

IT enabled services supply and trade between India and Latin America

and its potential contribution to the post-pandemic recovery

Nanno Mulder

Jefe de la Unidad de Comercio Internacional de la Division de Comercio Internacional e Integracion,
CEPAL

Prachi Agarwal

Research Consultant, Center for Policy Research, India

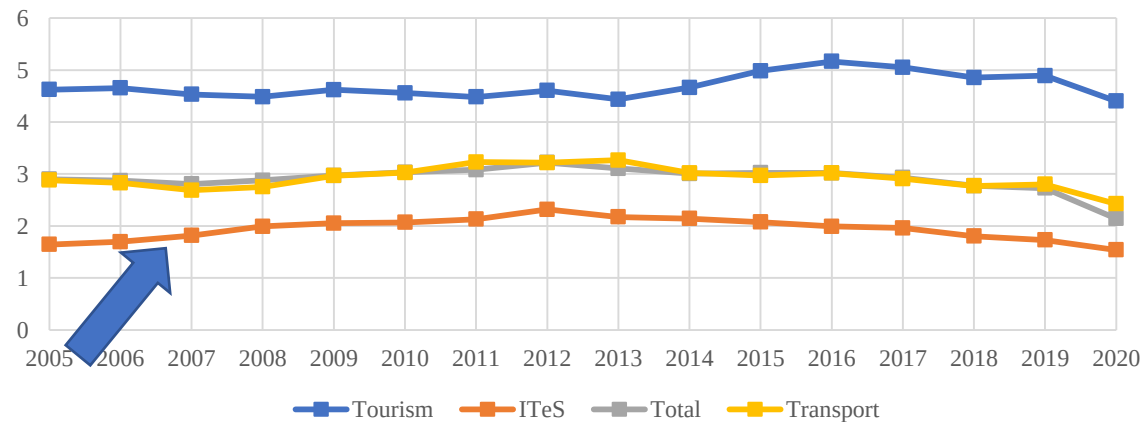
LAC-India in ITeS sector

- Latin American and the Caribbean (LAC) region's trade in goods and services with India has grown manifold in the last decade
- One industry attracting recognition is the Information Technology (IT) and IT-enabled services sector
- Both regions benefit from the availability of:
 - A large educated workforce,
 - ICT-related infrastructure,
 - Some technologically advanced service industries
- Multiple Indian IT firms (Wipro, Tata Consultancy Services, Evalueserve, Tech Mahindra, and Tec.know Services) have set up offices in LAC countries (Brazil, Chile, Colombia, Mexico, and Uruguay) (> 50,000 employees)
 - Deliver IT solutions on a *best shore basis*
 - Benefit from the complementary time zones
 - Educated engineers

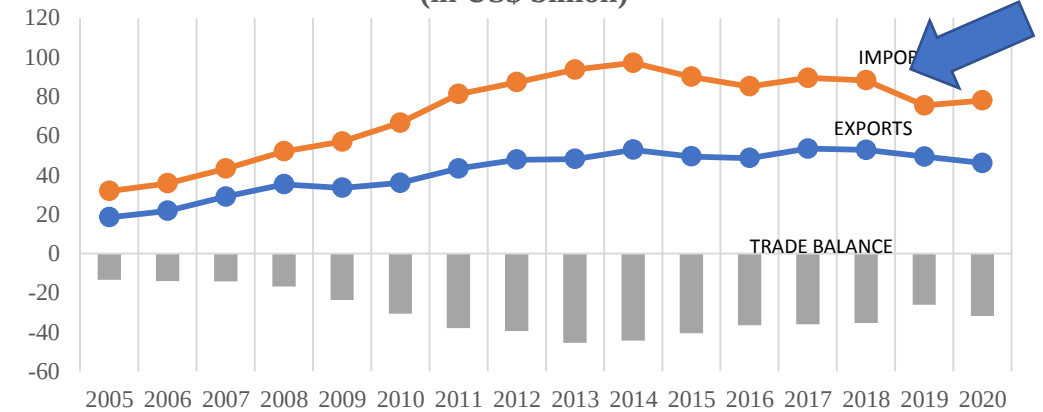
LAC countries are small global ITeS players

(Brazil, Argentina, Costa Rica, Mexico, Chile, Colombia)
and experienced low impact of COVID-19

