

# Territorial NEWSLETTER Latin America

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ENGINEERING THE FUTURE

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## Chairman's Pen



In the wake of Trans-pacific Partnership, there are widespread speculations as to how the TPP will impact India and its global trade share. Chile and Peru are the members of TPP and since they are very important trade destinations for India's export. It is quite possible that India's position might get adversely affected. TPP will be a comprehensive deal for all TPP member countries that would range from providing market access for goods and services to ensuring strong and enforceable labour standards and strict adherence to standardized environmental commitments. Now in this scenario it becomes pivotal to explore ways in which India's exports can be safeguarded like we can review the already existing preferential trade agreements with MERCOSUR region and other Latin American countries. Also we have observed that engineering exports in LAC region have faced a decline as compared to last month. We need to probe in deep to understand the major factors which are responsible and need to timely mitigate them in order to flourish India's exports globally. In manufacturing sector, TPP will lay a major impact through implementing specialized standards. The industry needs to gear up in order to remain at par and also keeping India's position safe and secure.

I hope that this newsletter will be insightful for our readers and I hope they enjoy reading it.

**Tarvinder Singh Bhasin**

## LA Territorial Committee Chairman's Note



In this edition of the 'Newsletter on Latin America', we have discussed the impact of Trans-Pacific Partnership on India's global trade. The newsletter also gives an insight on the top engineering product panels that is imported by LAC and compiles tender information and key news items on LAC.

We really need to improve on the standardization in manufacturing sector to keep pace with the global scenario.

The subsequent issues will keep you updated on India's relation dynamics with the countries in Latin America and Caribbean region.

We are hopeful that the newsletter will give fruitful information to our readers.

**Pankaj Chadha**

## Basic Facts: Latin America & Caribbean

**Area:** 19,197,000 Sq. km

**Population:** 589 million

**GDP:** USD 5.650 trillion

**Climate:** mostly temperate; arid in southeast; sub-Antarctic in southwest

**Natural resources:** precious metals, sugar, rubber, grains, coffee, copper, and oil

## India- MERCOSUR\* section

MERCOSUR is a trading bloc in Latin America comprising Brazil, Argentina, Uruguay, Venezuela and Paraguay. MERCOSUR was formed in 1991 with the objective of facilitating the free movement of goods, services, capital and people among the four member countries. It is the third largest integrated market after the European Union (EU), North American Free Trade Agreement (NAFTA). India and MERCOSUR have signed a PTA which came into effect on 1st June, 2009. The aim of this Preferential Trade Agreement is to expand and strengthen the existing relations between MERCOSUR and India and promote the expansion of trade by granting reciprocal fixed tariff preferences.

India's bilateral trade with the LAC region has increased significantly from \$3.7 billion a decade ago to \$45 billion 2014-15, it is still a small fraction. The total products in MERCOSUR offer list is 452 out of which 127 products are from engineering sector comprising of 28.17% of the total share. This indicates the significance of engineering products in the export of India.

**Table 1: Major Export destinations in LAC & MERCOSUR for India in October 2015**

LAC	India's Export in October 2015 (USD Million)	MERCOSUR	India's Export in October 2015 (USD Million)
Mexico	145.21	Brazil	44.46
Brazil	44.46	Argentina	12.61
Colombia	40.63	Paraguay	8.09
Chile	36.26	Uruguay	4.17
Peru	28.64	Venezuela	1.99
<b>Total</b>	<b>295.20</b>	<b>Total</b>	<b>71.32</b>

The total export of India to MERCOSUR in October, 2015 is valued at 71.32 million USD which is 1.61% of the total engineering export of India to the world, whereas India's export to Latin America and Caribbean is valued at 235.82 million USD, constituting 5.32% of its total export to world. For the full year 2014, the total export of India to LAC countries which are part of MERCOSUR was valued at 1297.73 million USD representing 31% of the total export of India to the region. This indicates that India's trade with MERCOSUR member countries has improved after signing of the India MERCOSUR PTA.

**Table 2: Top 10 panels of Engineering Goods Exported to MERCOSUR & LAC by India**

Top panels export to MERCOSUR	Value in October 2014 (USD million)	Value in October 2015 (USD million)	Top panels exported to LAC	Value in October 2014 (USD million)	Value in October 2015 (USD million)
<b>Auto Components/Parts</b>	18.67	13.84	<b>Motor Vehicle/cars</b>	57.55	51.51
<b>Electrical Machinery</b>	5.24	7.59	<b>Two and Three Wheelers</b>	30.20	38.30
<b>Products of Iron</b>	7.24	7.31	<b>Products of Iron</b>	16.87	27.89
<b>Iron and Steel</b>	17.53	6.51	<b>Auto Components/Parts</b>	24.20	21.47
<b>Motor Vehicle/cars</b>	8.53	6.28	<b>Iron and Steel</b>	43.56	16.73
<b>Industrial Machinery</b>	7.69	5.00	<b>Aluminum and products</b>	10.90	16.06
<b>Two and Three Wheelers</b>	2.73	3.68	<b>Electrical Machinery</b>	12.49	12.59
<b>Medical and Scientific instruments</b>	4.11	3.63	<b>Industrial Machinery</b>	15.59	11.58
<b>IC Engines and Parts</b>	3.40	3.55	<b>Nuclear Reactors</b>	6.19	9.29
<b>Aluminum and products</b>	1.27	3.54	<b>Medical and Scientific instruments</b>	6.16	6.02
<b>Total</b>	<b>76.41</b>	<b>60.94</b>	<b>Total</b>	<b>223.69</b>	<b>211.43</b>

