceuticals.
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- India’s imports from Mexico were $2.44 billion in 2016, down from $3.44 billion in 2014 due to the drastic fall in the prices of crude oil which accounts for 60 per cent of India's total imports from Mexico.
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- India is the third largest destination for Mexican crude exports which have the potential to increase in the coming years.
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- The other major import items are: engineering products, gold, chemicals, optical products, and ores.
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Why is Mexico that important?

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- Mexico is the second largest market in Latin America with a population of 126 million and a GDP of $1.15 trillion.
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- It is politically stable with democratic credentials.
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- The macroeconomic fundamentals are healthy and strong.
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- The average inflation in the last decade was just 4.3 per cent.
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- Mexico’s GDP growth rate in 2017 is projected to be around 2 per cent.
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- Mexico is the largest trading nation in Latin America, accounting for about 40 per cent of the region’s external trade.
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- Its market is open with low tariffs and a predictable, investor-friendly policy regime.
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- It has become a manufacturing hub of the Americas with a global leadership position in some consumer appliances; it is competitive in aerospace and high-tech industries.
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- Mexico is blessed with rich reserves of gold, silver, copper and other minerals as well as oil.
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- Thirteen Mexican companies have invested about a billion dollars in India.
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- Around 40 Indian companies have invested in Mexico in pharmaceuticals, auto parts, IT and chemicals.
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- Indian companies use Mexico as the platform for access to the markets of North and Central America with whom Mexico has signed FTAs.
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- Indo-Mexican trade of $5.82 billion in 2016 can touch $10 billion in the next five years.
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- Given the importance of Mexico for India’s trade, it is imperative for India to sign a free trade agreement to remove tariff disadvantages faced by India’s exports vis-à-vis exports from the 45 countries which have signed FTAs with Mexico.
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Source: Hindu Business Line

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