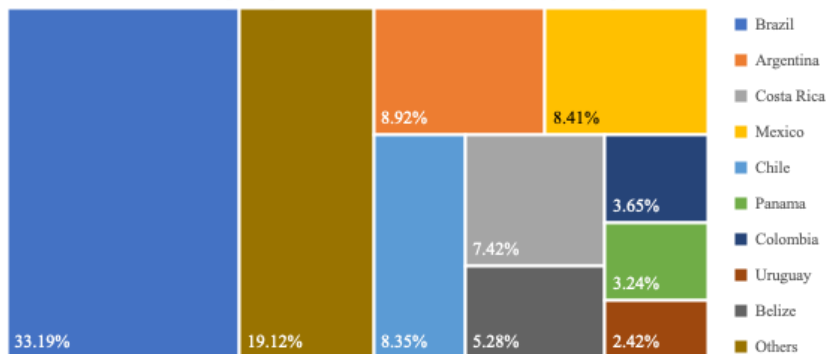
Latin America and the Caribbean: Participation in world exports of services, 2005-2020 (%)



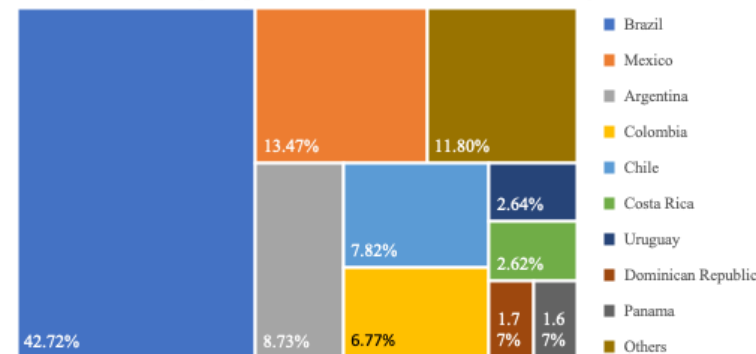
Exports, Imports and Trade Balance in ITeS (in US\$ billion)



Top exporters of ITeS in 2020 (Percentage)



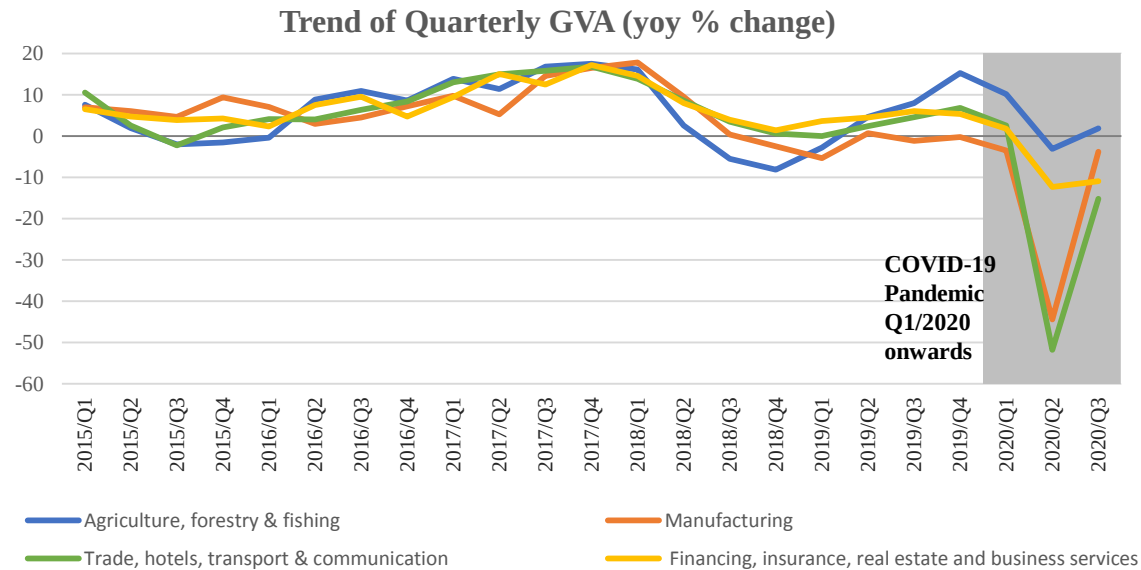
Top importers of ITeS in 2020 (Percentage)



