EXPORT-IMPORT BANK OF INDIA

WORKING PAPER NO. 75

INDIAN INVESTMENTS IN LATIN AMERICA AND CARIBBEAN: TRENDS AND PROSPECTS

March 2018

CONTENTS

Project Team:

Mr. David Sinate, Chief General Manager
Dr. Viswanath Jandhyala, Chief Manager
Mr. Akshay Dutta, Deputy Manager

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EXECUTIVE SUMMARY

The Latin America and Caribbean (LAC) region, a grouping of 46 countries, is home to around 637.7 million people with a combined GDP of US$ 4,948.8 billion. This region has made significant economic progress in the last few decades. The region's GDP per capita (in PPP terms) increased more than threefolds from US$ 4,565 in 1980 to US$ 15,649 in 2017. The LAC region has a young, educated and skilled workforce, and is considered a top investment destination due to its growing industrial and manufacturing strength, and continuous improvements in the ease of doing business parameters. It is also endowed with rich reserves of agricultural and natural resources like oil, silver, gold, copper, coal, bauxite, lithium and nickel, besides others.

Strong democratic structures, robust institutional mechanisms, efficiently managed macroeconomic systems are the highlights of the evolution of the economies of LAC which opened their doors to globalisation from 1980s onwards.

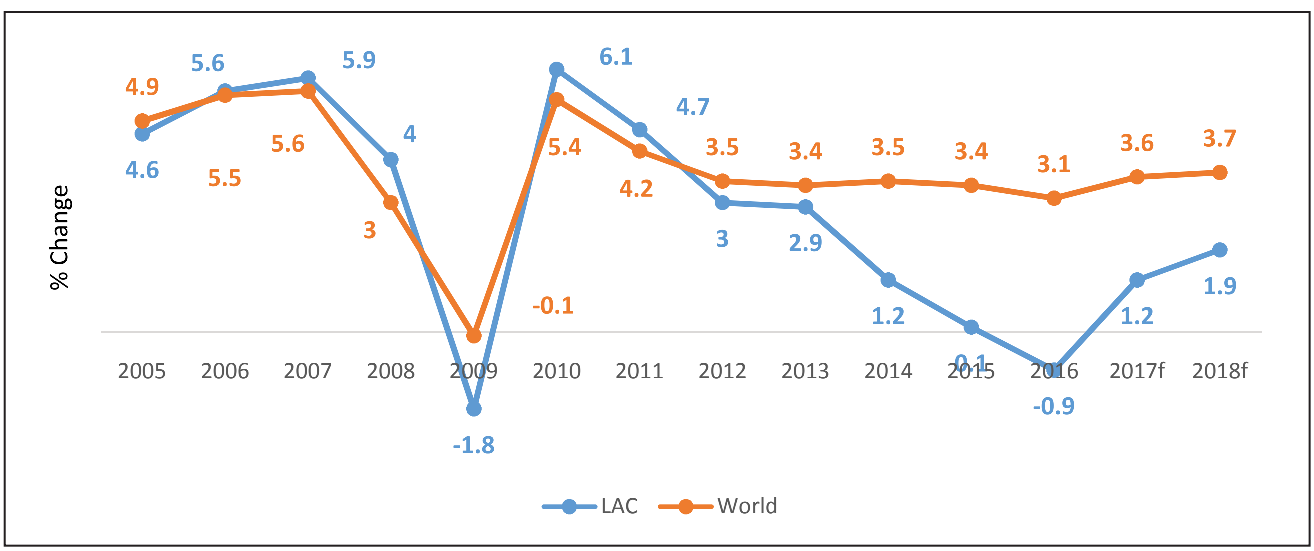
GDP Growth Rate

The combined GDP of Latin America and Caribbean region has more than doubled from US$ 2.2 trillion in 2000 to US$ 4.9 trillion in 2016. The LAC economy experienced robust growth in the years preceding the global financial crisis. In 2005, the GDP growth was seen at 4.9%, followed by growth of 5.6% and 5.9% in 2006 and 2007, respectively. The growth rate plummeted to -1.8% in 2009, in the aftermath of the global financial crisis. The post crisis recovery has been at a lower level than before; owing to the global economic downturn as well as fall in commodity prices since mid-2011. The economy of the LAC region is, however, showing signs of pickup in recent years. Even though the economy of LAC as a region witnessed a contraction in growth rate in 2016 (-0.9%), the IMF has forecasted the growth to pick up to 1.2% in 2017 and further to around 2% in 2018; on account of rebound in commodity prices and global demand **(Figure 1)**.

International Trade

Over the past decade LAC's total trade (exports plus imports) has witnessed an overall increasing trend from US$ 1.5 trillion in 2007 to US$ 1.7 trillion in

Figure 1: GDP Growth (at Constant Prices)



Source: IMF World Economic Outlook, October 2017
Note: f- forecast

2017. This has been interspersed with a fall in trade in 2009, reflecting the period of global financial crisis, followed by a pickup in its international trade averaging around US$ 2.2 trillion during the period 2011 to 2014, and thereafter a period of relative slowdown from 2015 onwards, in line with moderating global trade.

LAC's share in total world trade stood at 5.6% in 2016 with share in global exports being 5.6% and the share in global imports being 5.7%. There are five major economic blocs in LAC region- MERCOSUR, Pacific Alliance, CARICOM, CAN, and SICA.

Doing Business in the LAC Region

According to the World Bank's Doing Business report of 2017, the region has carried out a total of 398 reforms in the last 15 years. Colombia implemented most reforms, and it was followed closely by Mexico and Jamaica. Now, starting a business in the LAC region takes 38 days, compared to 78 days 15 years ago. In 2017, the report identified Mexico, with a rank of 49, as the best country in the region conducive to investment followed by Peru (Rank 58), Colombia (Rank 59), Costa Rica (Rank 61) and Jamaica (Rank 70). The region performs best in areas of getting electricity and getting credit. While, the global average for getting connected to electricity is 92 days for a new business, in the LAC region the average is far lower at 66 days. However, the region requires improvement in certain areas like paying taxes, registering property etc.

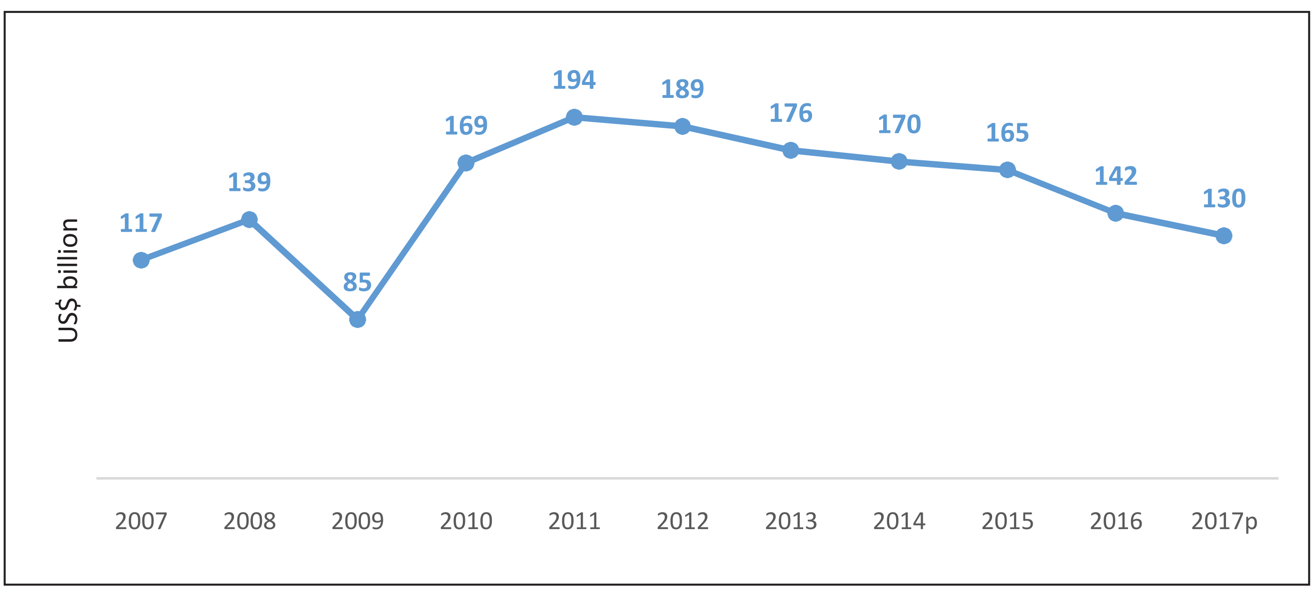
Given the region's enormous natural resources, educated workforce, and stable economy- many of the world's largest MNCs, including Indian origin MNCs have already invested in the LAC region.

Investment Scenario in the LAC Region

Owing to opening up of the economies of LAC and the gradual disinvestment in the public corporations, FDI started flowing in a big way in the region. During the early 1990s, the FDI inflows averaged at around US$ 20 billion per year. It increased significantly to average around US$ 70 billion per annum during the turn of the century.

The FDI inflows in to the LAC region have grown by 22% to reach US$ 142 billion in 2016 from US$ 117 billion in 2007, and are projected to be around US$ 130 billion in 2017. The FDI inflows to the region, however, peaked in 2011, when they stood at US$ 194 billion **(Figure 2)**. The region has witnessed a moderation in FDI inflows in last few years due to

Figure 2: Trends in FDI in the Latin America and Caribbean Region: 2007-2017 (US$ billion)



Sources: UNCTAD World Investment Database and Reports a slowdown in economic activity, weak commodity prices and higher exchange rate volatility. The region has absorbed cumulative investments of US$ 1.5 trillion during the period 2007 to 2016, and therefore, remains an important destination for global investments flows.

In terms of capital inflows[1] Mexico was the largest recipient of the investment inflows in the LAC region in 2017. It absorbed nearly 40% of the total capital investment inflows during the year. Mexico was followed by Brazil, which absorbed 15% of the total capital investment inflows. Other major capital investment recipients in LAC were- Peru (7% of the total capital investment inflows), Uruguay (6%), and Chile (6%).

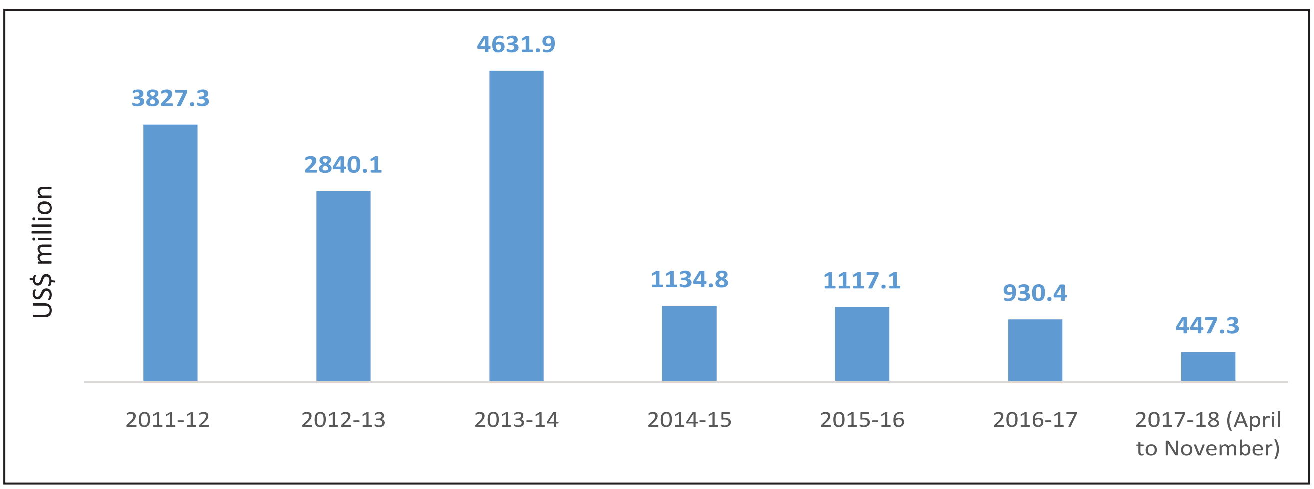
With regards to sectors attracting largest investments in the LAC region, communications remained the biggest capital investment attracting sector with a share of 14.4% in the total capital investment inflows. It was followed by alternative and renewable energy (12.2%), metals (9.6%), coal, oil and natural gas (6.9%), and paper, printing and packaging (6.7%). With the end of the commodity price boom, investments have shifted from extractive industries like metals and oils to renewable energies and telecommunication

During the period 2007 to 2017, the US has emerged as the biggest sources of investments in the LAC region, cumulatively. The FDIs from US amounted to US$ 239.3 billion, which is a little over one-fifth of total FDI inflows in the LAC region. The US is followed by countries like Spain (with FDIs of US$ 121.1 billion), Germany (US$ 64.5 billion), among others. The top 10 investors are dominated by developed countries, with recent emergence of Asian countries like China, which is now the 9th largest investor in the region, with cumulative investments worth US$ 46.7 billion and a share of 4%; and India which is now the 22nd largest investor in the region with cumulative investments of around US$ 8.4 billion and a share of 1%.

Indian Investments in LAC Region

Even though India and the LAC region are geographically and culturally apart from each other, in recent years, both the economies of LAC countries and India have recognised the growing influence of each other in the world economy, and the mutual benefits that could be derived from partnering with one another.

Figure 3: India's OFDI to the Latin America and Caribbean Region



Source: RBI database on monthly OFDI from India and Exim Bank Analysis

[1] Capital Investments data are sourced from fDimarkets.com. FDI Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency. Capital Investments are considered as a proxy for FDI in this analysis.

The Indian Government realises that there is a huge trade potential in the markets of the Latin America and Caribbean region. The Ministry of Commerce and Industry, Government of India, had launched "Focus: LAC" programme in November 1997. Under the programme, India has signed Preferential Trade Agreements (PTA) with MERCOSUR and another PTA with Chile. India has also been granted the observer status in the New Pacific Alliance.

India's partnership with LAC is in the growing stage. During the period April 1996 to March 2011, India's OFDI to LAC region, cumulatively stood at US$ 6.3 billion, which accounted for 4.7% of the totals OFDIs originating from India during the period. Indian OFDI, which stood at US$ 3.8 billion in 2011-12, grew by 21% to reach US$ 4.6 billion, in 2013-14. However, in the recent years Indian OFDIs towards LAC region have moderated **(Figure 3)**. The sectoral composition of these investments have been tilted towards agriculture & mining sector. In the year 2011-12, agriculture and mining constituted 51% of total OFDI from India in the LAC countries, which increased further to a substantial share of 78.2% in 2015-16.

The Indian OFDIs to the LAC region have seen a falling trend in past few years, mainly led by a fall in OFDI to British Virgin Islands and Cayman Islands. These are the largest destinations for Indian investments in LAC region **(Table 1)**. During the period April 2011 to November 2017, the British Virgin Island attracted 45.9% of Indian investments. This is followed by Cayman Island, which absorbed 32.9% of Indian investments. Panama (13.8%), Bermuda (3.4%), and Brazil (1.5%) were other major destinations.

Table 1: OFDI from India to Select LAC Countries (Value in US$ million)

Country	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (April to November)	Apl. 2011 to November 2017
British Virgin Island	1582.7	1011.6	3791.9	231	81.5	25.5	133.0269	**6857.2**
Cayman Island	218.9	1368.6	689.5	791.3	841.9	794.1	202.7765	**4907.1**
Panama	1889.9	19.8	61.9	18.8	13.2	36.4	26.8029	**2066.8**
Bermuda	61	340.1	10	-	62.2	-	28.222	**501.5**
Brazil	21.1	16	39.9	21.2	70.3	27.5	21.8489	**217.8**
The Bahamas	34.4	54.9	17.1	32.8	10.8	13	-	**163.0**
Chile	2.7	13.5	0.3	11.8	10.9	12.7	4.6512	**56.6**
Mexico	4.1	6.4	8.7	8.3	3.7	11.7	5.6003	**48.5**
Colombia	0.1	-	-	0.6	0.1	2	21.7314	**24.5**
Guyana	0.2	-	7.8	3.1	2.9	3.2	0.41	**17.6**
Peru	1.9	2.2	1.9	6.7	1.4	0.5	2.1391	**16.7**
Uruguay	-	0.2	-	-	15	-	0.0045	**15.2**
Venezuela	2.2	0.3	0.3	5.9	2.6	0.8	0.12	**12.2**
Others	8.1	6.4	2.741	3.25	0.6	2.9	-	**23.991**
LAC Total	**3827.3**	**2840.1**	**4631.9**	**1134.8**	**1117.1**	**930.4**	**447.3**	**14928.9**
% of total FDI outflows	*12.4%*	*10.6%*	*12.6%*	*3.7%*	*5.1%*	*3.7%*	*3.3%*	***6.6%***

Source: RBI database on monthly OFDI from India and Exim Bank Analysis

Indian Investments in Select LAC Countries

British Virgin Islands

Of the total OFDI flows from India to the LAC region during the period April 2011 to November 2017, British Virgin Islands attracted almost 46% of the OFDI, accounting for the largest share among the LAC countries. During April 2011 to November 2017, India has invested US$ 6.9 billion in the British Virgin Islands. Indian investments were concentrated towards the manufacturing, and restaurants and hotels, but now financial and business services are absorbing majority of Indian investments.

Cayman Islands

During the period April 2011 to November 2017, India invested US$ 4.9 billion in Cayman Islands. India's OFDI to Cayman Islands peaked in 2012-13 with a total OFDI of US$ 1.4 billion. Indian investments in Cayman Islands have been concentrated in agriculture and mining sector. Cayman Islands ranks 2nd among the Latin American and Caribbean countries, in terms of attracting OFDI from India.

Panama

During the period April 2011 to November 2017, the cumulative Indian FDI in joint ventures and wholly owned subsidiaries including equity, loan and guarantee issued, in Panama stood at US$ 2.1 billion. The highest sector to receive FDI from India in Panama has been the manufacturing sector followed by transportation, storage and communication services, and agriculture and mining.

Brazil

During the period April 2011 to November 2017, India has cumulatively invested US$ 217.8 million in Brazil. It is the 5th largest investment destination in LAC for India. India's OFDI in Brazil is concentrated towards manufacturing sector. In the manufacturing sector, the pharmaceutical industry stands out. Indian companies have been able to cater to the requirements of the growing elderly population in Brazil, which includes an increased demand for low-cost medicine and healthcare.

The Bahamas

The total cumulative OFDI from India to the Bahamas during the period April 2011 to November 2017 stood at US$ 163 million. The investments have been concentrated in the construction sector with some investments getting diversified in the manufacturing sector in last few years. The construction sector has been the only prominent OFDI recipient from India in the Bahamas.

Mexico

During the period April 2011 to November 2017, India has invested US$ 48.5 million in Mexico. Indian investments have concentrated towards the manufacturing sector. Mexico's strategic location helps Indian companies access both the US as well as the South American markets. Manufacturing sector has attracted the highest FDI from India in the past few years, followed by marginal investments in the financial, insurance, real estate and business services sectors.

Chile

During the period April 2011 to November 2017, India has invested US$ 56.6 million in Chile. Many Indian companies have recently entered the Chilean market, through acquisition of Chilean companies or through joint ventures/collaborations. OFDI from India to Chile has featured prominently in the manufacturing sector. Investments in the other sectors have been relatively small.

