

January 14, 2014

India and the Lusophone market



MANOJ S KAMATI India with GNI per capita at 1,530 USD and a demographic mass of 1.24 billion is the largest federal constitutional parliamentary democracy. The economy of India is the tenth- largest in the world by nominal GDP and the third largest by purchasing power parity (PPP), 4th in terms of GDP in USD, and 9th as per GDP according to the UN. It is one of the G-20 major economies and a member of BRICS and is the 19th- largest exporter and the 10th- largest importer in the world. India's diversity in language, religion and customs are impressive.

However under the storm clouds that have been hanging over the global economy, India slowed to around 5.0 per cent for the 2012– 13 fiscal year compared with 6.2 per cent in the previous fiscal.

Significantly, even after the financial crunch, the Indian economy was able to protect itself reasonably well in the turbulent conditions and the recovery was swift and sharp. The structural changes that occurred in the Indian economy over the last two decades have imparted greater resilience to the system and in making the economy more competitive.

With close to 250 million speakers, the Portuguese language is the fifth most spoken language in the world and the official language in eight countries across four continents, five being in Africa (Angola, Mozambique, Guinea Bissau, Cape Verde, São Tomé and Príncipe) and one each in Europe (Portugal), South America (Brazil) and Asia (Timor- Leste), having cultural similarities and a shared history. Portuguese is also an official language in Macau (China) and is spoken by thousands of people in smaller regions across the world, including in Goa, Daman and Diu. Each of the countries offers a distinct stake for Indian interests, and together they represent eight valuable votes and a lot of influence on the global stage. Given this potential, the economic and strategic importance of the Lusophone world to India's interests cannot be minimized.

On the economic front, India's economic engagement with Lusophone countries is already set at an advanced stage, but lots remain to be tapped.

For instance, the Indian market continues to represent less than 0.20 per cent of total Portuguese exports. Overall India's business investment in the Lusophone countries has shown an upward trend since 2006, from a total investment of USD 3 billion to around USD 20 billion in 2012- 13. More particularly, Brazil's trade relations with India have witnessed a ten- fold increase in the last decade and is expected to reach \$ 15 billion by 2015, with exports of \$ 5.04 billion and imports of \$ 5.58 billion, close to a ten- fold increase in the last ten years. These numbers include \$ 2 billion in the export of diesel and \$ 3.4 billion Indian import of crude oil. So, in 2012, \$ 5.4 billion accounted for oil trade out of total \$ 10.6 billion-- over 50 per cent of the trade. 76 per cent of Indian imports from Brazil were crude oil, sugar and soya. The good news is the increase in pharmaceutical, fertilizers and chemicals exports to Brazil from India which together is now close to \$ 1 billion. Auto components and electrical and mechanical equipment have also seen good growth, as have textiles and fibre exports.

Enhanced trade with and through Portugal can also facilitate India's entry into Angola and Mozambique, as well as other Lusophone countries. Indian investors could also explore opportunities in the energy sector, as Portugal now is the third largest producer of renewable energies in Europe.

Angola has become one of India's major trading partners in Africa, mainly due to its massive reserves of natural resources. 5 per cent of India's oil imports already originate from Angola, and there is immense scope for further Indian bids and investments, from exploration and refinery capacity to supporting infrastructure such as railways and specialized training. The same applies to the booming diamond industry, Angola being the world's fifth largest producer in value and a privileged source for India's polishing and commercialization segments. The monumental growth in Indo- Angolan trade (more than 3,000 per cent in the last five years) goes much beyond oil and petroleum products and reflects the immense potential of what, at 9.3 per cent, is predicted to be the fifth fastest growing economy in the world.

Mozambique's natural resources like coal and offshore gas have attracted several major public (ONGC, GAIL) and private investments from India and this is perhaps one of the few African countries in which India has been able to compete with China in terms of influence.

The country's strategic location on the East African coast, facing the Mozambique Channel and in the proximity of several piracy- affected sea lines of communication, also offers immense potential for closer military relations, allowing India's Navy to develop its oceanic ambitions.

To aid banking related information exchange and prevent tax evasion, India has signed a double taxation avoidance agreement (DTAA) with Macau. The agreement will also help to generate a better investment climate for Indian businesses in Macau-- a special administrative region of China and a well known offshore financial centre and tax haven. The smaller Lusophone countries also offer distinct opportunities for India. There are substantial resources such as oil and gas reserves in the Timor Sea (jointly explored with Australia) and oil reserves in Sao Tome and Principe (with Nigeria) where important Indian investments are at stake.

The international contours of trade for the Lusophone countries are changing dramatically. For instance, traditional business partners like Spain, France and Germany are not anymore the countries with higher growing rates.

In the crisis scenario, it is essential for emerging nations like Brazil and Portugal to design their strategy to strengthen their position in new emerging economies. Possibilities for enhanced trade and investments in India offers such an opportunity.

According to a Goldman- Sachs report the so- called emerging economies had contributed " to over a third of the world ' s GDP growth and occupied almost a quarter of the world economy in PPP (Purchasing Power Parity) terms" in the last decade. In fact, there are projections of BRIC overtaking the USA as the economic colossus in 2018, and, for example, Brazil to surpass Italy in 2020 and India or Russia to be soon larger than Spain or Canada.

In the background of the uncertainty taking a toll on most of the economies in the European region, India could explore to its advantage the positive image it enjoys in Lusophone societies. This present International Congress on the theme could help foster ties and help find new partners and opportunities.

The Business Advisory Services of the Lusophone Society of Goa is enthusiastically willing to work together through the network to conduct transnational operations for mutual trade and investments as well as to offer specialist knowledge and experience within our own national borders.

The writer is special advisor, Lusophone Society Goa (LSG).

The Lusophone Society in collaboration with Confederation of Indian Industry, IDEA (Institute of Asian Studies) and AAPI (Friendship Association Portugal- India) is hosting an International Congress on ' India and the Lusophone market' on January 14 and 15 at Hotel Mandovi, focusing on India and the market of the Portuguese- speaking countries