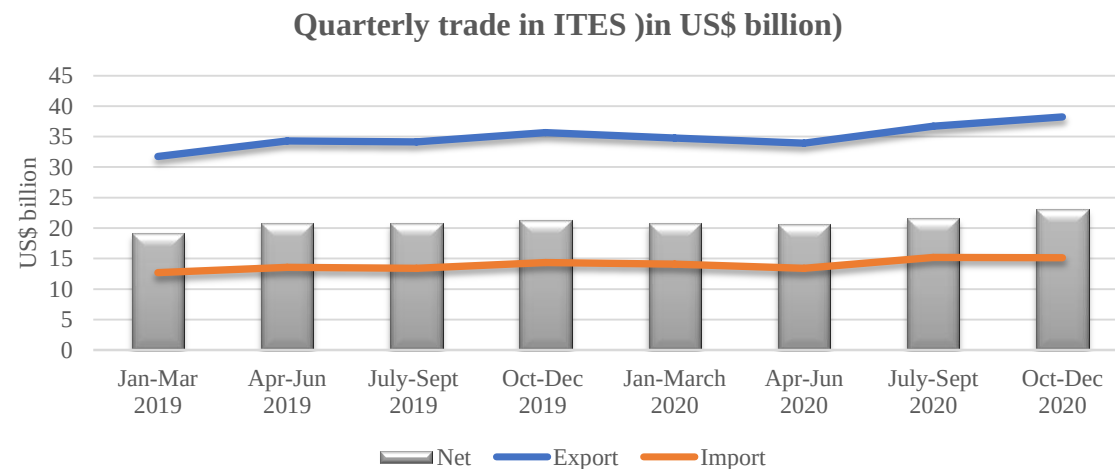
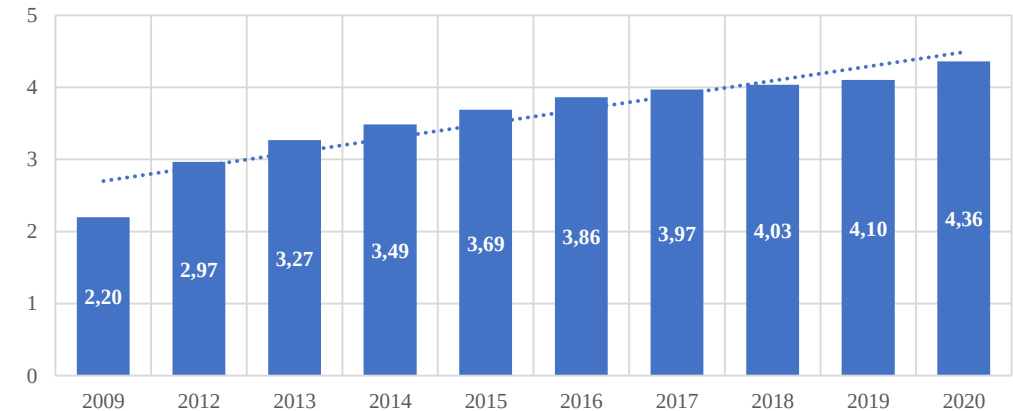
Source: WTO

India: ITeS sector grew during 2020

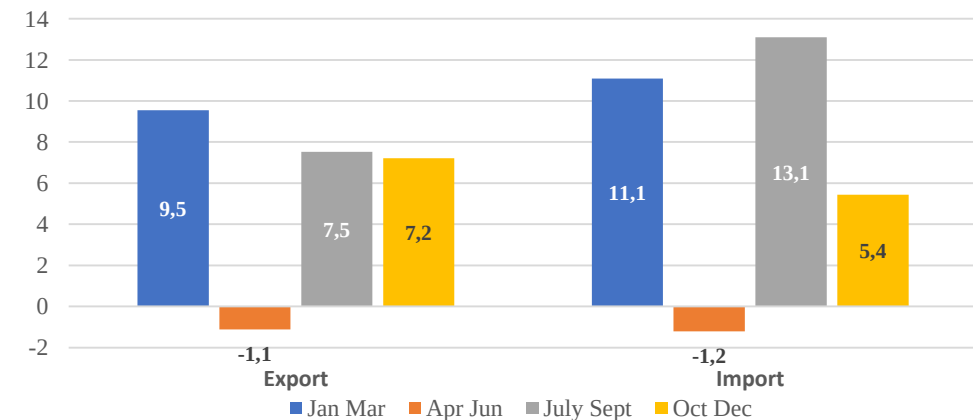
Both domestic (employment) and export sector