Guyana

India's approved direct investments in joint ventures and wholly owned subsidiaries (FDI outflow) in Guyana during the period April 2011 to November 2017 amounted to US$ 17.6 million. Agriculture and mining has essentially been the major sector to receive FDI from India.

Colombia

During the period from April 2011 to November 2017, India has invested US$ 24.5 million in Colombia. Colombia has seen a recent surge in investments from India in the agriculture and mining sector, however, it has been very limited in the sector of manufacturing.

Peru

During the period April 2011 to November 2017, the cumulative Indian FDI in joint ventures and wholly owned subsidiaries including equity, loan and guarantee issued, in Peru stood at US$ 16.7 million. Peru is one of the leading mining countries of the world, and India's FDI in mining sector in Peru has remained noteworthy, despite the decline over the past few years. Manufacturing sector has been the highlight over the past 4 years, although investments have been low post 2014, reasons for which could be attributed to the global economic slowdown.

Venezuela

During the period April 2011 to November 2017, the cumulative Indian FDI in joint ventures and wholly owned subsidiaries including equity, loan and guarantee issued, in Venezuela stood at US$ 12.2 million. The manufacturing sector has been the only major sector attracting FDI from India

Investment Opportunities in Select LAC Countries

The investment promotion agencies of the countries in the LAC region have put forward their priority sectors, taking into account the capability of each country. Considering the natural resources and other technological advancements that the region possesses, majority of the countries have identified the following areas as potential investment sectors viz. agribusiness, power and renewable energy, IT enabled services, manufacturing, tourism and mining, among others. The top LAC countries which have received India's FDI are considered **(Table 2)**.

Table 2: Priority Sectors for Investments in Select LAC Countries

Country	Priority Sectors
Brazil	Oil and Gas, Automotive Industry, Renewable Energy, Infrastructure and Innovation and Technology, and Agribusiness and Life Sciences
The Bahamas	Touristic Resorts, Information and Data Processing Services, High-technology services, Agro-industries, Food Processing, Banking and other Financial services, Pharmaceutical Manufacturing, and Offshore Medical Centers
Mexico	Aerospace, Processed Foods, Automotive Industry, Medical Devices and Pharmaceutical, Household Appliances and Electronics, Renewable Energy, ITeS and Software
Chile	Food Industry, Global Services, Mining, Energy, Tourism, and Business Opportunities
Guyana	Agriculture and Agro-processing, Light Manufacturing, Services, Energy, Tourism, Forestry, Information and Communication Technology, and Mining
Peru	Agribusiness, Electricity, Textiles and Apparel, Mining, Hydrocarbons, Real Estate, Transport Infrastructure, and Tourism
Venezuela	Information and Communication Technology Services, Tourism, Hydrocarbons, Mining and Metallurgy, and Foods
Colombia	Agribusiness, Manufacturing, Software and IT Services, BPOs, Private Equity Funds, Hotel and Infrastructure and Tourism
Uruguay	Energy, Infrastructure, Logistics, Agribusiness, and Global Services
Panama	Logistics, Agro-Industry, Financial Services, and Tourism

Source: Investment Promotion Agencies of Respective Countries

Potential for Indian Investments in LAC Countries

Indian investments to the LAC region peaked during the year 2013-14, when they reached 12.6% of India's global OFDI. During the last three years, there has been a declining trend in India's OFDI to LAC. During the year 2016-17, the share of the LAC region in India's OFDI moderated to 3.7%. The region offers immense opportunities for Indian entities. In order to explore Indian investment potential in the LAC region, each of the top attractive sectors of the LAC region are analysed to check whether India holds a potential for investment. The following methodology is undertaken in the regard:

1. Identifying top countries that have attracted largest investments in the top investment attracting sectors in the region.
2. Finding out whether India has made significant investments in those sectors in LAC.
3. Analysing whether India can contribute or invest in the identified sectors, keeping in view India's investment capabilities and inclinations, by looking at the sector's share in India's global capital investments.

Essentially, the sectors like communications, automotive, alternative/ renewable energy, metals, business services, financial services, food and tobacco, and hydrocarbons, among others, present opportunities for the Indian investors for enhancing investments in the LAC region.

Activities of Export-Import Bank of India (Exim Bank) in the LAC region

The importance of the LAC region in India's trade and investments configuration can be gauged from the fact that the Government of India has initiated several measures to enhance bilateral trade relations with the LAC countries. One of the most important steps has been the "Focus LAC" Programme, with which Exim Bank is closely associated. The countries in the LAC region have always been a focus region for Exim Bank, and thus a critical component of the Bank's strategy to promote and support two-way trade and investment. As a partner institution to promote economic development in the LAC region, the commitment towards building relationships with the region is reflected in the various activities and programmes which Exim Bank has set in place. Exim Bank plays a critical role and is committed towards supporting GOI's initiatives in promoting strategic partnerships with countries in different regions and especially those in the LAC region.

Exim Bank has a representative office in Washington D.C., USA, which plays a key role in facilitating economic cooperation with the LAC region, and is closely associated with several of the Bank's initiatives. The representative office interfaces with institutions such as Inter-American Development Bank (IDB), Washington D.C.; Banco Nacional de Desenvolvimento Economico e Social (BNDES), Corporacion Andina De Fomento (CAF), Venezuela; Banco de Inversion Y Comercio Exterior S.A. (BICE), Argentina; Central American Bank for Economic Integration (CABEI/ BCIE), Honduras; Caribbean Association of Industry & Commerce, Trinidad & Tobago; Banco Mercantil (Banco Universal) C.A., Venezuela, as well as Indian missions in the region.

Lines of Credit

To enhance bilateral trade and investment relations, Exim Bank extends Lines of Credit (LOCs) to overseas governments (or to agencies nominated by them) or to financial institutions overseas for encouraging imports from India on deferred payment terms. In the LAC region, Lines of Credit (LOCs) have been extended by Exim India to governments, regional banks and national banks in the region. Exim Bank has currently 22 operative Lines of Credit (LOCs) amounting US$ 301.2 million covering 6 countries in the LAC region.

Project Exports

Under its Project Exports assistance, Exim Bank extends both funded and non-funded facilities for overseas turnkey projects, civil construction, supplies as well as technical and consultancy service contracts across various sectors of the economy. During the year 2016-17, a project amounting to ₹ 56.07 crore (approximately US$ 8.64 million), in Suriname, was executed by Indian exporters with the support of Exim Bank. Such projects executed by assistance received from Exim Bank, have contributed to the host country's developmental endeavours and have assisted in narrowing developmental gaps in such countries.

Buyer's Credit under National Export Insurance Account (NEIA)

Buyer's Credit under National Export Insurance Account (BC-NEIA) aims at providing further impetus to project exports from India on medium or long term basis, especially in the infrastructure sector. Under this programme, Exim Bank facilitates project exports from India by way of extending credit facility to overseas sovereign governments and government-owned entities for import of goods and services from India on deferred credit terms. Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. As on March 01, 2018, positive lists of 86 countries (including 25 LAC countries) have been identified by ECGC for which Indian exporters can avail Buyer's Credit under NEIA.

Overseas Investment Finance

Further, Exim Bank supports Indian companies in their endeavour to globalise their operations, through overseas joint ventures (JVs) and wholly owned subsidiaries (WOS). These ventures serve to promote value addition, as also contribute to capacity building and capacity creation in host countries. Currently, Exim Bank through its overseas investment finance programme has supported 23 such ventures, set up by Indian companies in 7 countries in LAC namely, Brazil, British Virgin Islands, Cayman Islands, Mexico, Chile, Guatemala, Panama, with an aggregate sanction amount of ₹3,530 crore (approximately US$ 519.1 million).

To Sum Up

India and the Latin America & Caribbean region together are home to around 1.9 billion people, with a combined GDP of US$ 7 trillion, in 2016. Both India and the LAC region have emerged as major growth engines of the world, and with the growing challenges in the world economy, diversification of trade partners and access to new markets has become a priority for both the sides. With the increasing diversification of India's global trade towards other developing countries, the LAC region has emerged as an important economic partner for India.

The LAC region has a young, educated and skilled workforce, and is considered a top investment destination due to its growing industrial and manufacturing strength, and continuous improvements in the ease of doing business parameters. It is also endowed with rich reserves of agricultural and natural resources like oil, silver, gold, copper, coal, bauxite, lithium and nickel, besides others, which provides immense potential in the sectors of agribusiness and food processing; and hydrocarbons. India, as a fast growing developing economy is experiencing burgeoning food and energy needs, and therefore, deeper ties with partners in the LAC region could prove to be mutually beneficial. A number of Indian companies in various sectors have established their strong presence in the LAC region.

With a view to facilitate and further enhance bilateral trade and commercial relations with countries in the LAC region, India has put in place important policy measures as also institutional frameworks to create an enabling trade and business environment. Major policy initiatives and institutional frameworks include, among others, Focus LAC Programme, IBSA Initiative, India-LAC Partnership Conclaves, Preferential Trade Agreements (PTAs) with MERCOSUR and Chile, etc. India has been granted 'Observer' status in the emerging grouping, the New Pacific Alliance.

Indian OFDI towards the LAC region, which has been in the form of joint ventures and wholly-owned subsidiaries and has amounted to almost US$ 14.9 billion during the period April 2011 to November 2017. Indian OFDI has been majorly concentrated in few LAC countries like the British Virgin Islands, Cayman Islands, Brazil, Mexico, Panama, Bermuda, the Bahamas, Chile, Peru, and Colombia. Indian investors could also seek out other potential countries in the region to diversify their investment portfolios. Sectors like communications, automotive, alternative/ renewable energy, metals, business services, financial services, food and tobacco, and hydrocarbons, among others, present opportunities for the Indian investors for enhancing investments in LAC region.

1. MACROECONOMIC OVERVIEW OF THE LATIN AMERICA AND CARIBBEAN REGION

The Latin America and Caribbean (LAC) region, a grouping of 46 countries[2], is home to around 637.7 million people with a combined GDP of US$ 4,948.8 billion[3]. This region has made significant economic progress in the last few decades. The region's GDP per capita (in PPP terms) increased more than threefold from US$ 4,565 in 1980 to US$ 15,649 in 2017[4]. The LAC region has a young, educated and skilled workforce, and is considered a top investment destination due to its growing industrial and manufacturing strength, and continuous improvements in the ease of doing business parameters. It is also endowed with rich reserves of agricultural and natural resources like oil, silver, gold, copper, coal, bauxite, lithium and nickel, besides others.

Strong democratic structures, robust institutional mechanisms, efficiently managed macroeconomic systems are the highlights of the evolution of the economies of LAC which opened their doors to globalisation from 1980s onwards. Macroeconomic snapshot of the region as a whole, over the period from 2008 to 2016, is presented in **Table 1.1**.

1.1 Key Aspects of the Economic Scenario in the Latin American and Caribbean Region

1.1.1 GDP Growth Rate- Recovery around the Corner

The combined GDP of the Latin America and Caribbean region has more than doubled from US$ 2.2 trillion in 2000 to US$ 4.9 trillion in 2016. The LAC economy experienced robust growth in the years preceding the global financial crisis. In 2005, the GDP growth was seen at 4.9%, followed by growth of 5.6% and 5.9% in 2006 and 2007, respectively. The growth rate plummeted to -1.8% in 2009, in the aftermath of the global financial crisis. The post crisis

Table 1.1: Macroeconomic Snapshot of the LAC region

Items	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017[f]	2018[f]
Nominal GDP (US$ bn)	4,382.9	4,040.7	5,057.0	5,886.4	5,905.0	5,990.6	5,955.3	5,143.1	4,948.8	5,464.7	5,764.9
Real GDP Growth (%)	4.0	-1.8	6.1	4.7	3.0	2.9	1.2	0.1	-0.9	1.2	1.9
GDP per capita, current prices (US$)	13,002.1	12,692.4	13,455.0	14,206.3	14,729.0	15,231.7	15,513.0	15,508.2	15,368.9	15,649.0	16,087.8
Inflation, Average Consumer Prices (%)	6.4	4.6	4.2	5.2	4.6	4.6	4.9	5.5	5.6	4.2	3.6
Population (mn)	582.2	589.4	596.5	603.5	610.5	617.5	624.3	631.1	637.7	-	-
Merchandise Exports (US$ mn)	887.3	700.0	887.7	1,093.4	1,111.2	1,109.3	1,075.4	916.8	887.7	-	-
Merchandise Imports (US$ mn)	889.5	676.7	872.2	1,070.8	1,110.9	1,135.9	1,123.4	1,000.8	912.4	-	-
Current Account Balance, (US$ bn)	-40.5	-34.5	-97.9	-114.8	-135.4	-165.0	-184.1	-172.9	-99.0	-107.9	-131.4
Current Account Balance (% of GDP)	-0.9	-0.9	-1.9	-2.0	-2.3	-2.8	-3.1	-3.4	-2.0	-2.0	-2.3

Source: IMF, World Economic Outlook, October 2017, World Bank Database, ITC Geneva Trademap, ITC Geneva

Note: f- forecast

- Not Available

[2] As per ECLAC, the member states are- Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay, Venezuela (Bolivarian Republic of). Associate members are- Anguilla, Aruba, Bermuda, British Virgin Islands, Cayman Islands, Curaçao, Guadeloupe, Martinique, Montserrat, Puerto Rico, Sint Maarten, Turks and Caicos Islands, and United States Virgin Islands.

[3] IMF World Economic Outlook, 2017

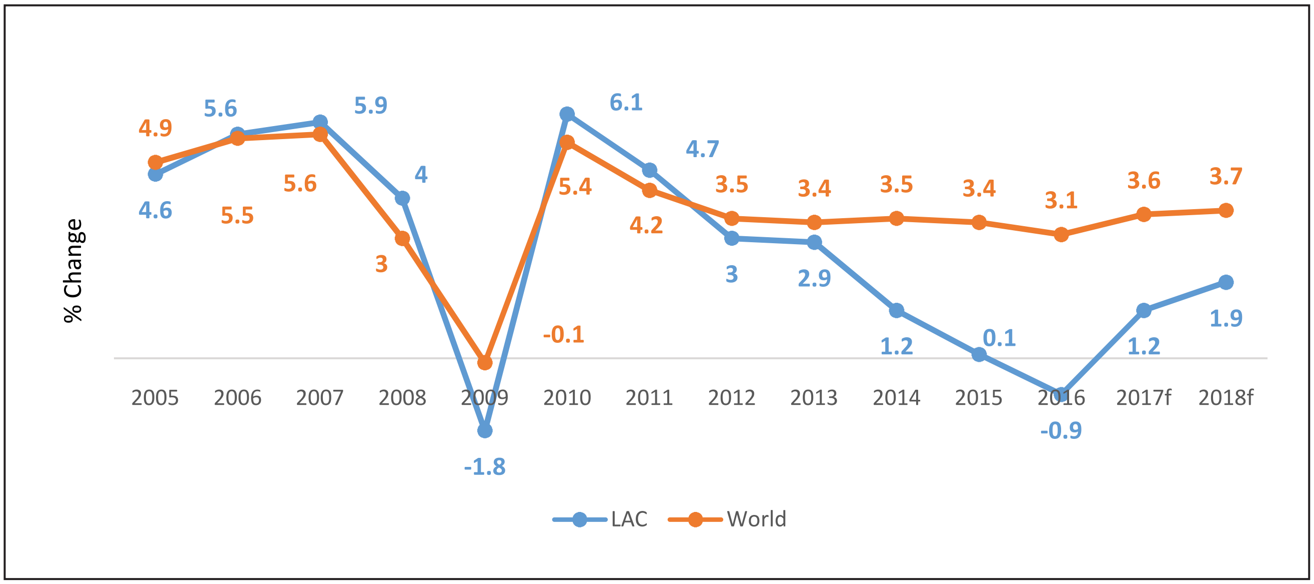
[4] IMF World Economic Outlook, 2017

Illustrative Map of the Latin America and Caribbean Region

Source: United Nations, Geospatial Information Section
Note: Map not to scale and is only for depiction purpose.

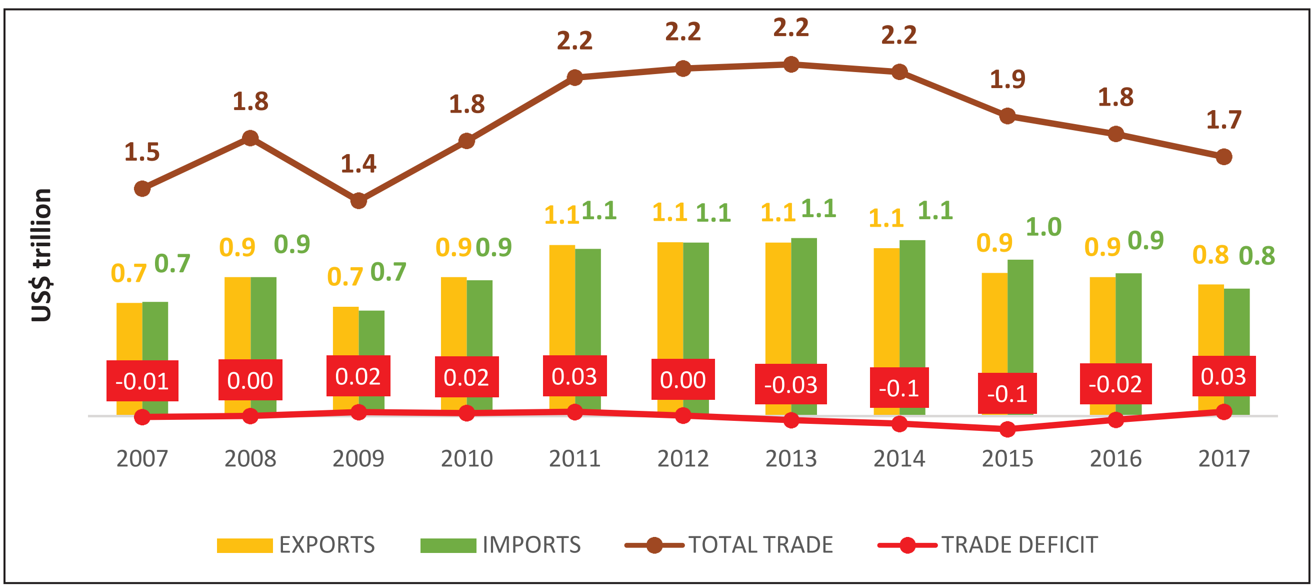
recovery has been at a lower level than before, owing to the global economic downturn as well as fall in commodity prices since mid-2011. The economy of the LAC region is, however, showing signs of pickup in recent years. Even though the economy of LAC as a region witnessed a contraction in growth rate in 2016 (-0.9%), the IMF has forecasted the growth to pick up to 1.2% in 2017 and further to around 2% in 2018; on account of rebound in commodity prices and global demand **(Figure 1.1)**.

Figure 1.1: GDP Growth (at Constant Prices)



Source: IMF World Economic Outlook, October 2017
Note: f- forecast

Figure 1.2: LAC's International Trade (US$ trillion)



Source: ITC Geneva and Exim Bank Analysis

1.1.2 LAC's International Trade

Over the past decade the LAC's total trade (exports plus imports) has witnessed an overall increasing trend from US$ 1.5 trillion in 2007 to US$ 1.7 trillion in 2017. This has been interspersed with a fall in trade in 2009, reflecting the period of global financial crisies, and thereafter a period of relative slowdown from 2015 onwards, in line with moderating global trade **(Figure 1.2)**. During the period 2011-14, the LAC's trade remained almost stable at US$ 2.2 trillion.

