

3

Commercial Diplomacy in Mexico (2000-04)

ANUP MUDGAL

Consul General, Munich

Counsellor, Indian Embassy, Mexico City (2000-2004)

I joined at Embassy of India, Mexico in September 2000 and remained there till August 2004, which coincided with the Government of India's special initiative to promote trade and economic linkages with Latin America under the banner 'Focus LAC'.

The broad macro-economic assessment of Mexico was encouraging; the country had all the features of an important potential market for trade and investments – one of the largest economies in the region with a gross domestic product (GDP) of around US\$637bn (2002); a major market with a population of over 100 million; stable macro-economic fundamentals without any crisis of confidence. An annual two-way trade of over US\$325bn (2002) was comparable to the total figure for other Latin American majors namely Brazil, Argentina and Venezuela put together. The country is also amongst the top oil producers and exporters outside the Organisation for Petroleum Exporting Countries (OPEC). Mexico was uniquely placed because of its wide network of free trade agreements – a member of the world's largest economic area North American

Free Trade Agreement (NAFTA); and with a host of similar preferential arrangements with European Union, Israel and some countries of Central and South America, and further expanding. These features provided a compelling case for India to explore closer economic and trade ties.

We had absolutely no doubt that Mexico was not only a huge market in its own right but could also act as a gateway to its FTA partners. The challenge was to precisely identify potential product lines which had demand in Mexico and possibilities of competitive supplies from India. Based on the composition of the Indian export basket in the preceding three to five years, four thrust sectors were identified for trade and investment promotion. These were (i) engineering and allied products, (ii) chemicals and pharmaceuticals, (iii) textiles, and (iv) gems and jewellery. Under the services, the obvious target was software and information technology.

We used an organised approach to identify the trade opportunities. In relation to each of the above sectors, the structure of the Mexican market and imports were studied right down to the eight digits of the harmonised system (HS) and product lines of strength for India were identified. Under these four sectors, over 35 chapters of the HS and several hundred product lines at eight digits were extensively researched. For each product line, data was compiled for the existing Indian exports as also the total Mexican imports with India's market share and imports from the other major suppliers. With a view to helping the Indian companies to develop a better understanding of the market, for each product line, we provided information on the tariff and other relevant regulatory framework, including the preferential and most-favoured nation (MFN) duty rates.

Taking into account Mexico's FTAs, the Indian companies were also provided with detailed information relating to the value addition norms so that they could explore prospects for

joint ventures and other options for local production to access the huge market of Mexico's FTA partners, especially NAFTA. Our market reports also provided easy information relating to: procedures for setting up local offices; major sectoral trade fairs; specialised chambers of commerce and major potential trading partners. The market reports were widely disseminated to the Indian business community through the Ministry of Commerce & Industry website and other available channels.

In addition, special trade promotional efforts were carried out by way of participation in carefully selected trade fairs and well-organised buyer-seller meets (BSMs) covering the key sectors. The Indian participation at these events was limited to companies that had real potential rather than the usual random selection. Similar targeted efforts were carried out in terms of local publicity to improve the prospects for correct match-making.

Based on our experience of various trade promotional activities and efforts, participation in specialised sectoral trade fairs was found to be the most effective tool, especially for newcomers. These trade fairs provided the participants with the widest possible exposure to local buyers, importers and end-users. They also afforded the exporters an opportunity to learn about the nature of the local market and the products and prices of their competitors. No other purely bilateral trade event could match this advantage. BSMs were encouraged on the margins of these trade fairs or in respect of products and companies that had already gone through the initial market exposure.

The trade fairs which became targets of regular participation by Indian companies were: (i) Expo-Farma, Mexico City for chemicals and pharmaceuticals; (ii) Exintex, Puebla for textiles; (iii) Expo Internacional Rujac, Guadalajara for auto parts and tools; (iv) Expo Metal Mecanica, Guadalajara for engineering products; (v) Expo Nacional Ferretera,

Guadalajar for general hardware and tools; and (vi) PAACE Automechanika, Mexico City for auto parts. Mexican companies and buyers were also invited to visit important trade fairs in India; in many cases, these visits were sponsored by the concerned Indian export promotion councils.