Employment in the IT-BPM sector, in million (2009-2020)



YOY growth per quarter in ITeS trade (%)

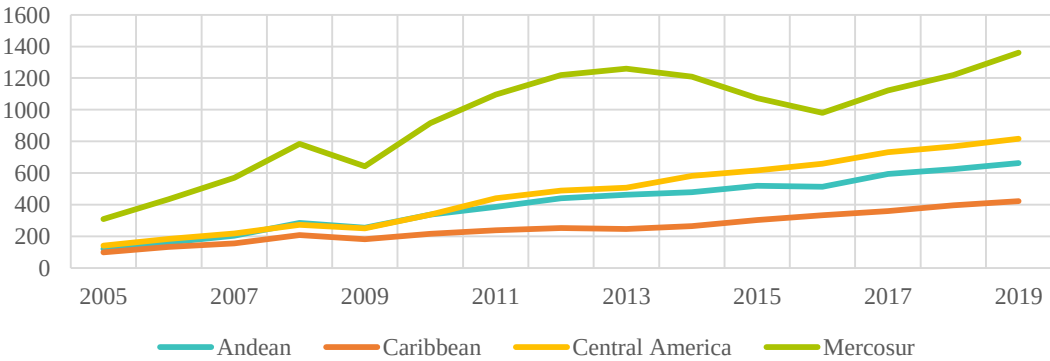


BILATERAL TRADE IN ITES SECTOR

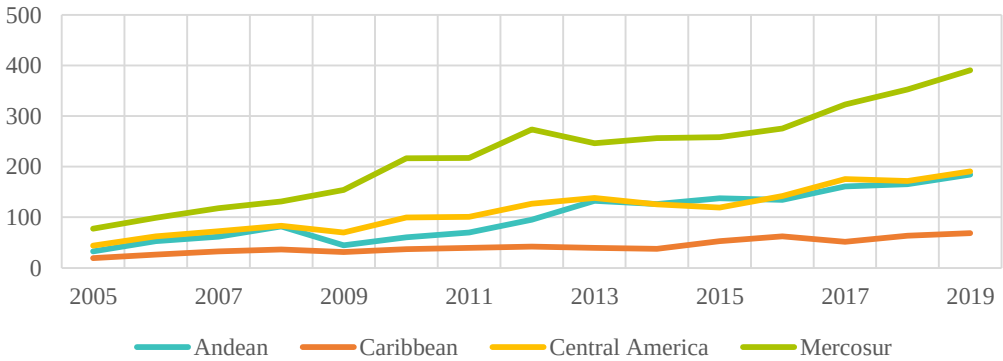
India exported US\$ 3.3 billion worth of IT-enabled services to the LAC region in 2019 and imported US\$ 835.4 million in 2019

Mercosur members and Central American countries (incl. Mexico) were the largest bilateral partners

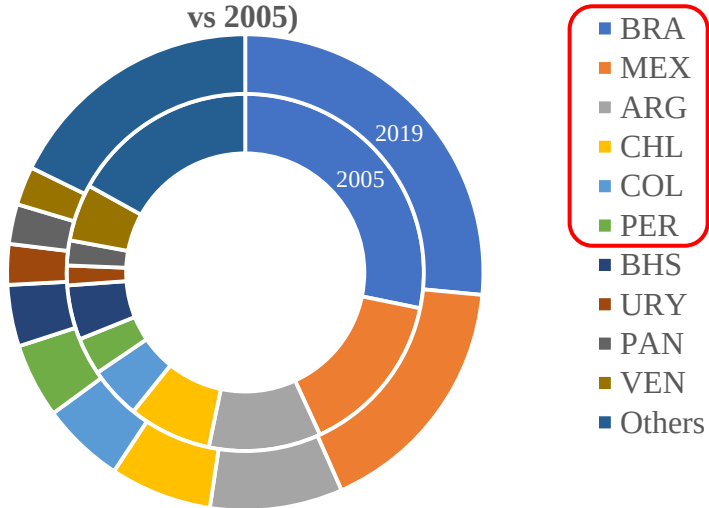
Indian exports of ITeS to LAC region
(in US\$ million)