In 2016, US was the biggest exporting destination for the LAC region, with over 45% of its exports directed towards US. It was followed by China (9% of total exports), Netherlands (2.3%) and Canada (2.2%).

Vehicles other than railway or tramway was the largest exporting item from the LAC region in 2016, with a share of 12% in its total exports. This was followed by mineral fuels and oils (10% of total exports), electrical machinery and equipments (9.6%), machinery and mechanical appliances (8.7%), and ores, slag and ash (5.7%). On the other hand, electrical machinery and equipment was the biggest importing item for the LAC region, with a share of 15.4% in imports, followed closely by machinery and mechanical appliances (14.7%), transport vehicles (9.4%), mineral fuels and oils (9%), and plastics and its articles (5%).

The LAC region's share in total world trade stood at 5.6% in 2016, with share in global exports being 5.6% and the share in global imports being 5.7%. There are five major economic blocs in LAC region- MERCOSUR, Pacific Alliance, CAN, SICA and CARICOM.

- MERCOSUR: The Southern Common Market consisting of five countries in southern Latin America: Argentina, Brazil, Paraguay, Uruguay and Venezuela. The region encompasses approximately 72% of the territory of South America, a combined population of 293 million and GDP of US$ 2.7 trillion in 2016.
- Pacific Alliance: is a Latin American trade bloc formed in 2011 among Chile, Colombia, Mexico, and Peru. Together the four countries have a combined population of about 226 million and GDP of US$ 1.8 trillion in 2016. India is an observer member of the Pacific Alliance.
- CAN-The Andean Community consisting of four countries: Bolivia, Colombia, Ecuador and Peru. The combined GDP stands at US$ 610 billion in 2016, with a population of 108 million.
- SICA: The Central American Integration System consisting of seven countries: Belize, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama. The combined GDP of these countries stood at around US$ 245 billion, with a population of around 47 million, in 2016.
- CARICOM- the Caribbean Community consisting of 20 countries. The member states are: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago. Its associate members are: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, and Turks and Caicos Islands. It is home to around 16 million people and GDP of US$ 75 billion in 2016.

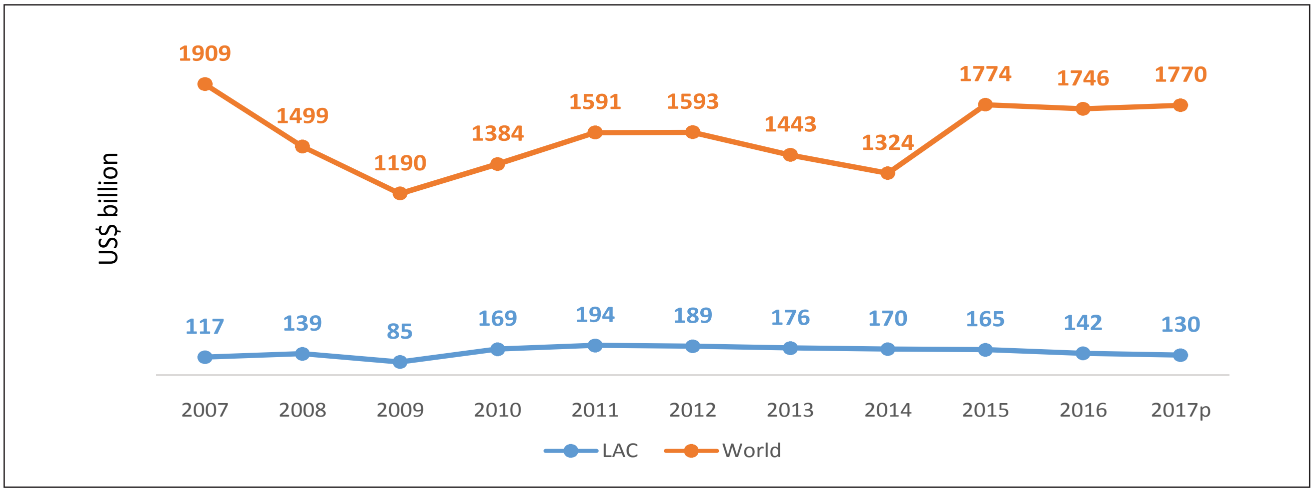
1.1.3 Investment Scenario in the LAC Region

Owing to opening up of the economies of the LAC region and the gradual disinvestment in the public corporations, FDI started flowing in a big way in the region. During the early 1990s the FDI inflows averaged at around US$ 20 billion per year. It increased significantly to average around US$ 70 billion per annum during the turn of the century.

According to the UNCTAD World Investment Report of 2017, a modest increase is projected in global FDI inflows in 2017. This expected recovery reflects accelerating economic growth in all major regions, strong performance of stock markets and a rebound in world trade volume. However, the FDI inflows in the LAC region are expected to fall by 9.2% to reach US$ 130 billion in 2017, even as the world investment prospects improve **(Figure 1.3)**. This is because of moderating growth in the region coupled with weak commodity prices (commodity exports are the region's principle exports). The South American region is facing a moderation in the inflows of FDI because of slowdown in economic growth, weak commodity prices and higher currency volatility. In Central America, the deceleration of gross fixed capital formation and export trade volumes has led to a decreasing FDI inflows. In the Caribbean (except for the financial centres), there is a fall in the value of green-field investments, Dominican Republic, however, experienced a boost in investment owing to its mining sector, tourism and real estate inflows[5].

[5] UNCTAD, World Investment Report, 2017

Figure 1.3: FDI Inflow to the LAC region and the World



Source: UNCTAD World Investment Report 2017

Note: p- projections

1.2 Doing Business in the LAC Region

The economies of the LAC region, which adopted import substituting industrialisation policy from 1950s onwards, opened up in 1980s and have since become important growth engines for the world. Many economies are now considered to be top investment destinations. For instances the emergence of Mexico as the hub for automotive and electronic industries, and Brazil's growing strength in manufacturing industries.

According to the World Bank's Doing Business report of 2017, the region has carried out a total of 398 reforms in the last 15 years. Colombia implemented most reforms, and it was followed closely by Mexico and Jamaica. Now, starting a business in the LAC region takes 38 days, compared to 78 days 15 years ago. In 2017, the report identified Mexico, with a rank of 49, as the best country in the region conducive to investment followed by Peru (Rank 58), Colombia (Rank 59), Costa Rica (Rank 61) and Jamaica (Rank 70) **(Table 1.2)**. The region performs best in areas of getting electricity and getting credit. While, the global average for getting connected to electricity is 92 days for a new business, in LAC region the average is far lower at 66 days. However, the region requires improvement in certain areas like paying taxes, registering property etc.

Given the region's enormous natural resources, educated workforce, and stable economy- many of the world's largest MNCs, including Indian origin MNCs have already invested in the LAC region.

Table 1.2: Rank of the LAC Countries in World Bank's Doing Business Survey- 2017

Economy	Global Ranking	LAC Ranking	Economy	Global Ranking	LAC Ranking
Mexico	49	1	Honduras	115	17
Peru	58	2	Argentina	117	18
Colombia	59	3	Ecuador	118	19
Costa Rica	61	4	Bahamas, The	119	20
Puerto Rico	64	5	Belize	121	21
Jamaica	70	6	Brazil	125	22
El Salvador	73	7	Guyana	126	23
Panama	79	8	St. Vincent and the Grenadines	129	24
St. Lucia	91	9	Nicaragua	131	25
Uruguay	94	10	Barbados	132	26
Guatemala	97	11	St. Kitts and Nevis	134	27
Dominica	98	12	Grenada	142	28
Dominican Republic	99	13	Bolivia	152	29
Trinidad and Tobago	102	14	Suriname	165	30
Antigua and Barbuda	107	15	Haiti	181	31
Paraguay	108	16	Venezuela, RB	188	32

Source: World Bank's Doing Business Survey 2017.

Note: The World Bank's Doing Business measures aspects of regulations that enable or prevent private sector businesses from starting, operating and expanding. These regulations are measured using 11 indicator sets: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labour market regulation.[6]

[6] World Bank. (2017). Doing Business.

2. INVESTMENT SCENARIO IN THE LAC COUNTRIES

The FDI inflows in to the LAC region have grown by 22% to reach US$ 142 billion in 2016 from US$ 117 billion in 2007, and are projected at US$ 130 billion in 2017. The FDI inflows to the region, however, peaked in 2011, when they stood at US$ 194 billion **(Figure 2.1)**. The region has witnessed a moderation in FDI inflows in last few years due to a slowdown in economic activity, weak commodity prices and higher exchange rate volatility. The region has absorbed cumulative investments of US$ 1.5 trillion during the period 2007 to 2016, and therefore, remains an important destination for global investments flows.

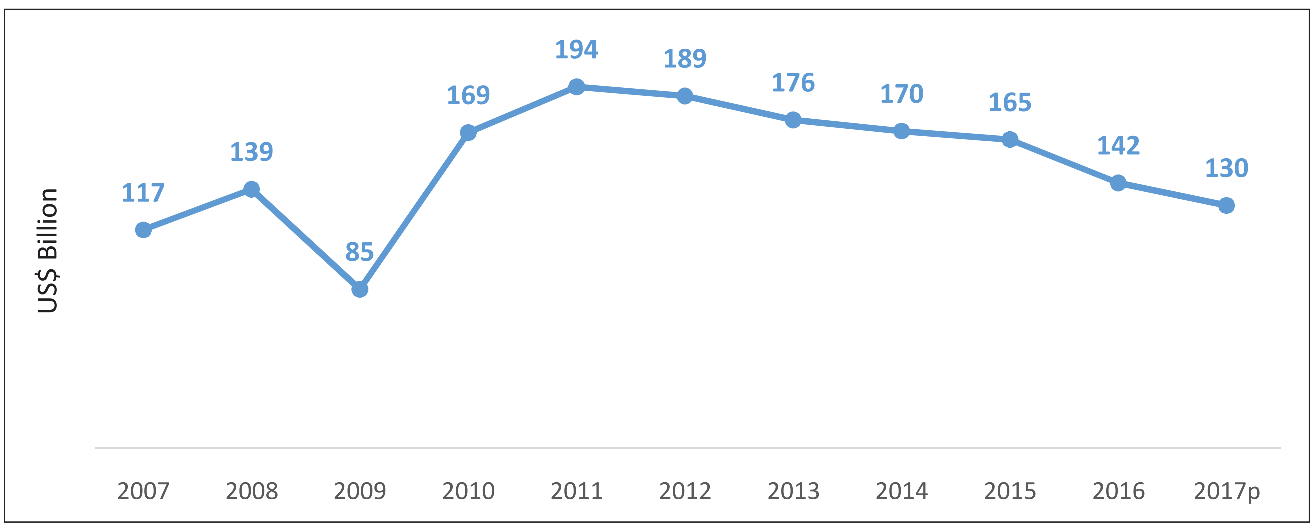
In terms of capital inflows[7], Mexico was the largest recipient of the investment inflows in the LAC region in 2017. It absorbed nearly 40% of the total capital investment inflows during the year. Mexico was followed by Brazil, which absorbed 15% of the total capital investment inflows. Other major capital investment recipients in LAC were- Peru (7% of the total capital investment inflows), Uruguay (6%), and Chile (6%).

With regards to sectors attracting largest investments in the LAC region, communications remained the biggest capital investment attracting sector with a share of 14.4% in the total capital investment inflows. It was followed by alternative and renewable energy (12.2%), metals (9.6%), coal, oil and natural gas (6.9%), and paper, printing and packaging (6.7%).

2.1 FDI Inflows in the LAC region: Top Countries

Table 2.1 presents the country wise breakup of total FDI inflows in the LAC region during the period 2007-2017. Mexico and Brazil were the top two foreign investment attracting countries in the region. Together they absorbed more than 50% of the FDI inflows during the period 2007-17. Similarly, the top five economies namely, Mexico, Brazil, Chile,

Figure 2.1: Trend in FDI in the Latin America and Caribbean Region: 2007-2017 (US$ bn)



Sources: Source: UNCTAD World Investment Database and Reports

[7] Capital Investments data sourced from fDimarkets.com. FDI Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency. Capital Investments are considered as proxy for FDI in this analysis.

Table 2.1: Country Wise FDI in LAC Countries 2007- 2017

S. No	Destination Country	Capex (US$ bn)	Share
1	Mexico	283.9	26.7%
2	Brazil	281.4	26.5%
3	Chile	91.6	8.6%
4	Argentina	70.5	6.6%
5	Peru	62.8	5.9%
6	Colombia	61.9	5.8%
7	Nicaragua	45.1	4.2%
8	Panama	27.0	2.5%
9	Venezuela	19.7	1.9%
10	Uruguay	17.9	1.7%
11	Dominican Republic	17.3	1.6%
12	Costa Rica	13.3	1.3%
13	Bolivia	9.7	0.9%
14	Cuba	8.0	0.7%
15	Ecuador	7.1	0.7%
16	Guatemala	6.8	0.6%
17	Honduras	6.2	0.6%
18	El Salvador	5.3	0.5%
19	Jamaica	5.1	0.5%
20	Trinidad & Tobago	4.1	0.4%
21	Others	17.9	1.7%
	Total	**1062.7**	

Sources: fDiMarkets.com; Data Ranging from January 2007 to December 2017

Note: FDI Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency.

Argentina and Peru, together attracted around three quarters of the FDI inflows in the LAC region during the same period.

2.2 FDI Inflows in the LAC region- Top Sectors

During the period 2007-2017, the sectors that attracted highest FDI inflows were communications (13.1% of total FDI inflows), followed by automotive sector (12.5%), metals (12.3%); alternate/ renewable energy (10.2%), coal, oil and gas (10.1%). Business services, transportation, and financial services are some other big sectors attracting investments in the LAC region **(Figure 2.2)**.

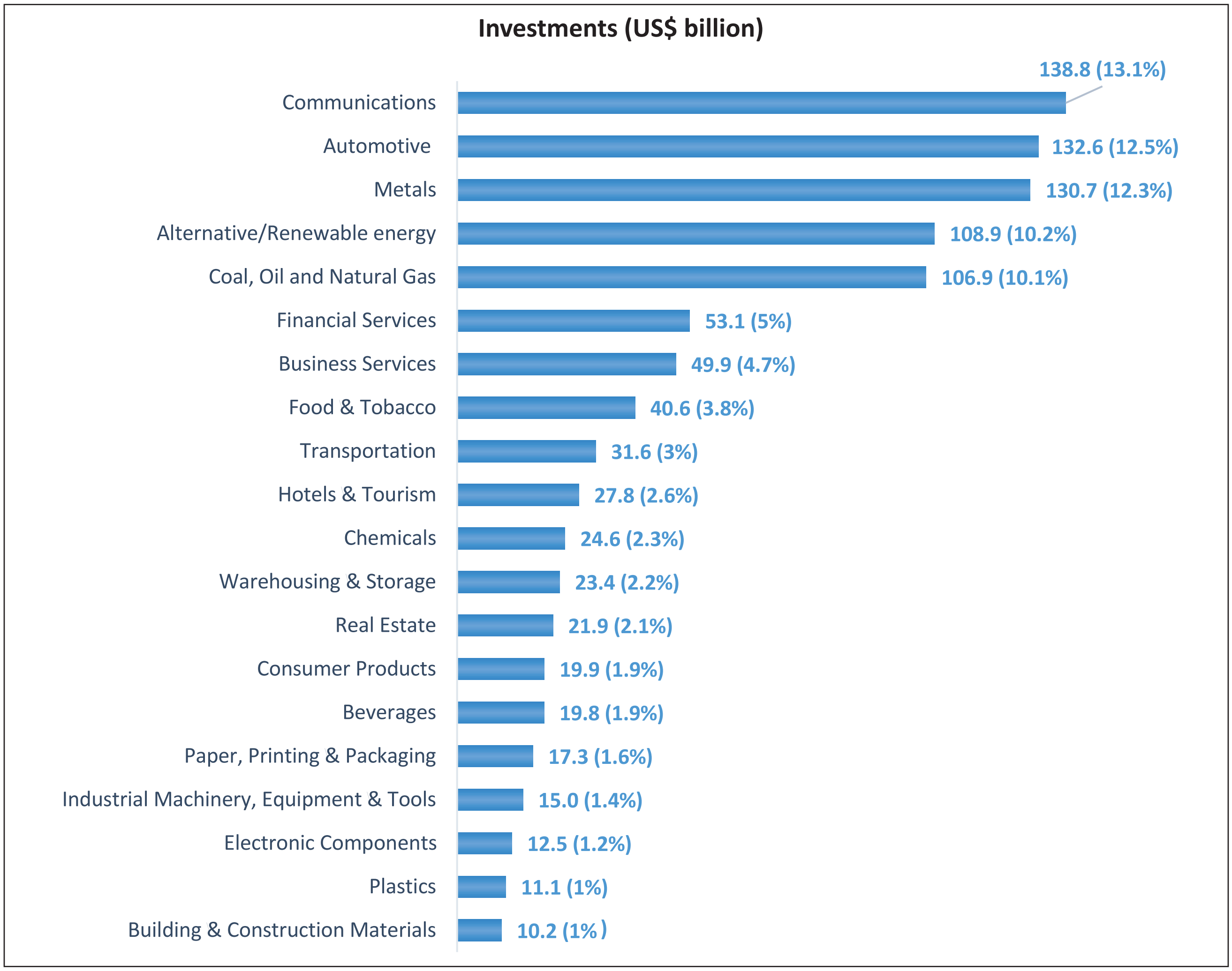
2.3 Evolution of Top FDI Attracting Sectors in the LAC region: What Changed Between 2007 and 2017

Over the past ten years the economy of the LAC region has evolved. During the year 2007, the top sector attracting FDI was automobile (15% of total FDI inflows), followed by metals (14%), coal, oil and natural gas (12%), and in 2017 the biggest sectors were communications (14%), followed by alternate and renewable energy (12%), and automobiles (11%) **(Figure 2.3)**. With the end of the commodity price boom, investments have shifted from extractive industries like metals and oils to renewable energies and telecommunication.

2.4 FDI: Top Investors in the LAC region

During the period 2007 to 2017, the US has emerged as the biggest sources of investments in the LAC region, cumulatively. The FDIs from the US amounted to US$ 239.3 billion, which is a little over one-fifth of total FDI inflows in the LAC region. The US is followed by countries like Spain (with FDIs of US$ 121.1 billion), Germany (US$ 64.5 billion), among others **(Figure 2.4)**. The top 10 investors are dominated by developed countries, with recent emergence of Asian countries like China, which is now the 9th largest investor in the region, with cumulative investments worth US$ 46.7 billion and a share of 4%; and India which is now the 22nd largest investor in the region with cumulative investments of around US$ 8.4 billion and a share of 1%.