Several trade chambers and export promotion councils on both sides played an important role in the promotional activities. Some of the key chambers and trade associations based in Mexico City, that proved to be extremely helpful were: (i) Mexican Foreign Trade Council (COMCE); (ii) National Chamber of Manufacturing Industry (CANACINTRA); (iii) Confederation of Chambers of Industry (CONCAMIN); (iv) Confederation of National Chamber of Commerce (CONCANACO); (v) National Chamber of Commerce of Mexico City; (vi) National Association of Chemical Industry (ANIQ); (vii) National Chamber of Pharmaceutical Industry (CANIFARMA); (viii) National Association of Manufacturers of Pharmaceuticals (ANAFAM); (ix) National Chamber of Electronic and Telecom Industry (CANIETI); (x) National Association of Mexican Importers and Exporters (ANIERM); and (xi) National Association of Departmental and Chain Stores.

On the Indian side, a very active support was provided by the Confederation of Indian Industry (CII); Federation of Indian Chambers of Commerce and Industry (FICCI), PHD Chamber of Commerce; Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council (CHEMEXIL); Export Promotion Council for Handicrafts (EPCH); Engineering Export Promotion Council (EEPC); Power Loom Development and Export Promotion Council (PDEXCIL); Synthetic and Rayon Textiles Export Promotion Council (SRTEPC); Plastics Export Promotion Council (PLEXCONCIL); Electronic and Computers Export Council (ESC); Council for Leather Export (CLE) and Indian Trade Promotion Organisation (ITPO).

We were, in a way, also lucky that Mexico, during my assignment, was passing through a phase of rapid growth and extraordinary macro-economic stability. Accordingly, the results were quite encouraging. As per the local data, India-Mexico two-way trade surged by close to 250 percent from US\$384mn in the year 2000 to US\$1314mn in the year 2004, almost 3½ times in four years. This trend continued and the bilateral trade was all set to cross US\$2bn at the close of 2007. The sector-wise performance was quite balanced and the chapters covered by our market reports demonstrated strong performance.

Our efforts to promote joint ventures and investments in thrust areas of IT, pharmaceuticals and engineering also showed encouraging results. Total investment by people of Indian origin in Mexico had reached around US\$1.6bn till I left and new ventures were emerging in the area of pharmaceuticals, IT and electronics.

Indo-Mexican bilateral trade far exceeded the general trend, both in terms of total Mexican imports and global Indian exports. For the period 2000-2007, global Mexican imports went up from US\$174bn to US\$283bn (a 62 percent increase). Indian global exports went up from around US\$45bn (2000-01) to US\$126bn (2006-2007), an increase of 180 percent. Compare these figures with Indian exports to Mexico for the period 2000 to 2007: they surged from US\$288mn to around US\$1207mn, an increase of over 320 percent. New Indian joint ventures in the fields of pharmaceuticals and IT have the potential of adding substantial value to the future economic linkages.

This performance evidently goes beyond being a sheer coincidence. On the other hand, howsoever much an Embassy or a commercial office located abroad may wish to see a higher level of trade between the home country and the receiving State, it is not itself a direct agent engaged in trade. The

commercial diplomats work with those engaged in business and facilitate higher trade flows. They may provide better information to the home exporters on the target markets and encourage and motivate them to come forward. They also work with the trade entities of the target country, promote visits by businessmen in both directions and improve mutual familiarity through participation in trade exhibitions and the like. All these activities involve close liaison with businessmen, chambers of commerce and other trade multipliers. This was our experience and we saw that in the process of building trade and investment related connections, we also found new opportunities for closer political, cultural and other ties. This is a reflection of the interconnectedness of diplomatic work, which is a continuous process where each diplomat further builds on the work done by his/her predecessors and hands over the process to the successor for continuation. The officials keep changing but the process moves on.

Editor's Note: The two-way India-Mexico trade was US\$541mn in 2005-06, and reached US\$2.4bn in 2008-09.