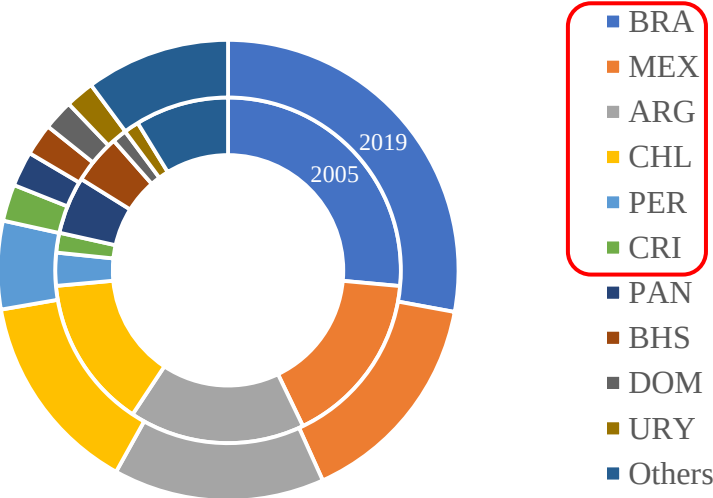
India ITeS imports from LAC region
(in US\$ million)



Top destinations in LAC region for Indian ITeS exports (2019 vs 2005)

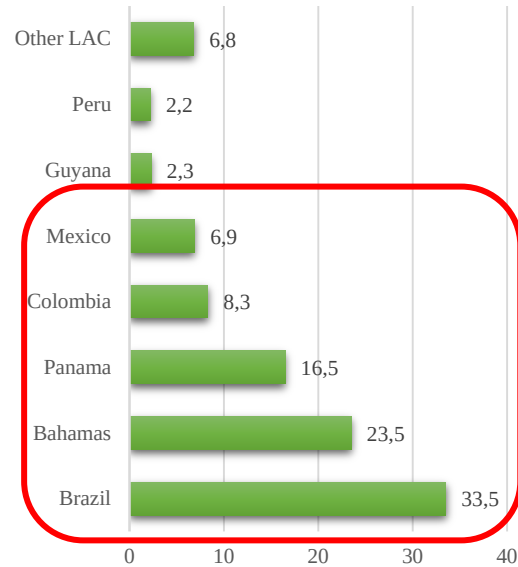


Top sources of ITeS imports in LAC region (2005 vs 2019)

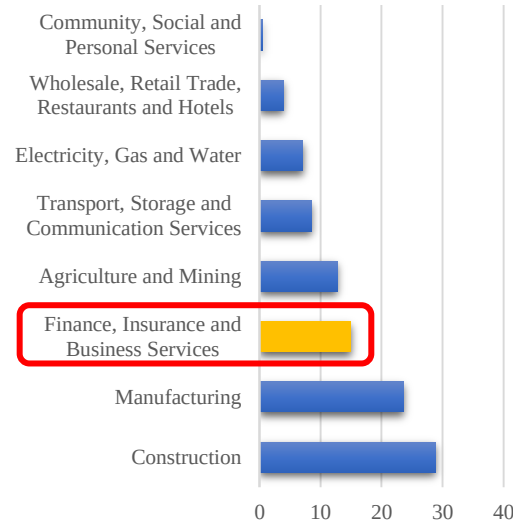


Foreign direct investment (FDI) has been limited between the Latin American and the Caribbean countries and India