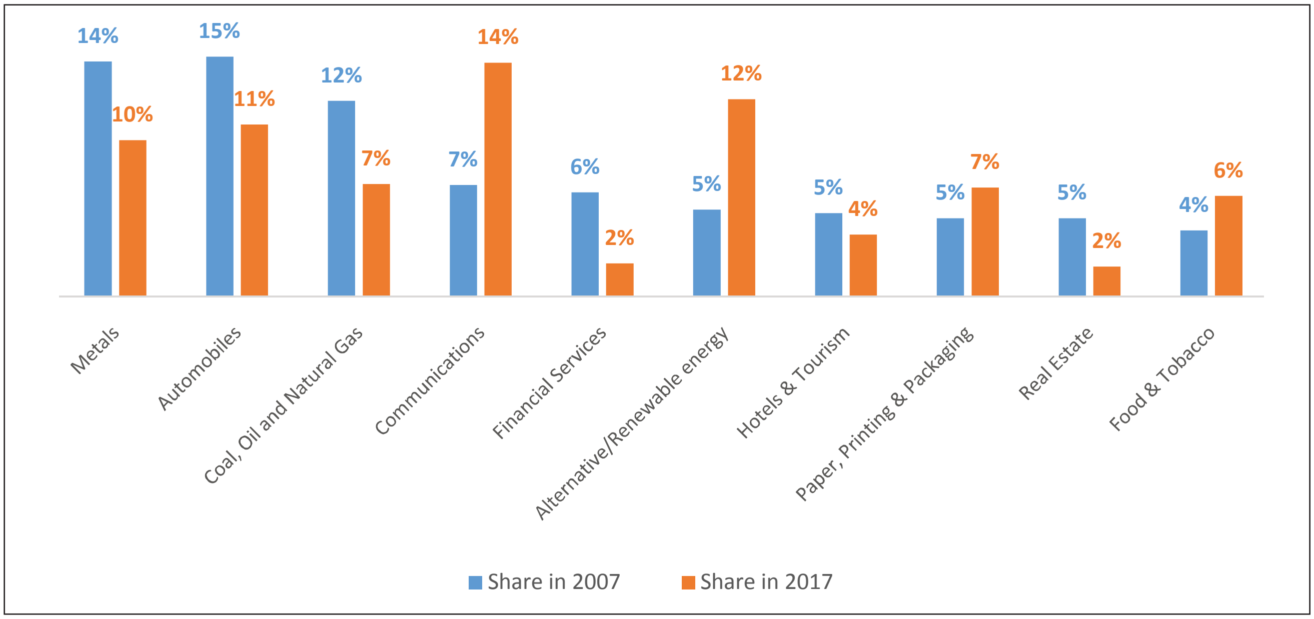
Figure 2.2: Top Sectors Attracting FDI in the LAC Countries (2007-2017)



Sources: fDiMarkets.com and Exim Bank Analysis; Data Ranging from January 2007 to December 2017

Note: FDI Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency.

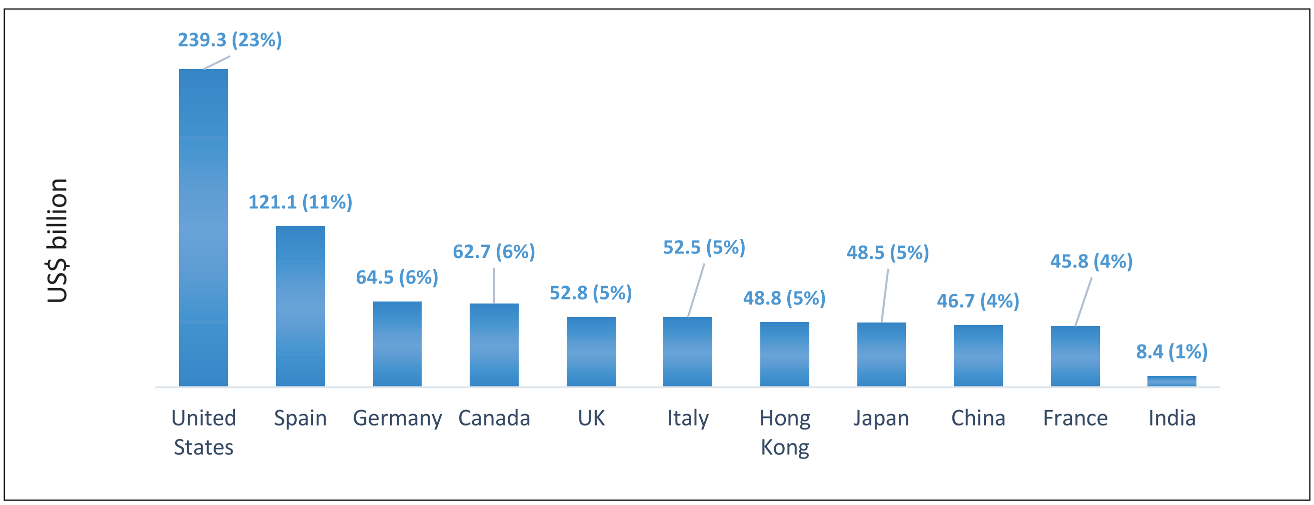
Figure 2.3: Evolution of Sectoral FDI Inflows, 2007 vs 2017



Sources: fDiMarkets.com and Exim Bank Analysis

Note: FDI Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency

Figure 2.4: Top Investing Countries in the LAC Countries (US$ billion)



Sources: fDiMarkets.com and Exim Bank Analysis; Data Ranging from January 2007 to December 2017

Note: FDI Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency

3. INDIAN INVESTMENTS IN THE LAC REGION

Even though India and the LAC region are geographically and culturally apart from each other, in recent years, both the economies of the LAC region and India have recognised the growing influence of each other in the world economy, and the mutual benefits that could be derived from partnering with one another.

The Indian Government realises that there is a huge trade potential in the markets of Latin America and Caribbean region. The Ministry of Commerce and Industry, Government of India, had launched the "Focus: LAC" programme in November 1997. This programme has been reviewed from time to time and has been extended till March 2019. Under the programme, India has signed Preferential Trade Agreements (PTA) with MERCOSUR and another PTA with Chile. India has also been granted the observer status in the New Pacific Alliance.

India's partnership with the LAC is in the growing stage. During the period April 1996 to March 2011, India's OFDI to the LAC region, cumulatively stood at US$ 6.3 billion, which accounted for 4.7% of the totals OFDIs originating from India during the same period. Indian OFDI, which stood at US$ 3.8 billion in 2011-12, grew by 21% to reach US$ 4.6 billion, in 2013-14. However, in the recent years Indian OFDIs towards the LAC region have moderated **(Figure 3.1)**.

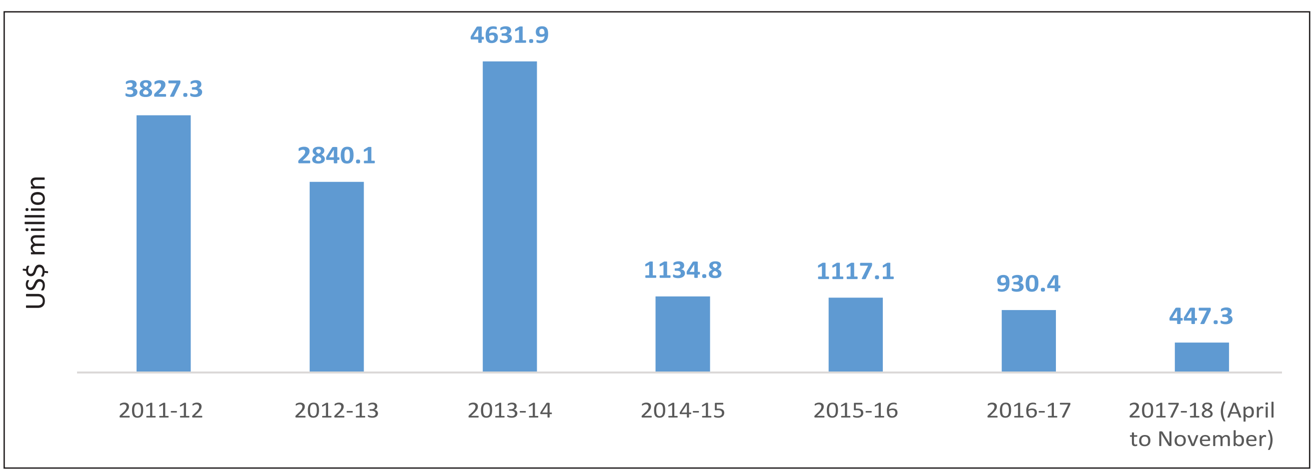
3.1 Evolution of India's OFDI to the LAC region

The sectoral composition of these investments have been tilted towards agriculture & mining sector. During the year 2011-12, agriculture and mining constituted 51% of total OFDI from India in the LAC countries, which increased further to a substantial share of 78.2% in 2015-16 **(Figure 3.2)**. This could essentially be on account of the LAC region being endowed with ample reserves of various agricultural and natural resources and due to the fact that partnership between LAC and India in this sector, could help India meet its burgeoning food and energy needs of its growing developing economy. As a result, significant Indian investments have been made in the mining and hydrocarbon sector.

3.2 India's OFDI to the LAC region: Trends

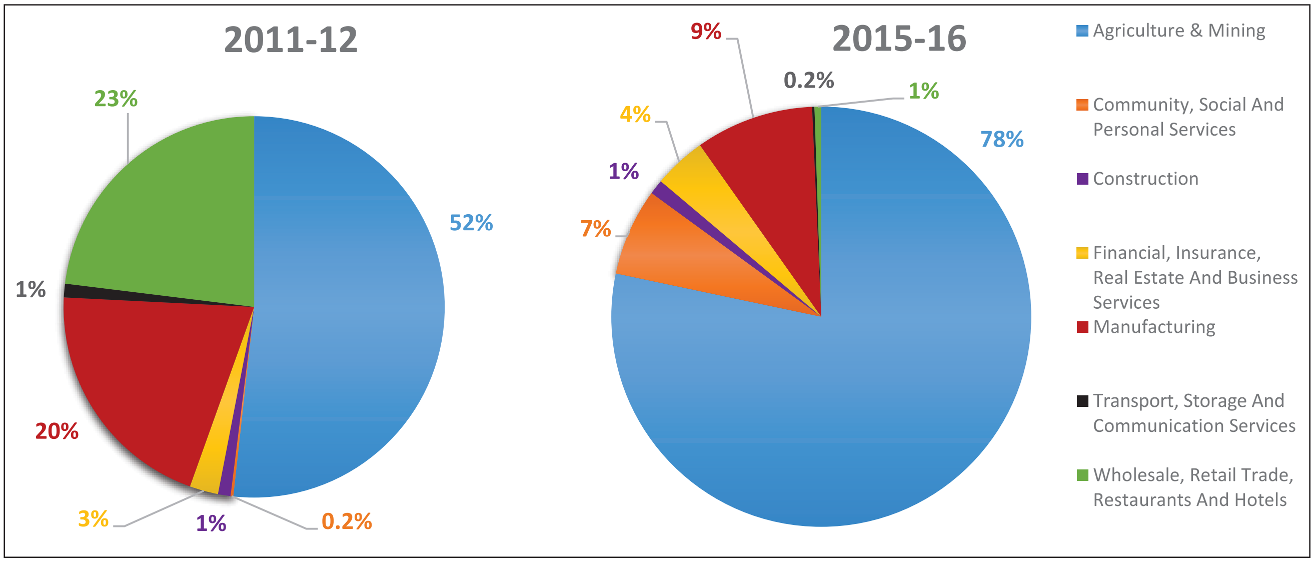
The Indian OFDIs to the LAC region have seen a falling trend in past few years, mainly led by a fall in OFDI to British Virgin Islands and Cayman Islands. These are the largest destinations for Indian investments in the LAC region **(Table 3.1)**. During the period April 2011

Figure 3.1: India's OFDI to the Latin America and Caribbean Region



Source: RBI database on monthly OFDI from India and Exim Bank Analysis

Figure 3.2: India's OFDI to the LAC region in 2011-12 and 2015-16 : Sector Wise Share



Source: RBI database on monthly OFDI from India and Exim Bank Analysis

Table: 3.1: OFDI from India to Select LAC Countries (Value in US$ million)

Country	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (April to November)	Apl. 2011 to November 2017
British Virgin Islands	1582.7	1011.6	3791.9	231	81.5	25.5	133.0269	6857.2
Cayman Islands	218.9	1368.6	689.5	791.3	841.9	794.1	202.7765	4907.1
Panama	1889.9	19.8	61.9	18.8	13.2	36.4	26.8029	2066.8
Bermuda	61	340.1	10	-	62.2	-	28.222	501.5
Brazil	21.1	16	39.9	21.2	70.3	27.5	21.8489	217.8
The Bahamas	34.4	54.9	17.1	32.8	10.8	13	-	163.0
Chile	2.7	13.5	0.3	11.8	10.9	12.7	4.6512	56.6
Mexico	4.1	6.4	8.7	8.3	3.7	11.7	5.6003	48.5
Colombia	0.1	-	-	0.6	0.1	2	21.7314	24.5
Guyana	0.2	-	7.8	3.1	2.9	3.2	0.41	17.6
Peru	1.9	2.2	1.9	6.7	1.4	0.5	2.1391	16.7
Uruguay	-	0.2	-	-	15	-	0.0045	15.2
Venezuela	2.2	0.3	0.3	5.9	2.6	0.8	0.12	12.2
Others	8.1	6.4	2.741	3.25	0.6	2.9	-	23.991
LAC	**3827.3**	**2840.1**	**4631.9**	**1134.8**	**1117.1**	**930.4**	**447.3**	**14928.9**
% of total FDI outflows	12.4%	10.6%	12.6%	3.7%	5.1%	3.7%	3.3%	6.6%

Source: RBI database on monthly OFDI from India and Exim Bank Analysis

to November 2017, the British Virgin Islands attracted 45.9% of Indian investments. This is followed by Cayman Islands, which absorbed 32.9% of Indian investments. Panama (13.8%), Bermuda (3.4%), and Brazil (1.5%) were other major destinations.

3.2.1 Indian Investments in British Virgin Islands

Of the total OFDI flows from India to the LAC region during the period April 2011 to November 2017, British Virgin Islands attracted almost 46% of the total OFDI, accounting for the largest share among the LAC countries. During April 2011 to November 2017, India has invested US$ 6.9 billion in the British Virgin Islands. Indian investments were concentrated towards the manufacturing, and restaurants and hotels, but now financial and business services are absorbing majority of Indian investments **(Figure 3.3)**. Investments have moderated from 2014-15 onwards.

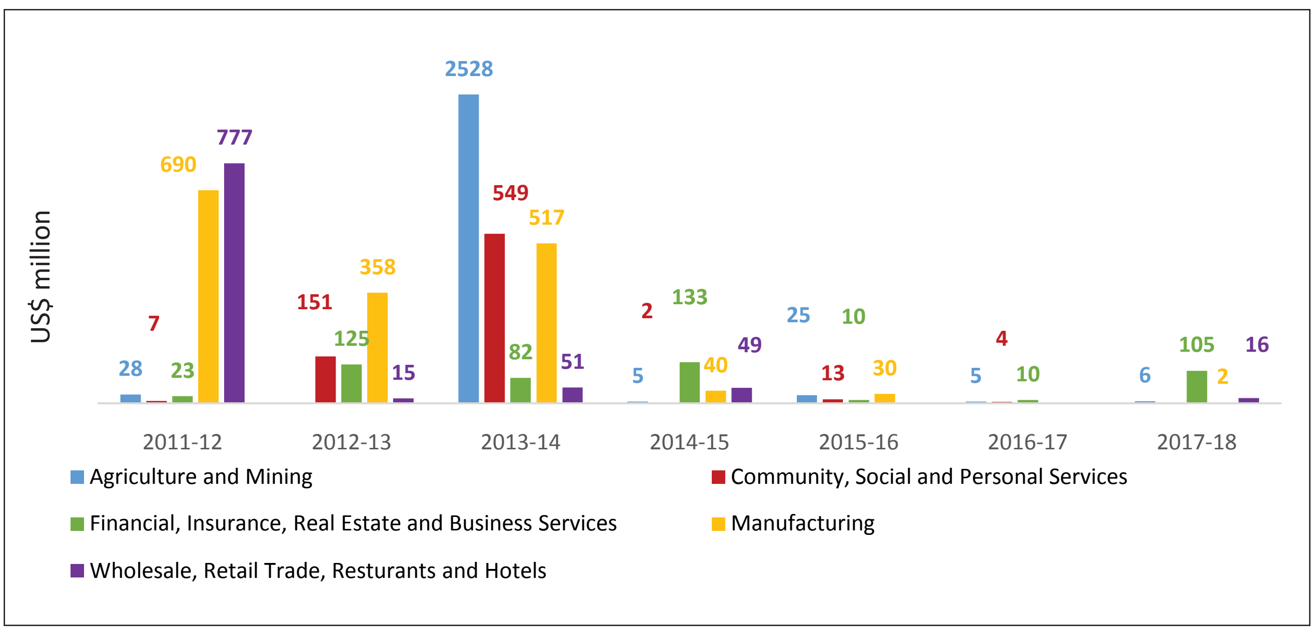
3.2.2 Indian Investments in Cayman Islands

During April 2011 to November 2017, India invested US$ 4.9 billion in Cayman Islands. India's OFDI to Cayman Islands peaked in 2012-13 with a total OFDI of US$ 1.4 billion. Indian investments in Cayman Islands have been concentrated in agriculture and mining sector **(Figure 3.4)**. Cayman Islands ranks 2nd among the Latin American and Caribbean countries, in terms of attracting OFDI from India.

3.2.3 Indian Investments in Panama

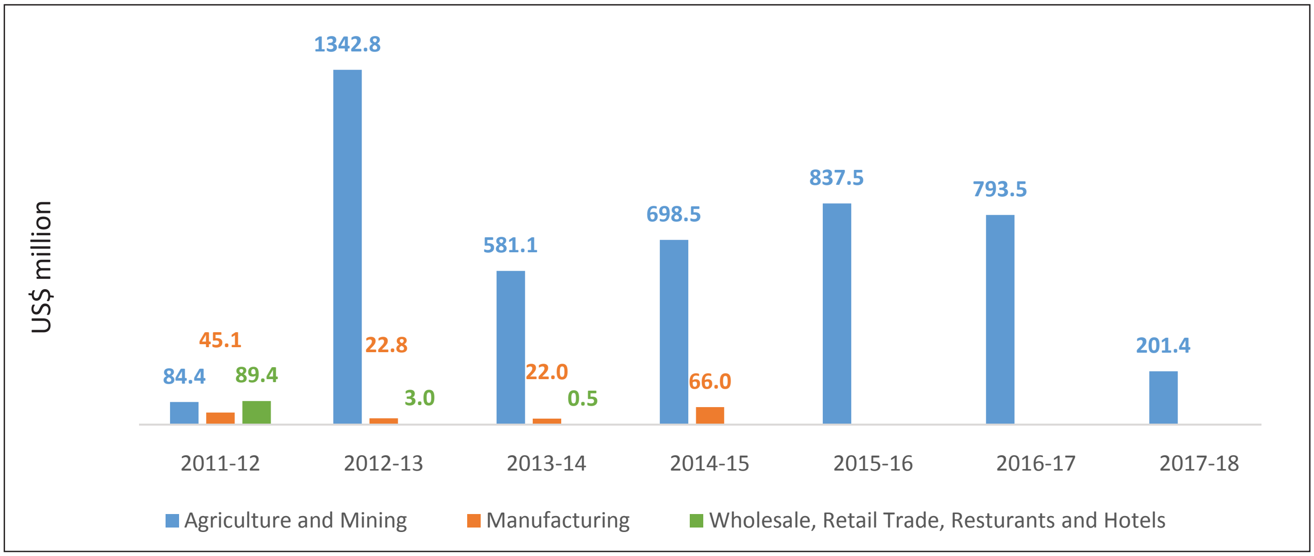
During April 2011 to November 2017, the cumulative Indian FDI in joint ventures and wholly owned subsidiaries including equity, loan and guarantee issued, in Panama stood at US$ 2.1 billion. The highest sector to receive FDI from India in Panama in recent years has been the manufacturing sector followed by transportation, storage and communication services, and agriculture and mining. Indian investments have seen a declining trend between 2013 and 2016 in all the sectors, followed by a rise in manufacturing sector investments in the first half on 2017 **(Figure 3.5)**. A number of Indian companies have established their presence in Panama including, Gammon India Ltd., Rane Elastomer Processors, Apeejay Shipping Ltd, Apeejay Tea Ltd, Act Infraport Limited, Jaypee Brothers Medical Publishers P Ltd, S.K. Sarawagi & Co. Pvt. Ltd, etc.

Figure 3.3: India's OFDI to British Virgin Islands: Sector Wise Share



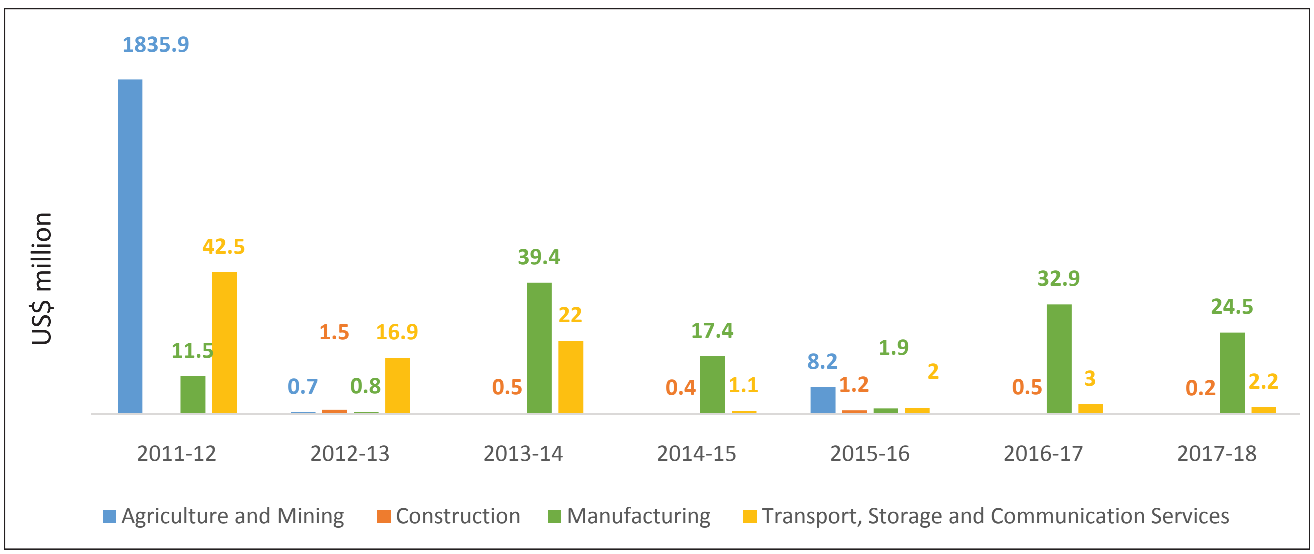
Source: RBI database on monthly OFDI from India and Exim Bank Analysis

Figure 3.4: India's OFDI to Cayman Islands: Sector Wise Share



Source: RBI database on monthly OFDI from India and Exim Bank Analysis

Figure 3.5: India's OFDI to Panama: Sector Wise Share



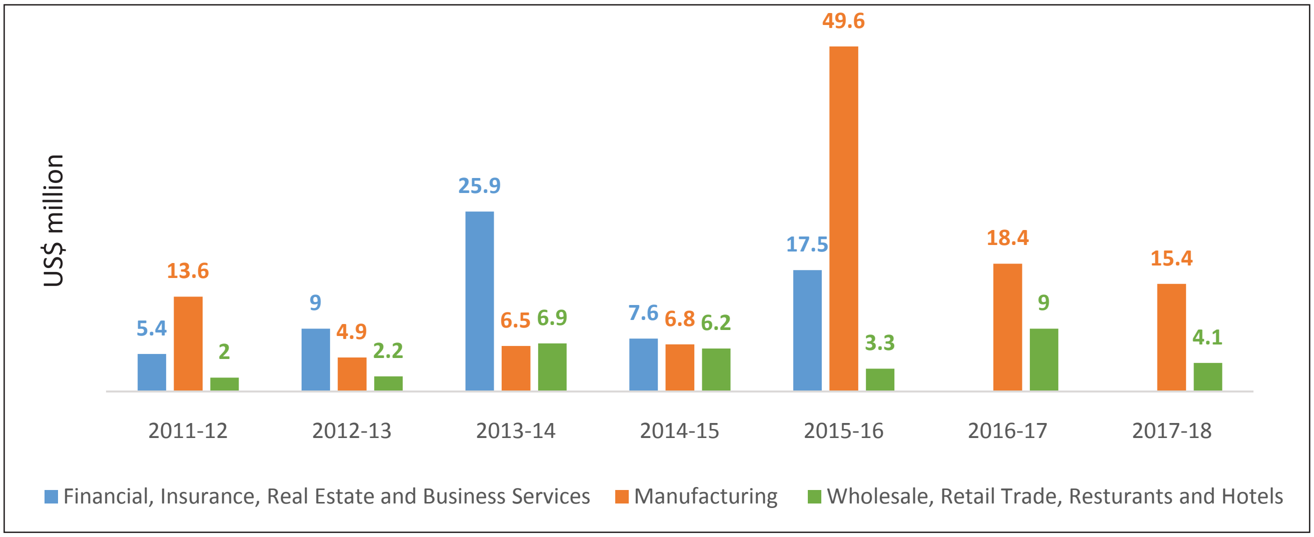
Source: RBI database on monthly OFDI from India and Exim Bank Analysis

3.2.4 Indian Investments in Brazil

During the period April 2011 to November 2017, India has cumulatively invested US$ 217.8 million in Brazil. It is the 5th largest investment destination in the LAC region for India. India's OFDI in Brazil is concentrated towards manufacturing sector **(Figure 3.6)**. Indian companies such as ONGC, TCS, Wipro, Infosys, Cadilla, Mahindra, L&T, Renuka Sugars, United Phosphorus, Polaris, among others, have presence in Brazil.[8] In the manufacturing sector, the pharmaceutical industry stands out.[9] Indian companies have been able to cater to the requirements of the growing elderly population in Brazil, which includes an increased demand for low-cost medicine and healthcare. In fact, Brazil and Chile encouraged the entry of Indian pharma companies into their countries and encourages MNCs and local drug-makers to increase the availability of generics and reduce the cost of medicines.

[8] Government of India, Ministry of External Affairs. (2016). India-Brazil Relations.
[9] RBI considers pharmaceuticals under the Manufacturing sector.

Figure 3.6: India's OFDI to Brazil: Sector Wise Share

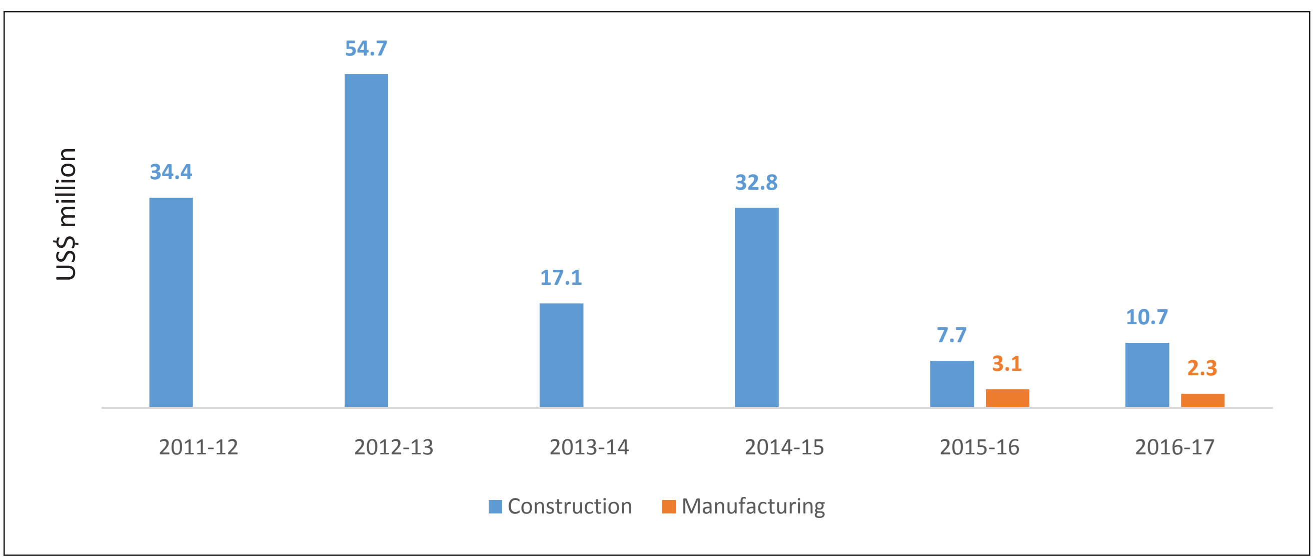


Source: RBI database on monthly OFDI from India and Exim Bank Analysis

3.2.5 Indian Investments in the Bahamas

The total cumulative OFDI from India to the Bahamas during the period April 2011 to November 2017 stood at US$ 163 million. The investments have been concentrated in the construction sector with some investments getting diversified in the manufacturing sector in last few years. The construction sector has been the only prominent OFDI recipient from India in the Bahamas, and has marked a decline since the year 2013 **(Figure 3.7)**. This could be attributed to the global economic downturn as well as the nearing completion of several construction projects in the Bahamas, leading to the closure of several multi-million dollar deals in the investment pipeline. On the other hand, there is an emerging Indian OFDI in the manufacturing sector in the Bahamas, from 2015 onwards, which amounted to US$ 2.3 million in 2016. There are no significant investments from India to the Bahamas in the period April 2017 to November 2017.

Figure 3.7: India's OFDI to the Bahamas: Sector Wise Share



Source: RBI database on monthly OFDI from India and Exim Bank Anlysis

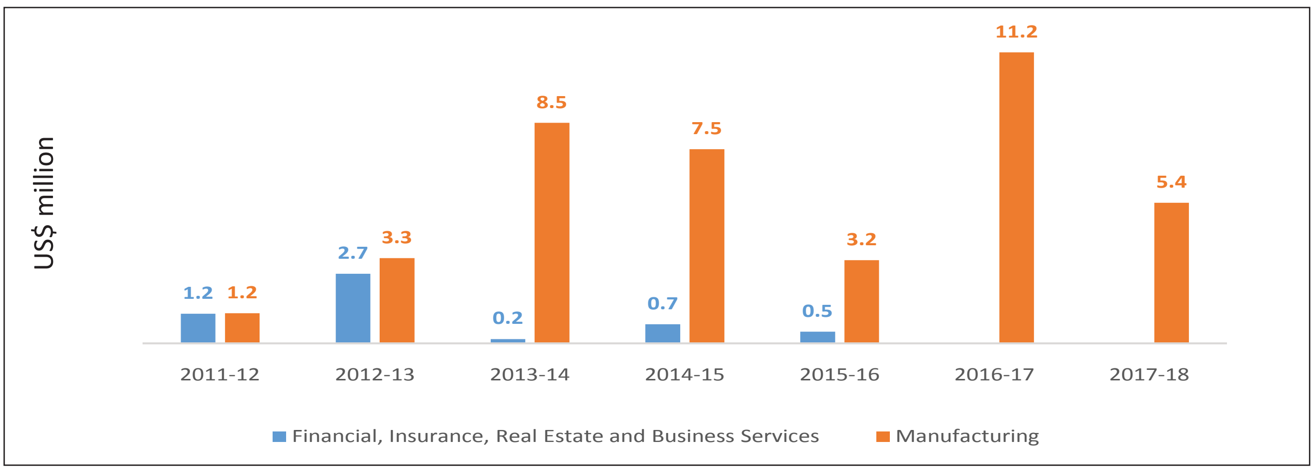
3.2.6 Indian Investments in Mexico

During the period from April 2011 to November 2017, India has invested US$ 48.5 million in Mexico. Indian investments have concentrated towards the manufacturing sector. Mexico's strategic location helps Indian companies access both the US as well as the South American markets. Most of the leading Indian companies in IT/software, pharmaceutical and automotive companies such as TCS, Infosys, Wipro, Sun Pharma, Dr. Reddy's and Tech Mahindra have invested in facilities and plants in Mexico. Manufacturing sector has attracted the highest FDI from India in the past few years, followed by marginal investments in the financial, insurance, real estate and business services sectors **(Figure 3.8)**.

3.2.7 Indian Investments in Chile

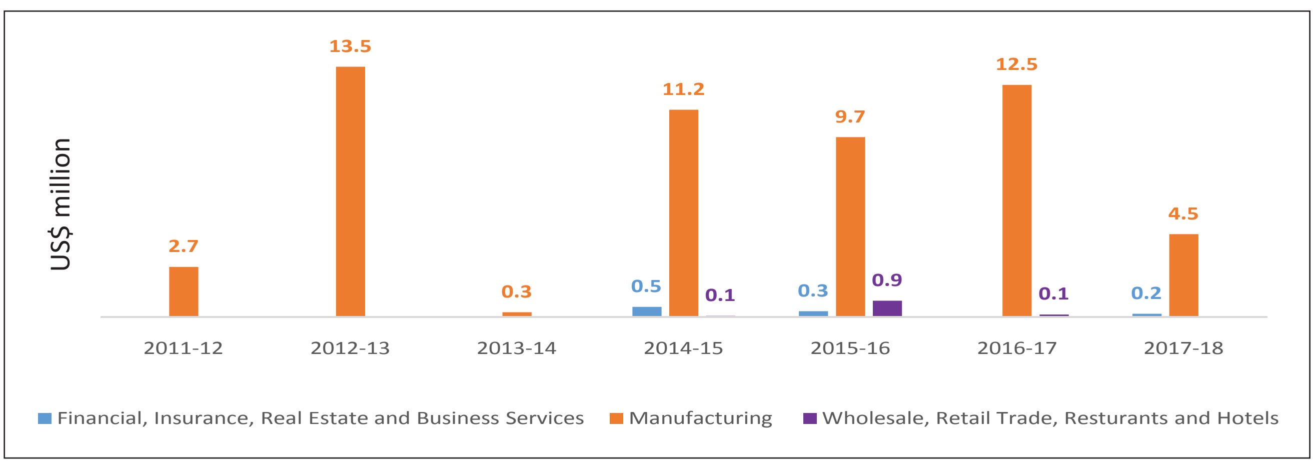
During the period from April 2011 to November 2017, India has invested US$ 56.6 million in Chile. Many Indian companies have recently entered the Chilean market, through acquisition of Chilean companies or through joint ventures/collaborations. These include, among others, TCS, Oracle Fine Services, Polaris, Evalueserve, WIPRO, Godrej, Ashok Leyland, Tega Industries, Havells Sylvania, Tata Motors, Bajaj Auto, Maruti Suzuki, Mahindra & Mahindra, NSL Renewable Power Private Limited, among others. OFDI from India to Chile has featured prominently in the manufacturing sector. Investments in the other sectors have been relatively small **(Figure 3.9)**.

Figure 3.8: India's OFDI to Mexico: Sector Wise Share



Source: RBI database on monthly OFDI from India and Exim Bank Analysis

Figure 3.9: India's OFDI to Chile: Sector Wise Share



Source: RBI database on monthly OFDI from India and Exim Bank Analysis

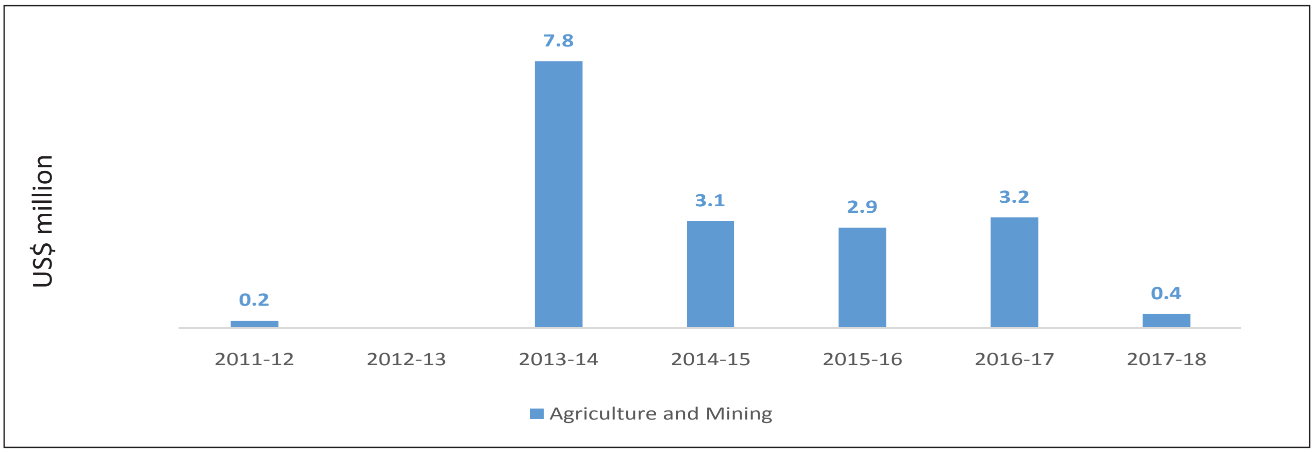
3.2.8 Indian Investments in Guyana

India's approved direct investments in joint ventures and wholly owned subsidiaries (FDI outflow) in Guyana during April 2011 to November 2017 amounted to US$ 17.6 million. Agriculture and mining has essentially been the major sector to receive FDI from India **(Figure 3.10)**. The forestry sector has also been successful in attracting investments in the past due to certain incentives in place such as Timber Sales Agreement, Wood-Cutting Lease, State Forest Permission as well as exemption from Customs Duty. Vaitarna Holdings Private Inc is an Indian timber company which invested in the forestry sector in Guyana in 2011.