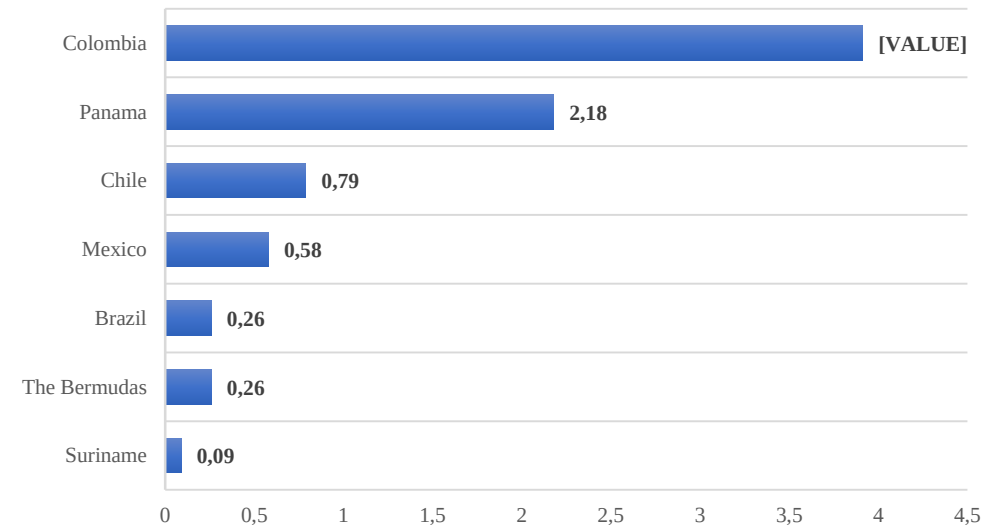
**FDI inflow in LAC from India
(Jan 2008-Dec 2018) (%)**



**Composition of FDI inflow in
LAC from India (Jan 2008-
Dec 2018) (%)**



**Cumulative inward FDI from LAC in Computer
Hardware and Software in the period 2010-2020
(in US\$ million)**



Source: EXIM Bank of India, Inter-America Development Bank and Reserve Bank of India

Promoting trade and investment between LAC – India (G2G)

- Ministry of Commerce and Industry, Government of India had put in place a trade promotion initiative called the *Focus LAC Program* in 1997 (institutional mechanisms, measures to improve market access, and economic infrastructure facilities).
- Under this initiative, the India-Mercosur and the India-Chile (and its expansion) Preferential Trade Agreements (partial-scope) were signed in 2005 and 2006 (and 2017) respectively.
- India- Peru Free Trade Agreement (FTA) currently being negotiated will include chapters on the trade of goods and services, investments, and the movement of professionals
- India and Brazil signed an amended Double Taxation Avoidance Agreement in early 2020 to for the benefit of IT firms
- India hold an observer status in the Pacific Alliance

Impact felt on three–levels across ITeS firms in India and LAC

(based on company interviews)

Organization Level

- Resilient, less impacted, faster bounce-back
- Adoption of technology (AI, cloud-tech, encryption system), diversification into new IT verticals (fintech, e-health, e-education, e-commerce, AI)
- Work from home (WFH)- infrastructural delays limited to Aug 2020
- Worse impact on SMEs: negative revenue, slower growth, spending cuts)

Client Level

- Shock to clients, delay in future projects
- Timely communication, re-assurance
- Innovative client-oriented solutions (cloud services, data privacy, digital identity, internet-of-things)
- Increased demand for technology: robotic automation, AI
- Diversified and new clients due to greater demand for digital connectivity and cybersecurity

Employee Level

- Mental and physical well-being
- WFH and secure borderless workplaces(workplace of the future): cost optimization, saved travel time, higher productivity
- Permanent shift to WFH for 50% workforce in the industry
- Lower travel for business: shift to online collaborations/ digital interfaces
- Acceleration of upskilling and re-skilling (digitized practices)

Recommendations to increase bilateral trade and investment

What LAC can do itself

- Promote development of ITeS sector and exports on a national and regional level (RTAs)
- Adoption of technology and workplace of the future
- Targeted upskilling and education programs (industry-university nexus)
- Access to cheap high-speed stable internet connection
- Support and credit for ITeS SMEs
- Regional harmonization of services standards to ease transactions, cross-border trade, movement of professionals, double tax avoidance

What India can do for itself

- Publish reliable services bilateral trade data
- Establish technology-innovation excellence centers in universities
- Tech-based solutions for agriculture and labor management

Bilateral measures

- Scope for more IT companies to invest and set-up operations in each others' territories
- Diversify office locations and provide services on best shore basis
- Knowledge-sharing among regions: Learn fintech adoption from India
- Facilitate bilateral movements of IT labor force
- Scope for FDI and trade (B2B, B2G, G2G)
 - Export promotion (ProChile, ProColombia, CINDE, Uruguay XXI, CONAPRI)
 - Sign Bilateral investment treaties, FTAs
 - Business events, delegations, ministerial partnerships

THANK YOU!

nanno.mulder@cepal.org

prachi@cprindia.org