3.2.9 Indian Investments in Colombia

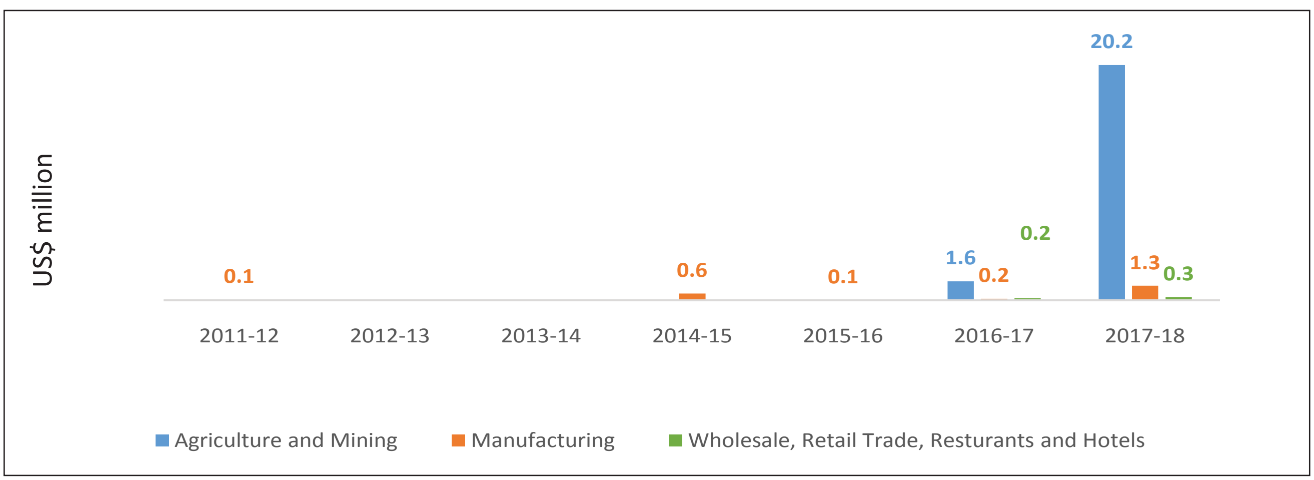
During the period from April 2011 to November 2017, India has invested US$ 24.5 million in Colombia. Colombia has seen a recent surge in investments from India in the agriculture and mining sector however, it has been very limited in the sector of manufacturing **(Figure 3.11)**. Mining has proved a profitable investment with ONGC Videsh having positioned itself as a dominant player in the Colombian market since its inception in 2006 and even bidding for oil and gas blocks. Some other Indian companies in the country include TCS, Tech Mahindra, Dr. Reddy's, United Phosphorus, Shraddha Chemicals, TVS and CIPLA etc. Recently, two companies, Hero Moto Corp. and Essel

Figure 3.10: India's OFDI to Guyana: Sector Wise Share



Source: RBI database on monthly OFDI from India and Exim Bank Analysis

Figure 3.11: India's OFDI to Colombia: Sector Wise Share



Source: RBI database on monthly OFDI from India and Exim Bank Analysis

Propack have inaugurated their manufacturing plants dealing with motorcycles and packaging respectively.

3.2.10 Indian Investments in Peru

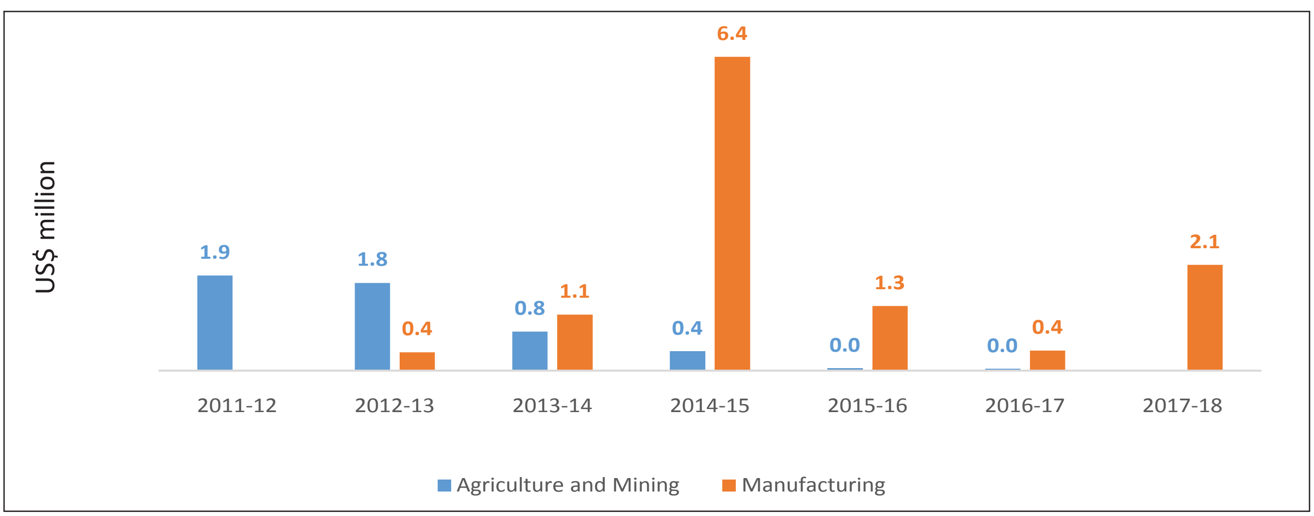
During the period April 2011 to November 2017, the cumulative Indian FDI in joint ventures and wholly owned subsidiaries including equity, loan and guarantee issued, in Peru stood at US$ 16.7 million. Peru is one of the leading mining countries of the world, and India's FDI in mining sector in Peru has remained noteworthy, despite the decline over the past few years **(Figure 3.12)**. India's IFFCO has a major stake in a large phosphate mining operation in northern Peru, while Zuari Agro is partnering with Mitsubishi, and has a 30% stake in a large rock phosphate reserve in the same area. Manufacturing sector has been the highlight over the past 4 years, although investments have been low post 2014, reasons for which could be attributed to the global economic slowdown. Other Indian companies such as Tech Mahindra, TCS and Reliance also have a significant presence in Peru, while the Indian company Redbus belonging to the Ibibo.com group has recently acquired majority stake in the Peruvian company Busportal.pe. All the major Indian pharmaceutical companies have their representative offices or local subsidiaries in Peru.

3.2.11 Indian Investments in Venezuela

During the period April 2011 to November 2017, the cumulative Indian FDI in joint ventures and wholly owned subsidiaries including equity, loan and guarantee issued, in Venezuela stood at US$ 12.2 million.

The manufacturing sector has been the only major sector attracting FDI from India **(Figure 3.13)**. ONGC Videsh Limited opened its offices following a MoU in 2005 that allowed for oil and gas exploration in Venezuela. In 2010, three Indian companies won a bid which gave them 18% stake in the multi-billion Carabobo oil project.[10] On the other hand, Indian pharmaceutical companies, such as Glenmark Pharmaceuticals and Dr. Reddy's, have also been major players in Venezuela. However, due to the government implementing stringent foreign exchange controls in response to fall in the prices of crude oil (Venezuela's main exporting product), repatriation of funds became difficult for the Indian pharma companies whose subsidiaries are located there. This could be a factor behind the downward trend of investments since 2015.

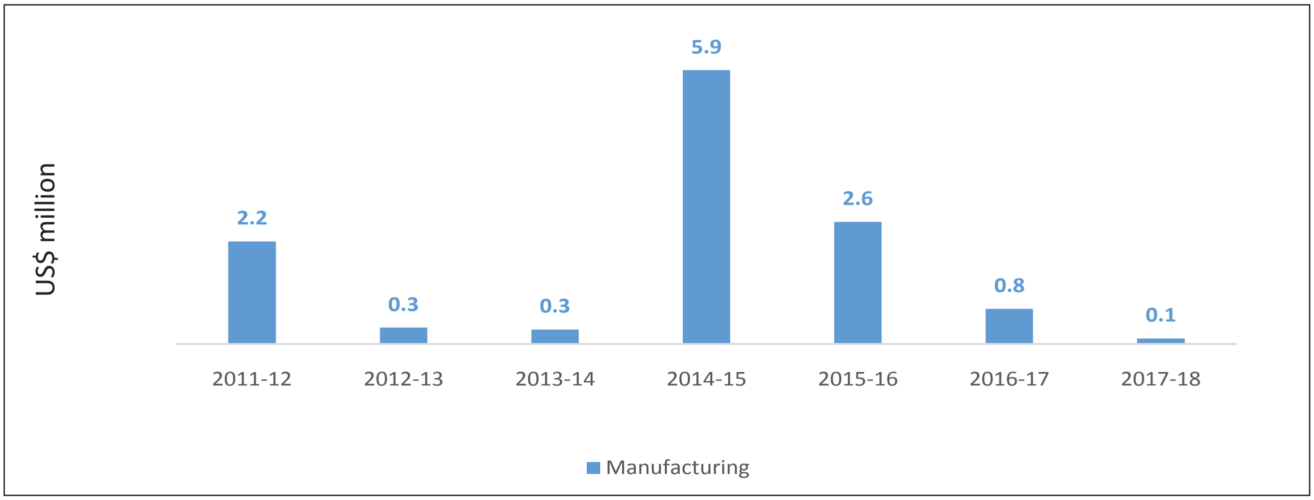
Figure 3.12: India's OFDI to Peru: Sector Wise Share



Source: RBI database on monthly OFDI from India and Exim Bank Analysis

[10] Government of India, Ministry of External Affairs. (2016). India-Venezuela Relations.

Figure 3.13: India's OFDI to Venezuela: Sector Wise Share



Source: RBI database on monthly OFDI from India and Exim Bank Analysis

4. INVESTMENT OPPORTUNITIES IN SELECT LAC COUNTRIES

The investment promotion agencies of the countries in the LAC region have put forward their priority sectors, taking into account the capability of each country. Considering the natural resources and other technological advancements that the region possesses, majority of the countries have identified the following areas as potential investment sectors viz. agribusiness, power and renewable energy, IT enabled services, manufacturing, tourism and mining among others.

The following section looks into the investment scenario of select LAC countries as well as the priority sectors identified by their official investment promotion agencies. The top LAC countries which have received India's FDI are considered.

4.1 Brazil

Although recovering from a recession, Brazil is still the 8th largest economy in the world. It is a member of MERCOSUR and other significant multilateral arrangements like BRICS, IBSA, G-20 and G-4.[11] Its location provides companies with an opportunity to access all the Latin American markets. Agribusiness in Brazil is a profitable activity due to modernized farming, in spite of having only 32% of the land surface meant for agriculture. The government lays emphasis on innovation, science and technology which have led to the development of other strategic areas of energy, aviation, IT and biotechnology.[12]

The Brazilian government through the National Bank for Economic and Social Development (BNDES) provides tax incentives and attractive financing to investors, both domestic and foreign. Investment initiatives include tax exemptions and low-cost financing. The legal framework ensures no distinction between domestic and foreign investors, except within health, mass media, telecommunications, aerospace, rural property, maritime, and air transport sectors which restricts foreign investment. Foreign investors have cited different factors as adding to the cost of investing in Brazil, which include- infrastructural challanges, rigid labor laws, and complex tax, local content, and regulatory requirements. To create a more conducive environment for investment, Brazil has been relaxing restrictions on certain provisions, for instance, in September 2011, a 49% limit on foreign ownership of cable TV companies was removed and in May 2015, lawmakers revived a 2012 bill that calls for easing restrictions on the acquisition of land by foreigners to boost investment in agriculture and forestry.[13] Priority sectors for investment identified in Brazil are highlighted in **Table 4.1**.

Table 4.1: Priority Sectors for Investment in Brazil

Country	Investment Promotion Agency	Priority Sectors
Brazil	Apex-Brasil	Oil and Gas
		Automotive Industry
		Renewable Energy
		Infrastructure and Innovation and Technology
		Agribusiness and Life Sciences

[11] CIA Factbook
[12] RENAI. (2016). Brazil Official Guide on Investment Opportunities.
[13] Bureau of Economic and Business Affairs (2016). Investment Climate Statements for 2016, USA

4.2 The Bahamas

The Bahamas, as a country, is a chain of islands located in the North-Atlantic Ocean. It has an open economy primarily dependent on tourism and financial services. The services sector contributes close to 90% in the GDP, with tourism contributing a whopping 60%, financial services 15%, and other services rest 15%. Industry accounts for only 7.5% of the GDP, followed by agriculture, which accounted for a paltry 2.5% of GDP[14]. Its investment climate is bolstered by the presence of skilled professional workforce, stable government and economy, sound legal framework, modern infrastructure, proximity to key markets and investment incentive policies such as The Hotels Encouragement Act, The Industries Encouragement Act, and The Tariff Act, among others.

Despite the economic downturn, the government took up various infrastructural projects such as redevelopment of the country's principal airport, the deepening of Nassau Harbor, which now accommodates the world's largest passenger vessels; and the creation of a new cargo port just outside the City of Nassau. The 700 islands also act as attractive locations for all-inclusive resorts, eco-tourist developments, off-shore medical centers and estate homes. Furthermore, they have untapped potential in the form of arable land, which has the government target areas such as agro-industries, food processing and mariculture so as to attract direct investments.

In 2011, the government privatized the local telecommunications company, effectively reducing costs for the business community and connecting the country internally as well as to the international markets. The government also enacted a Business License Act in 2010 that has undergone several amendments, in order to streamline the process of doing business in the country.[15] Priority sectors for investment identified in the Bahamas are highlighted in **Table 4.2**.

Table 4.2: Priority Sectors for Investment in The Bahamas

Country	Investment Promotion Agency	Priority Sectors
The Bahamas	Bahamas Investment Authority	Tourism Resorts
		Upscale Condominium and Second Home Development
		Information and Data Processing Services
		Assembly Industries
		High-technology services
		Ship repair and other services
		Light Manufacturing
		Agro-industries
		Food and Beverage Processing
		Mariculture
		Banking and other financial services
		Captive Insurance
		Aircraft Services
		Pharmaceutical Manufacturing
		Offshore Medical Centers

[14] The Bahamas, Opportunities for Investing in a Global Economy, Bahamas Investment Authority

[15] Official website of The Bahamas Investment Authority, The Government of The Bahamas

4.3 Panama

The Republic of Panama is a country linking Central and South America. It is one of the most connected country in the world due to the Panama Canal. This free market economy has been characterized by a historically low inflation rate and a sound financial system that allows capital mobility to and from abroad. There are Special Economic Areas: the City of Knowledge, the Panama Pacifico Special Economic Area, Free Zones and the Colon Free Zone – which have special tax, migratory and labor incentives.[16]

Its geographical location has provided it with a comparative advantage in logistics and transportation services, especially after the expansion of the Panama Canal. Compared to its Latin American peers, it ranks higher in terms of financial development and ease of access to credit.[17] Priority sectors for investment identified in Panama are highlighted in **Table 4.3**.

4.4 Mexico

Located in the southern boundary of the US, Mexico is a US$ 2.2 trillion economy increasingly oriented towards the manufacturing sector, especially since the North American Free Trade Agreement (NAFTA) came into effect. Its advantages lie in its strategic location, low inflation, skilled pool of workers and access to global markets via different trade agreements in place.[18]

Mexico's bio diversity allows it to produce a wide variety of agricultural products, while at the same time act as a significant source of renewable energy and mineral production. With various tax incentives such as immediate deduction program, tax credit on federal taxes and other innovation incentive programs, Mexico aims to attract foreign investors to its potential sectors.[19] In 2013, Mexico approved a new Energy Reform that opened parts of the state-controlled oil, gas, and electricity sectors to private investors.[20] With the US adopting more protectionist approach, the Mexican economy is now planning to build stronger bridges with other trading partners and rely lesser on its neighbor. Priority sectors for investment identified in Mexico are highlighted in **Table 4.4.**

4.5 Chile

According to the Global Competitiveness Report 2016-17 published by World Economic Forum, Chile ranks 33 in the Global Competitiveness Index. This MERCOSUR associate country is characterized by a sustainable growth rate, stable government and low inflation rates, making it one of Latin America's best destinations for investment.

Chile has free trade agreements with 64 countries. It has also been the 7th largest FDI recipient emerging economy (World Investment Report, UNCTAD

Table 4.3: Priority Sectors for Investment in Panama

Country	Investment Promotion Agency	Priority Sectors
Panama	ProInvex	Logistics
		Agro-industry
		Financial Services
		Tourism
		Renewable Energy
		Light Manufacturing
		Infrastructure

[16] Official website of ProInvex, Panama Trade and Investment Agency
[17] IMF (2017) Panama: Selected issues, IMF Country Report No. 17/106
[18] Retrieved from CIA Factbook
[19] Official website of ProMexico, Mexico's Investment Promotion Agency
[20] IMF. (2015).Made in Mexico: Energy Reform and Manufacturing Growth, IMF Working Paper WP/15/45

Table 4.4: Priority Sectors for Investment in Mexico

Country	Investment Promotion Agency	Priority Sectors
Mexico	ProMexico	Aerospace
		Processed Foods
		Automotive Industry
		Medical Devices and Pharmaceutical
		Household Appliances and Electronics
		Renewable Energy
		Creative Industries
		ITeS and Software

2016). The Chilean government, besides boasting of several of its potentials, has also invited foreign investors to do business with them relating to its Southern Optical Fiber Project, development of Lithium-based industries and concession of road use of the public transport system of passengers for the City of Santiago – Transantiago[21]. Priority sectors for investment identified in Chile are highlighted in **Table 4.5**.

4.6 Guyana

Guyana is a middle-income country well-endowed with natural resources, fertile agricultural lands, bauxite, gold and extensive tropical forests.[22] Recognized globally as a rice and sugar producer, much of its agricultural potential is yet to be realized. This is the only English speaking country in the South America region, with literacy rates estimated to be around 99%. Guyana, with its extensive network of rivers, Atlantic coastline, exotic flora and fauna, pristine environment and rainforests, is also a highly attractive tourist destination.

Guyana's membership of CARICOM and CARIBCAN and other trade agreements provides duty-free or duty-reduced access to almost 75% of its exports to foreign markets. To induce domestic and foreign investment, the government provides incentives such as a flat business tax rate, tax holidays, waivers of customs duties, export tax allowances, and unrestricted repatriation of profits, as well as additional incentives in priority export sectors. Identified priority sectors get exemption from Customs Duty and zero rate of Value Added Tax on a wide array of objects.[23] Priority sectors for investment identified in Guyana are highlighted in **Table 4.6**.

Table 4.5: Priority Sectors for Investment in Chile

Country	Investment Promotion Agency	Priority Sectors
Chile	Invest Chile	Food Industry
		Global Services
		Mining
		Energy
		Tourism
		Business Opportunities

[21] Official website of Invest Chile, Chile's Investment Promotion Agency
[22] Retrieved from The World Bank
[23] Official website of Go Invest, Guyana's Investment Promotion Agency

Table 4.6: Priority Sectors for Investment in Guyana

Country	Investment Promotion Agency	Priority Sectors
Guyana	GO Invest – Guyana Office for Investment	Agriculture and Agro-processing
		Light Manufacturing
		Services
		Energy
		Tourism
		Forestry
		Information & Communication Technology
		Mining

4.7 Peru

The economy of Peru made significant progress in recent years, especially between 2009-13 with an average growth rate of 5.6%, low inflation and a stable exchange rate. Afterwards, the economy grew at 2.4% in 2014, 3.3% in 2015 and 3.9% in 2016. Peru's varied topography with its mountainous and coastal regions makes it rich in mineral resources (it is the second largest producer of silver and copper) as well as guaranteeing high agricultural yield.[24]

Peru ranks 2nd among its Latin American peers in the Ease of Business Doing index. It offers a legal framework to foreign investors by offering them free capital transfers, unrestricted access to majority of the economic sectors and additionally provides them the guarantee of private property, freedom to access credit and to acquire shares in Peruvian corporations. Currently, it has in place 40 Trade Agreements and is an active member of MERCOSUR, ALADI and APEC Forum and Pacific Alliance.[25] Priority sectors for investment identified in Peru are highlighted in **Table 4.7**.

4.8 Venezuela

Venezuela is located in the north of Southern America. It is strategically located and has access to both the Caribbean Sea and Atlantic Ocean. The country is highly abundant in natural resources with proven reserves of 299,953 billion barrels of oil and around 198 trillion cubic feet of natural gas. Apart from hydrocarbon reserves, the country has rich

Table 4.7: Priority Sectors for Investment in Peru

Country	Investment Promotion Agency	Priority Sectors
Peru	ProInversion	Agribusiness
		Electricity
		Textiles and Apparel
		Mining
		Hydrocarbons
		Real Estate
		Transport Infrastructure
		Tourism

[24] Mineral Commodities Summary, 2017
[25] ProInversion (2016) Peru's Business and Investment Guide 2016-17

deposits of minerals such as iron, bauxite, coal, gold and diamonds. Venezuela has a total of 2,598,000 hectares of arable land and its triple Andean, Amazonian and Caribbean identity makes it a "multi-destination" tourist product.

The economy of Venezuela is highly dependent on oil revenues, and thus, it profited from high oil prices till 2014. However, with falling global crude oil prices the economy took a hit. In 2016, its GDP contracted by 18% and inflation hit 720%.[26]

The traditionally attractive sector has been hydrocarbons, but following the recommendations of United Nations Conference on Trade and Development (UNCTAD), non-traditional sectors have been prioritized by the government. General incentives provided include refund of input VAT, special schemes for taxpayers and total or partial exemption of the income tax to certain regions, activities or taxpayers[27]. Priority sectors for investment identified in Venezuela are highlighted in **Table 4.8**.

4.9 Colombia

The GDP growth of Colombia averaged 4.3% during the period 2001-15. Heavy dependence on energy and mining exports made its economic growth suffer a setback in 2016, which fell to 2% due to falling global prices of oil. Colombia is ranked 3rd amongst the LAC countries in the Doing Business survey of 2017. Founder member of the Pacific Alliance, this South American country has benefited over the past decade due to its free trade and sound fiscal policies. Colombia has signed or is in negotiation with more than twelve countries for Free Trade Agreements.[28]

Potential subsectors within the identified priorities include investments in dairy, horticulture, biofuels, beef, cocoa, cosmetics and toiletries, metalworking, outsourcing etc. The country has a competitive Free Trade Zone regime, Special Economic Zones for Exports. Some of the benefits which are granted in Free Trade Zone Regime are as follows:[29]

- Single 20% income tax rate.
- No customs taxes (VAT and CUSTOMS DUTIES) are triggered when raw materials are introduced to the Free Trade Zone from abroad.
- VAT exemption for raw materials, inputs and finished goods sold from the national customs territory to the Free Trade Zones.
- Exports made from Free Trade Zones to foreign countries, may apply the benefits of international trade agreements signed by Colombia.
- Possibility of performing partial processing outside of the Free Trade Zone for up to 9 months.
- Possibility of selling to the national territory the goods or services without restrictions or quotas, paying the applicable custom duties on the imported goods.

Table 4.8: Priority Sectors for Investment in Venezuela

Country	Investment Promotion Agency	Priority Sectors
Venezuela	National Council of Investment Promotion (CONAPRI)	Information and Communication Technology Services
		Tourism
		Hydrocarbons
		Mining and Metallurgy
		Foods

26 World Economic Outlook, April 2017
27 Official website of CONAPRI, Trade and Investment promotion agency of Venezuela
28 Retrieved from CIA Factbook
29 PROCOLOMBIA

The investment promotion agency of Colombia-Procolombia has identified three broad sectors for attracting investments in the country. These are agribusiness, manufacturing and services. Priority sectors for investment identified in Colombia are highlighted in **Table 4.9**.

4.10 Uruguay

The country, apart from ranking high in the development indicators, is also a free market economy characterized by an export-oriented agricultural sector, well-educated workforce and high levels of social spending. Despite the global financial crisis of 2008, Uruguay was able to keep recession at bay through higher public expenditure and investment.

Uruguay as an investment site has the benefits of having a stable democracy, low corruption rates, free floating exchange markets, tax incentives for investors along with the freedom to move their capital and profits abroad. Other incentive schemes include the free zones, free port and free airport schemes, Public-Private Partnership agreements, industrial parks and temporary admission. Its topography places it at a great advantage for logistic activities as well as forestry and agribusiness[30]. Priority sectors for investment identified in Uruguay are highlighted in **Table 4.10**.

Table 4.9: Priority Sectors for Investment in Colombia

Country	Investment Promotion Agency	Priority Sectors
Columbia	ProColumbia	Agribusiness- Biofuels, Beef, Dairy, Horticulture, Cocoa, Chocolate and Confectionary, Aquaculture
		Manufacturing- Automotive, Cosmetic and Toiletries, Buildings Materials, Metal Working, Fashion System, Plastic Packages
		Services- Software and IT Services, BPOs, Private Equity Funds, Hotel Infrastructure and Tourism, Oil & Gas Goods and Services Sector, Energy

Table 4.10: Priority Sectors for Investment in Uruguay

Country	Investment Promotion Agency	Priority Sectors
Uruguay	Uruguay XXI	Energy
		Infrastructure
		Logistics
		Agribusiness
		Global Services
		Automotive Industry
		Tourism

[30] Official website of Uruguay XXI, Investment and Export Promotion Agency of Uruguay.

5. POTENTIAL FOR INDIAN INVESTMENTS IN THE LAC COUNTRIES

Indian investments to the LAC region peaked during the year 2013-14, when they reached 12.6% of India's global OFDI. During the year the last three years, there has been a declining trend in India's OFDI to LAC. During the year 2016-17, the share of LAC in India's OFDI moderated to 3.7%. The region offers immense opportunities for Indian entities. This section of the study explores investment potential in the LAC region. Each of the top attractive sectors of the LAC region are analysed to check whether India holds a potential for investment. The following methodology is undertaken in this regard:

1. Identifying top countries that have attracted largest investments in the top investment attracting sectors in the region.
2. Finding out whether India has made significant investments in those sectors in LAC.
3. Analysing whether India can contribute or invest in the identified sectors, keeping in view India's investment capabilities and inclinations, by looking at the sector's share in India's global capital investments.

Essentially, the sectors like communications, automotive, alternative/ renewable energy, metals, business services, financial services, food and tobacco, and hydrocarbons, among others, present opportunities for the Indian investors for enhancing investments in the LAC region.

5.1 Communications

Communications sector has attracted the highest investments in the LAC region with Brazil on top with US$ 35.7 billion in investments during the time period January 2011 to December 2017 **(Table 5.1)**. The investment promotion agencies of almost all the major countries of the LAC region such as Brazil, Mexico, Argentina, Venezuela, and Colombia have also identified communications as a priority sector.

Table 5.1: Top Destinations in LAC Attracting Investments in Communications and its Share in India's Global Capital Investments

Rank	Recipient Country	Global Capital Investments in Recipient Country (US$ Millions)	India's Share in Global Capital Investments in Recipient Country (%)	Share of sector in India's Global Capital Investments (%)
1	Brazil	35,700.9	-	4.1
2	Mexico	22,733.5	-	
3	Argentina	9,201.3	-	
4	Chile	7,303.6	-	
5	Colombia	4,456.0	-	
6	Peru	3,532.7	-	
7	Dominican Republic	1,848.8	-	
8	Ecuador	1,762.5	-	
9	Panama	1,586.7	-	
10	Costa Rica	1,447.1	-	

Source: fDi Markets database and Exim Bank Analysis. Data ranges from January 2011 to December 2017

Note: "-" signifies nil or negligible

Telecommunications was the first sector to be privatized in Latin America, where the pioneers were Chile (1987), Belize (1988), Argentina (1990), Mexico and Venezuela (1991). According to a report by GSMA[31], the LAC region will grow more quickly in the remainder of the decade in terms of mobile internet subscribers compared to any other region except Sub-Saharan Africa: annual subscriber growth from 2015 to 2020 is projected to be 4.8%, ahead of the 4% global average. Although the number of internet subscribers has grown over the years, almost one-third of the region is still left unpenetrated. The major hurdles identified for this sector are the lack of digital skills and affordability. The ECLAC report on Foreign Direct Investment in LAC (2016) identifies the telecommunications sector wherein foreign firms are dominant and investment needs are great. This is due to the sector being very intensive in high-tech infrastructure and hardware (recent transition from 3G to 4G in mobile telephony) requiring large-scale investments as well as fierce competition and fickle customer loyalty.

Out of India's total investment flows to the world, communications sector is the 8th largest with approximately 4.1% share of the total capital investments made.[32] This shows India's potential and inclination towards this sector. Indian global investments in communications have predominantly flown to the African nations. Out of the top five foreign destinations for Indian investors in the communications sector, four are emerging economies in the African continent (Nigeria, Madagascar, Kenya and D.R. of Congo).[33] It is important to note that in spite of the immense potential in the region, Indian investments in this sector in the LAC region have been negligible. Indian investors could thus, take advantage of the unpenetrated region taking into consideration the LAC's rising demand for telecommunication services.

5.2 Automotive

Automotive is another important sector in the LAC region as it attracts large investments, second only to the communications sector. Mexico and Brazil are the top attractive destinations for foreign investments in the automotive sector[34] **(Table 5.2)**. Mexico has been able to attract investors due to competitive manufacturing costs, solid supply chain and good transport links to the US enabling it to act as an

Table 5.2: Top Destinations in LAC Attracting Investments in Automotive and its Share in India's Global Capital Investments

Rank	Recipient Country	Global Capital Investments in Recipient Country (US$ Millions)	India's Share in Global Capital Investments in Recipient Country (%)	Share of sector in India's Global Capital Investments (%)
1	Mexico	50,857.8	0.7	10.7
2	Brazil	22,848.0	1.9	
3	Argentina	6,847.9	-	
4	Nicaragua	619.4	-	
5	Paraguay	542.0	-	
6	Venezuela	500.2	17.4	
7	Colombia	481.4	-	
8	Uruguay	309.8	-	
9	Chile	284.3	78.4	
10	Cuba	230.8	-	

Source: fDi Markets database and Exim Bank Analysis. Data ranges from January 2011 to December 2017

Note: "-" signifies nil or negligible

[31] GSMA. (2016). The Mobile Economy: Latin America and the Caribbean 2016. GSMA.
[32] fDi markets database. Based on data ranging from January 2011 to December 2017.
[33] fDi markets database. Based on data ranging from January 2011 to December 2017
[34] Includes both Automotive Components and Automotive OEM.

export hub for the US and Canada. Despite political and economic crises, economies of Brazil and Colombia are recovering with gradual rise in domestic vehicle sales.[35]

The LAC region, with its government incentives and free trade agreements, has evolved into an established manufacturing and sales hub for the automotive industry. Mexico, among all the countries, has had the most impressive performance: South Korea's Kia, Germany's Audi, the American Ford, Japan's Toyota announced the construction of new plants in the country with a total investment of US$ 4 billion and Japanese-American Infiniti, German Mercedes Benz and German BMW plants are on the pipeline. The Mexican government envisages to bring in more investments from multinational companies for its automotive sector by 2020. The electric vehicle (EV) market in Latin America, currently at a nascent stage, is set for growth towards 2023. According to a forecast by IHS Automotive, the South American market will grow significantly by 2025 becoming one of the top three markets globally for light vehicle sales.[36]

The automotive industry is the 2nd largest sector with 10.7% share in the total capital outflows from India to the world. Indian manufacturers such as Tata Motors, Ashok Leyland Limited, Mahindra and Mahindra have established their footprint abroad by expanding geographic coverage and making strategic investments. Within the LAC region, Tata Motors set up a plant in Venezuela in 2014, Mahindra operates a car assembly plant in Brazil and Hero Motor Corp has a two-wheeler plant in Colombia. Following the brief hiatus in Latin America due to the economic meltdown, companies such as Toyota Motor Corp and Renault-Nissan Alliance have since renewed their expansion plans in the region owing to increasing demand and the prospect of export growth. Indian automotive companies too can take advantage of the potential recovery in the region's auto markets. Further, setting up joint ventures with global auto players in the LAC region will help expand their product and customer portfolios and gain access to advanced technology as well.

5.3 Alternative / Renewable Energy

Alternative/ Renewable energy is the 4th largest Foreign Direct Investment attracting sector in LAC region. The region's top renewable energy investment destinations include Chile, Mexico and Brazil **(Table 5.3)**.

Table 5.3: Top Destinations in LAC Attracting Investments in Alternative/ Renewable Energy and its Share in India's Global Capital Investments

Rank	Recipient Country	Global Capital Investments in Recipient Country (US$ Millions)	India's Share in Global Capital Investments in Recipient Country (%)	Share of sector in India's Global Capital Investments (%)
1	Chile	27,187.7	-	8.0
2	Mexico	19,505.5	-	
3	Brazil	13,111.2	-	
4	Panama	4,373.0	-	
5	Uruguay	2,444.2	-	
6	Peru	1,752.7	-	
7	Honduras	1,731.6	-	
8	Dominican Republic	1,317.0	-	
9	Argentina	1,235.6	-	
10	Costa Rica	786.7	-	

Source: fDi Markets database and Exim Bank Analysis. Data ranges from January 2011 to December 2017

Note: "-" signifies nil or negligible

[35] Danby, Tony. (2017). Latin America: The good, the bad & the uncertainty.

[36](2013) South American Auto Market to See Significant Growth by 2025

In 2016, the region was characterized by tepid investments into the sector except for the economies of Argentina, Bolivia and Peru which saw hopeful developments (Argentina held two clean energy tenders in 2016 contracting 2.4GW of capacity).[37]

The Latin America and the Caribbean region is one of the most committed parts of the world to tackling climate change, with about three-quarters of the citizens considering global warming a very serious issue. The region also has the highest rates of renewable energy consumption in the world and its renewable energy potential is large enough to cover its projected 2050 electricity needs 22 times over[38]. Historically the region's power policies focused on hydropower development, but since the late 2000s, policies have focused on new renewables of wind and solar owing to rapid cost declines. The countries, pioneered by Brazil, have resorted to auctions with more than 54 renewable energy auctions taking place as of 2015[39].

The LAC region is highly vulnerable to climate change. Rise in temperatures could lead to loss of arable land, low-lying islands and coastal regions. With the withdrawal of USA from the Paris Climate Agreement, it will become challanging for the region to meet its climate objectives of the 2030 Agenda for Sustainable Development of the UN. The LAC region now strongly requires international support and cooperation. Private players have a huge potential in the LAC given the limited public financial resources in the region.

India is gradually emerging as a formidable player in the field of renewable energy. The sector is the 4th largest with 8% share of Indian investments abroad.[40] Greenko Energy of India, Suzlon are some Indian companies which have made investments abroad in wind and solar energy. Indian investors can seek out opportunities in the LAC region which has a huge wind and solar energy potential: Dominican Republic has an estimated 3,200 MW of potential wind power available over 460 square km, Chile has an estimated 40,000 MW of wind potential and Uruguay plans to satisfy around 30 percent of its electricity demand through wind power.[41] Both countries have millions of people using biomass for activities such as cooking. This could lead to market potential in efficient technologies in the areas of wood-pellet production and solar-powered cooking. The International Finance Corporation estimates that the renewables market in Latin America will be worth more than US$ 600 billion by 2030, thus, providing a huge market access to private investors.[42]

5.4 Metals

Metals is the 3rd largest attractive sector in the LAC region for foreign capital investments with the highest investments going towards Chile, Brazil and Peru **(Table 5.4)**. The region has a high share of the world's metallic mineral reserves: 66% of lithium, 47% of copper, 45% of silver, 25% of tin, 23% of bauxite, 23% of nickel and 14% of iron among others. Investment announcements for the LAC region in metal mining between 2003 and 2015 was 33.8% of the total announcements made globally and the bulk of it concentrated on the exploitation of precious metals. The region has consolidated its position as one of the most attractive regions for metal mining investments in the last decade reasons for which could be attributed to the privatizations undertaken by various governments in the LAC region in the 1990s along with the higher cost associated with mining in Australia, Canada and the US.[43]

[37] UNEP (2017) Global Trends In Renewable Energy Investment 2017, Bloomberg New Energy Finance.
[38] IDB, Rethinking Our Energy Future, 2013
[39] IRENA (2016) Renewable Energy Market Analysis Latin America
[40] fDi markets database. Based on data ranging from January 2011 to December 2017.
[41] Accenture (2014) India - Latin America & Caribbean Talking Business
[42] IFC (2016) Climate-Smart Investment Potential in Latin America: A Trillion Dollar Opportunity
[43] ECLAC (2016) Foreign Direct Investment in Latin America and the Caribbean.

Table 5.4: Top Destinations in LAC Attracting Investments in Metals and its Share in India's Global Capital Investments

Rank	Recipient Country	Global Capital Investments in Recipient Country (US$ Millions)	India's Share in Global Capital Investments in Recipient Country (%)	Share of sector in India's Global Capital Investments (%)
1	Chile	13,219.4	-	6.1
2	Brazil	12,105.0	4.1	
3	Peru	11,788.1	-	
4	Mexico	11,662.8	0.3	
5	Panama	6,737.0	-	
6	Dominican Republic	3,811.5	-	
7	Argentina	2,545.1	-	
8	Guatemala	643.1	-	
9	Colombia	564.9	-	
10	Bolivia	472.8	-	

Source: fDi Markets database and Exim Bank Analysis. Data ranges from January 2011 to December 2017

Note: "-" signifies nil or negligible

India's capital investments in metals comprises 6.1% of its total investments to the world and is the 6th largest sector for India's OFDIs. During the year 2016, Indian investments grew by nearly seven fold with the largest recipients being Asia Pacific, Africa and the Middle East.[44] Indian companies have their presence in Peru, Chile, Mexico and Argentina but most of the mining companies (e.g. Aditya Birla Group, Essar) have concentrated their investments majorly in Brazil. India imports metals such as copper, silver, gold, phosphates, zinc, lead, and iron from LAC. Increased investments in LAC region's metal industry, thus, could prove to be of strategic importance for India.

5.5 Business Services

India is a country with advanced business services and is also a net exporter of services. For Indian business owners, the Latin America and the Caribbean region has until now been seen, majorly, as a source of natural resources. It is noted that Indian investment in business services in LAC has been restricted to Jamaica only, while countries like Nicaragua, Chile and Mexico have together attracted investments of worth US$ 43.8 billion from rest of the world in this sector **(Table 5.5)**. However, with business services being the 7th largest attractive sector for capital investments in LAC, it indicates a potential for further investments in the sector for India, which has so far remained untapped.

5.6 Coal, Oil and Natural Gas

The Latin America is a region rich in oil and gas. It has some of the world's largest hydrocarbon reserves, amounting to 12% of the world's oil and 7% of the world's natural gas.[45] The region's abundance in resources and South America's market liberalization triggered a period of high investment in natural gas in the region, diversifying the energy mix away from hydropower. Coal mining in the region primarily takes place in Colombia and Brazil. The region's high demand for energy comes from transport, industry (especially extractive industries) and residential sectors. LAC's growing economy and rising population, improved

[44] fDi Markets database. Data ranges from January 2011 to December 2017.

[45] Bulgheroni, Marcos. (2017). Latin America oil and gas: the search for efficiency and improved competitiveness, World Economic Forum

Table 5.5: Top Destinations in LAC Attracting Investments in Business Services and its Share in India's Global Capital Investments

Rank	Recipient Country	Global Capital Investments in Recipient Country (US$ Millions)	India's Share in Global Capital Investments in Recipient Country (%)	Share of sector in India's Global Capital Investments (%)
1	Nicaragua	40,033.6	-	3.1
2	Chile	2,437.0	-	
3	Mexico	1,352.7	1.1	
4	Brazil	964.7	0.7	
5	Panama	390.0	-	
6	Colombia	383.0	0.9	
7	Jamaica	251.7	44	
8	Costa Rica	218.0	1.3	
9	Argentina	184.4	-	
10	Peru	169.7	-	

Source: fDi Markets database and Exim Bank Analysis. Data ranges from January 2011 to December2017

Note: "-" signifies nil or negligible

standards of living, a rising middle class, urbanization act as factors driving the region's energy needs.

India's capital investments towards coal, oil and natural gas sector are the highest, accounting for a 21.2% share in India's total outwards foreign investments. According to BP Energy Outlook, India's energy consumption will grow the fastest among all major economies by 2035 at 4.2%. By 2040, India is expected to overtake China in terms of population and both countries will together account for almost half the projected growth in global energy demand.[46]

Table 5.6 Top Destinations in LAC Attracting Investments in Coal, Oil and Natural Gas and its Share in India's Global Capital Investments

Rank	Recipient Country	Global Capital Investments in Recipient Country (US$ Millions)	India's Share in Global Capital Investments in Recipient Country (%)	Share of sector in India's Global Capital Investments (%)
1	Colombia	10,157.5	-	21.2
2	Mexico	9,486.2	0.2	
3	Brazil	7,204.0	-	
4	Argentina	4,888.4	-	
5	Venezuela	3,965.7	-	
6	Bolivia	3,928.3	-	
7	Chile	3,818.8	-	
8	Peru	3,225.5	-	
9	Dominican Republic	1,147.2	-	
10	Trinidad & Tobago	632.0	-	

Source: fDi Markets database and Exim Bank Analysis. Data ranges from January 2011 to December 2017

Note: "-" signifies nil or negligible

These projections impress upon the need for India to seek out investment opportunities abroad to meet its energy requirements. In the past 6 years, India's capital investments in this sector, in the LAC region is negligible with only US$ 22 million worth investment in Mexico, which accounts to 0.2% of total foreign investments in the sector **(Table 5.6)**. However, considering India's inclinations towards this sector globally, there is a lot of potential for the investors to tap into the region with regards to World Bank's forecast on rising crude oil prices. Investors can take advantage of the bidding process in the LAC region which has ensured greater predictability of minimum prices and easing of procurement rules, as well as regulatory framework with concession regimes, a model of royalties and taxation attractive to international investors.[47]

5.7 Financial Services

Financial Services is the 6th largest FDI attracting sector in LAC region. Brazil, Mexico and Colombia are the top three foreign investment absorbing countries in the LAC region **(Table 5.7)**. The downturn of the economy has had the Latin American banks face a lower rate of growth since 2014. Reductions in loan growth and management of credit risk has ensured that asset quality deterioration has been moderate.[48] The insurance market, on the other hand, has remained profitable and poised for growth due to high interest rates, rising disposable income and growing market penetration.

The expectation of growth in the countries of Brazil, Argentina, Colombia and Peru, along with falling inflationary pressures, have fuelled the expectations of a timid recovery in credit growth for banks. The Banking Outlook for 2017 predicted that private banks will drive economic growth in Brazil, which also represents half the insurance market in the region.

Financial Services is the 9th largest sector in terms of outward FDIs originating from India. India has a diversified financial sector with 3.7% share of capital investments going abroad. India also accounts for 65% of Asia's micro-insurance market . The Insurance Regulatory and Development Authority (IRDA) allowed insurance companies in India to conduct

Table 5.7: Top Destinations Attracting Investments in Financial Services and its Share in India's Global Capital Investments

Rank	Recipient Country	Global Capital Investments in Recipient Country (US$ Millions)	India's Share Global Capital Investments in Recipient Country (%)	Share of sector in India's Global Capital Investments (%)
1	Brazil	18,020.1	3.1	3.7
2	Mexico	3,372.6	1.2	
3	Colombia	2,576.1	-	
4	Argentina	1,390.5	-	
5	Chile	977.7	-	
6	Panama	828.4	-	
7	Peru	577.2	-	
8	Dominican Republic	449.0	-	
9	Uruguay	357.2	-	
10	Cayman Islands	282.6	-	

Source: fDi Markets database and Exim Bank Analysis. Data ranges from January 2011 to December 2017

Note: "-" signifies nil or negligible

[46]ExxonMobil. (2016). The Outlook for Energy: A View to 2040.
[47]Konrad-Adenauer-Stiftung. (2016). The Geopolitics of Oil and Gas: The Role Of Latin America.
[48]BNAmericas (2017) Latin America Banking Outlook 2017: A Timid Recovery

business overseas (open foreign insurance companies and branch offices abroad) in 2013 giving them the opportunity to tap overseas markets.[49] Indian companies can, thus, take advantage of the potential in the Latin American market, whose insurance penetration rate is less than 3% of GDP, especially in countries such as Mexico and Colombia.[50]

5.8 Food and Tobacco

Food and Tobacco is the 8th largest FDI attracting sector in LAC region. Brazil, Mexico, and Argentina are the top-most attractive destinations for investments into this sector **(Table 5.8)**. The Inter-American Development bank has identified LAC as the next global breadbasket. The Global Harvest Initiative estimates that if the region maintains a Total Factor Productivity (TFP) growth rate of 2.67 percent per year, food demand within the region can be met and exceeded by 2030, enabling it to vastly increase its contributions to global agricultural markets. The region is in the forefront of food retailing and processing industries as supermarkets have burgeoned and many areas accounted for 60% or more of retail food sales.

Indian investors have not had any significant role to play in the LAC region in this sector yet. This is in huge contrast to India's relations with Africa, wherein India holds 4.5 million hectares of African land under foreign land acquisition deals and about 70 Indian companies are already in the process of making an entry into the agriculture sector in Africa.[51] Africa, the LAC and India are poised to play a central role in ensuring global food security in the future due to the regions' similarities – abundant natural resources and untapped production potential. Indian players need to focus on LAC as the region can become an important partner to ensure India's food security as well as develop agro-processing industries.

Table 5.8: Top Destinations in LAC Attracting Investments in Food and Tobacco and its Share in India's Global Capital Investments

Rank	Recipient Country	Global Capital Investments in Recipient Country (US$ Millions)	India's Share in Global Capital Investments in Recipient Country (%)	Share of sector in India's Global Capital Investments (%)
1	Brazil	7,029.9	-	2.1
2	Mexico	6,526.4	-	
3	Argentina	4,916.7	-	
4	Chile	1,235.0	-	
5	Colombia	950.0	-	
6	Costa Rica	844.8	-	
7	Nicaragua	600.9	-	
8	Peru	488.7	-	
9	Guatemala	371.5	-	
10	Honduras	358.7	-	

Source: fDi Markets database and Exim Bank Analysis. Data ranges from January 2011 to December 2017

Note: "-" signifies nil or negligible

[49] EY. (2016). Insurance opportunities in Latin America

[50] EY. (2017). Latin American insurance outlook

[51] PWC (2016) India Africa partnership in Agriculture: Current and Future Prospects

6. ACTIVITIES OF THE EXPORT-IMPORT BANK OF INDIA IN THE LAC REGION

The Export-Import Bank of India (Exim Bank) was set up under an Act of Parliament in 1981 and commenced operations in 1982. The Bank was set up for providing financial assistance to exporters and importers, and for functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade. In its endeavour to promote India's international trade, Exim Bank's vision has evolved from financing, facilitating and promoting trade and investments, to a conscious and systematic effort at creating export capabilities. Exim Bank today seeks to develop commercially viable business relationships with externally oriented companies.

In line with the Government of India's focus, the LAC has been a focus region for Exim Bank, and thus a critical component of its strategy to promote and support two-way trade and investment flows. Exim Bank's commitment towards building relationships with the LAC region is reflected in the various activities and programmes, which Exim Bank has set in place. Exim Bank plays a critical role and is committed towards supporting GOI's initiatives in promoting strategic partnerships with countries in different regions and especially those in the LAC region. This is achieved through continuous engagement with partner countries at bilateral, regional and multilateral levels, and financing and supporting of projects of national importance, thereby strengthening India's role as a development partner in the region. Exim Bank has representative office in Washington D.C., which play a key role in facilitating economic cooperation with the region, and is closely associated with several of the Bank's initiatives. The representative office interfaces with institutions such as Inter-American Development Bank (IDB), Washington D.C.; Banco Nacional de Desenvolvimento Economico e Social (BNDES), Corporacion Andina De Fomento (CAF), Venezuela; Banco de Inversion Y Comercio Exterior S.A. (BICE), Argentina; Central American Bank for Economic Integration (CABEI/ BCIE), Honduras; Caribbean Association of Industry & Commerce, Trinidad & Tobago; Banco Mercantil (Banco Universal) C.A., Venezuela among others, as well as Indian missions in the region.

Financing and other programmes of Exim Bank of India in the LAC Region

6.1 Lines of Credit

To enhance bilateral trade and investment relations with partner countries, and as a part of its financing programmes, Exim Bank has extended several Lines of Credit (LOCs) to overseas sovereign governments or their nominated agencies, national or regional development banks, overseas financial institutions, commercial banks abroad, and other select overseas entities, to enable buyers in those countries to import developmental and infrastructure projects, equipment, goods and services from India, on medium and long term credit basis.

These LOCs offer a risk free financing option to the Indian exporting companies, while helping them penetrate new markets, enhance their export volumes in the overseas market, and demonstrate project execution capabilities. The LOCs are aimed at financing and catalysing Indian exports by way of financing key projects of national importance to the borrower countries, such as agriculture and irrigation development, development of various small and medium enterprises, upgradation of factories, development of railways and related infrastructure, projects for transmission lines and substations, rehabilitation and improvement of water supply system, among others.

Table 6.1: List of Operative LOCs extended to Countries in LAC (as on March 31, 2018)

Country	Borrower	Goods/Projects to be covered	Amount (US$ million)
Cuba	Banco Exterior De Cuba	Setting up of a milk powder processing plant in Camaguey Province of Cuba	5.0
		Setting up of a bulk blending fertilizer plant in Cuba	2.7
		For financing the modernisation of an injectable products plant in Havana	5.0
Guyana	Government of Guyana	Supply and Installation of Fixed and Mobile Irrigation Pumps, Spares and Technical Support	3.0
		Setting up a multi-specialty hospital in Guyana	4.3
		Construction of cricket stadium	19.0
		Design, supply, installation, commissioning and maintenance of traffic signals at 50 intersections in and around Georgetown, Guyana	2.1
		East Bank-East Coast Road linkage project	50.0
		Procurement of Ocean Passenger-Cargo Vessel	10.0
		Supply of high capacity fixed & mobile drainage pumps & associated structures in Georgetown, Guyana	4.0
		Up-gradation of three Primary Health Centres in Guyana	17.5
Honduras	Government of Honduras	Export of communication equipment, medical equipment and transportation equipment	30.0
		Development of Agriculture and Irrigation Infrastructure in the Jamastran Valley in Honduras	26.5
Jamaica	Government of Jamaica	Supply of water pumps to National Water Commission	7.5
Nicaragua	Government of Nicaragua	Supply of equipment from India for building two electric substations	10.0
		Building Carlos Fonseca Substation, 95 Km Transmission Lines and expansion of three Substations (Villa El Carmen, Las Colinas & San Rafael del Sur) in Nicaragua	26.2
		Transmission lines and substation project	31.3
Suriname	Government of Suriname	Bulldozers, Trucks, Excavators, other items	15.9
		20 pump sets with allied accessories and services for 9 pumping stations in Suriname for "Phase II pumping station project"	10.4
		Purchases from BEL, HAL and Ordinance Factory Board	10.59
		10 BEML-TATRA fire tenders with spare parts	4.3
		Chetak helicopters from HAL	5.8
Total LOCs to LAC			**301.2**

To promote India’s trade and economic relations with developing countries, the Government of India launched the Indian Development and Economic Assistance Scheme (IDEAS) – with the objective of sharing India’s development experience through capacity building and skill transfer, trade, and infrastructure development, by extending concessional LOC’s routed through Exim Bank, to developing partner countries, towards creating socio-economic benefits in the partner country. The LOC programme has gained considerable recognition abroad, as it enables the LOC recipient countries access to much needed large scale developmental and infrastructure projects, on concessional and deferred credit terms.

As on March 31, 2018, the total number of operative LOCs to the LAC region stood at 22, extended to 6 countries namely Cuba, Guyana, Honduras, Jamaica, Nicaragua and Suriname, for supporting projects such as setting up of multi-speciality hospitals, irrigation, export of machinery and equipment, and amounted to US$ 301.2 million **(Table 6.1)**.

6.2 Project Exports

Under its Project Exports assistance, Exim Bank extends both funded and non-funded facilities for overseas turnkey projects, civil construction, supplies as well as technical and consultancy service contracts across various sectors of the economy. Exim Bank has financed an Indian project exporter in the region for water resources development project. Exim Bank also supports existing or new projects, plants or processes that require additional assistance in processes such as international competitive bidding, including multilaterally funded projects in India. During 2016-17, a project amounting to ₹ 56.07 crore (approximately US$ 8.64 million) in Suriname, is being executed by Indian exporters with the support of Exim Bank.

Such projects executed by assistance received from Exim Bank, have contributed to the host country’s developmental endeavours and have assisted in narrowing developmental gaps in such countries.

6.3 Buyer’s Credit under National Export Insurance Account (NEIA)

In order to provide further impetus to project exports from India on medium or long-term basis, especially in the infrastructure sector, in April 2011, a product called Buyer’s Credit under National Export Insurance Account (BC-NEIA) was introduced. Under this programme, Exim Bank facilitates project exports from India by way of extending credit facility to overseas sovereign governments and government-owned entities for import of goods and services from India on deferred credit terms. Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. NEIA is a Trust, set up by Ministry of Commerce and Industry, Government of India, and administered by ECGC. As on March 01, 2018, positive lists of 86 countries (including 25 LAC countries) have been identified by ECGC for which Indian exporters can avail Buyer’s Credit under NEIA.

6.4 Overseas Investment Finance

Exim Bank supports Indian companies in their endeavour to globalise their operations, through overseas joint ventures (JVs) and wholly owned subsidiaries (WOS). Such support includes loans and guarantees, equity finance and in select cases direct participation in equity along with Indian promoters to set up such ventures overseas. These ventures serve to promote value addition, as also contribute to capacity building and capacity creation in host countries. As on March 31, 2018, Exim Bank through its overseas investment finance programme has supported 23 such ventures, set up by Indian companies in 7 countries in LAC namely, Brazil, British Virgin Islands, Cayman Islands, Mexico, Chile, Guatemala, Panama with an aggregate sanction amount of ₹ 3,530 crore (approximately US$ 519.1 million).

6.5 Global Network of Exim Banks and Development Finance Institutions (G-NEXID)

In 2006, Exim Bank had entered into a Memorandum of Understanding (MOU) with four Exim Banks and Development Financial Institutions (DFIs) to form the Global Network of Exim Banks and Development Financial Institutions (G-NEXID). The five signatories include Export-Import Bank of India, Export-Import Bank of Malaysia, African Export-Import Bank, Andean Development Corporation and Export-Import Bank of Slovakia. G-NEXID was formally launched at its inaugural meeting at UNCTAD, Geneva on March 13, 2006. Annual Meetings are held to deliberate upon measures to foster long-term relationship, share experience and strengthen financial cooperation to promote trade and investment relations between developing countries. G-NEXID has been granted 'Observer' status by UNCTAD. Currently, G-NEXID has 25 member institutions across the globe. Among the LAC countries, members of the G-NEXID include institutions such as:

- Brazilian Development Bank (BNDES)
- Development Bank of Latin America (CAF)

6.6 Institutional Linkages

Exim Bank has been consciously forging a network of alliances and institutional linkages to help further economic co-operation with the LAC countries. These endeavours are supplemented by the various Memoranda of Cooperation (MOCs) / Memoranda of Understanding (MOUs), the Bank has in place, with key institutions in LAC including:

- Banco Nacional de Commercio Exterior, S.N.C. (Bancomext), Mexico;
- Banco de Inversion Y Comercio Exterior S.A. (BICE), Argentina;
- Caribbean Association of Industry & Commerce (CAIC), Trinidad & Tobago;
- Banco Mercantil, Venezuela;
- Central American Bank for Economic Integration (CABEI), Honduras;
- Corporacion Andina De Fomento, Venezuela;
- Banco Republica, Uruguay; and
- Several MOUs under the BRICS Interbank Cooperation Mechanism have also been entered into to forge closer collaboration among member development banks of BRICS which comprises BNDES Brazil, Vnesheconombank Russia, Exim Bank of India, China Development Bank Corporation, and Development Bank of Southern Africa

6.7 Research Studies

Exim Bank, besides offering various financial products to support Indian exporters and entrepreneurs, also carries out in-depth economic research on areas related to bilateral trade and investment, sector/ product/ country and regional studies, as also policy issues related to the external sector with a view to enhancing competitiveness of Indian exporters. Some of the recent publications of Exim Bank focusing on the LAC region include:

- Enhancing India's Trade Relations with Latin America and the Caribbean (LAC) Region: Focus on Select Countries;
- MERCOSUR: A Study of India's Trade and Investment Potential;
- Caribbean Community (CARICOM): A Study of India's Trade and Investment Potential;
- Research and Development in BRICS: An Insight; and
- IBSA: Enhancing Economic Co-operation across Continents.

To Sum Up

India and the Latin America & Caribbean region together are home to around 1.9 billion people, with a combined GDP of US$ 7 trillion, in 2016. Both India and the LAC region have emerged as major growth engines of the world, and with the growing challenges in the world economy, diversification of trade partners and access to new markets has become a priority for both the sides. With the increasing diversification of India's global trade towards other developing countries, the LAC region has emerged as an important economic partner for India.

The LAC region has a young, educated and skilled workforce, and is considered a top investment destination due to its growing industrial and manufacturing strength, and continuous improvements in the ease of doing business parameters. It is also endowed with rich reserves of agricultural and natural resources like oil, silver, gold, copper, coal, bauxite, lithium and nickel, besides others, which provides immense potential in the sectors of agribusiness and food processing; and hydrocarbons. India, as a fast growing developing economy is experiencing burgeoning food and energy needs, and therefore, deeper ties with partners in the LAC region could prove to be mutually beneficial. A number of Indian companies in various sectors have established their strong presence in the LAC region.

With a view to facilitate and further enhance bilateral trade and commercial relations with countries in the LAC region, India has put in place important policy measures as also institutional frameworks to create an enabling trade and business environment. Major policy initiatives and institutional frameworks include, among others, Focus LAC Programme, IBSA Initiative, India-LAC Partnership Conclaves, PTA with MERCOSUR and Chile, etc. India has been granted 'Observer' status in the emerging grouping, the New Pacific Alliance.

Indian OFDI towards the LAC region, which has been in the form of joint ventures and wholly-owned subsidiaries and has amounted to almost US$ 14.9 billion during the period April 2011 to November 2017. Indian OFDI has been majorly concentrated in few LAC countries like the British Virgin Islands, Cayman Islands, Brazil, Mexico, Panama, Bermuda, the Bahamas, Chile, Peru, and Colombia. Indian investors could also seek out other potential countries in the region to diversify their investment portfolios. Sectors like communications, automotive, alternative/ renewable energy, metals, business services, financial services, food and tobacco, and hydrocarbons, among others present opportunities for the Indian investors for enhancing investments in the LAC region.

About Exim Bank's Working Paper Series

As part of its endeavour in enriching the knowledge of Indian exporters and thereby to enhance their competitiveness, Exim Bank periodically conducts research studies. These research studies are broadly categorized into three segments, viz. sector studies, country studies and macro-economic related analysis. These studies are published in the form of Occasional Papers, Working Papers and Books. The research papers that are brought out in the form of Working Papers are done with swift analysis and data collation from various sources. The research papers under the series provide an analytical overview on various trade and investment related issues.

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