The table above comprises of the top 10 exported engineering products to MERCOSUR & LAC. Comparative analysis of month by month data of subsequent years (2014 and 2015 for the month of October) reflects that the overall Indian exports have declined for both LAC & MERCOSUR region. For MERCOSUR it has gone down from 76.41 million USD to 60.94 million USD whereas for LAC it has declined from 223.69 million USD to 211.43 million USD from October 2014 to October 2015. This decrease in export of engineering products from India to MERCOSUR and LAC region shows a negative impact on India's global trade which should be probed and improvement is needed for enhancing the exports to LAC and MERCOSUR region.

### TPP Impact on India's Export to Latin American region

The **Trans-Pacific Partnership (TPP)** is a trade agreement among twelve Pacific Rim countries concerning a variety of matters of economic policy, which was reached on 5 October 2015 after 7 years of negotiations. It comprises of 12 member nations Singapore, Brunei, New Zealand, Chile, U.S., Australia, Peru, Vietnam, Malaysia, Mexico, Canada and Japan. TPP is a regional, regulatory and investment treaty - a key trade initiative. TPP will unlock opportunities for American manufacturers giving an impetus to 'Made in America' exports thereby supporting job creation and increase in wage growth. TPP will be a comprehensive deal for all TPP member countries that would range from providing market access for goods and services to ensuring strong and

enforceable labour standards and strict adherence to standardized environmental commitments. The TPP is an economic arm of the US Rebalance to Asia Policy. Since India has been an important part of the Asia policy, and is not a signatory to the TPP, there are widespread speculations as to how the TPP will impact India. While several opine that the overall impact is uncertain at this point, there are various channels through which the TPP can affect India. For instance, India's exports are going to be impacted when the TPP is in place as there would be significant diversion in trade and foreign investments from the Indian market. The TPP would set a precedent to high global standards and in the event of India's failure to mature and revitalize its manufacturing industry, and induce efficiency in its export sector, it would be increasingly difficult for India to be able to export even if it's a part of RCEP. Even though TPP is open for new members, the standards set by TPP are too high for India to join. India may not be able to meet many of the commitments, for instance the supply chain management or regulatory coherence among others.

By not being a part of TPP, India is going to lose the preferential access to the US market which is a big market for Indian exports, however, the extent of the impact from trade diversion would depend on the concessions finally agreed. Indian exports will be adversely impacted more due to the non-tariff measures rather than tariff measures as the tariff measures are already low in larger markets such as the US and EU. In addition to labour and environmental regulations, intellectual property rights (IPR) protection is a significant component to the TPP negotiations. The IPR standards are much more demanding than those of WTO. Most of the standards in the TPP negotiations are to converge to US standards or to the standards of developed markets. There is expectation of significant foreign investment diversion from India. This would require significant efforts by India to reform its domestic policies to comply with the same or be left out of the growth in global trade which would be witnessed due to these multilateral trading arrangements.

A key component of Make in India is attracting foreign investment. If the US manages to bring TPP nations closer to its own IPR regime and make them commit to an agreement preventing expropriation, it will make it difficult for India to attract foreign investment, especially given its history of retrospective taxation. In other words, some TPP nations will then become more attractive destinations for foreign investment flows. Thus, significant foreign investment diversion, including a deceleration in foreign investment flows to India, is a possible consequence of the TPP.

### **India-Peru trade can be adversely effected-**

India holds 11th position among the top exporters of the world to Peru with 1.91% share which is valued at 381.92 USD million. But as we have discussed above that once TPP comes into force with Peru as a member then India's trade with Peru will get adversely impacted. To avoid such situation India needs to review the preferential trade agreement with all the Latin American countries who are a part of TPP.

<b>Table 3: Major exporters to Peru (*all values in USD million)</b>						
<b>Exporters</b>	<b>Imported value in 2010</b>	<b>Imported value in 2011</b>	<b>Imported value in 2012</b>	<b>Imported value in 2013</b>	<b>Imported value in 2014</b>	<b>% Share</b>
<b>China</b>	3599.90	4400.01	5550.71	5785.41	6102.69	30.56
<b>United States of America</b>	2404.29	2902.81	3347.56	3125.15	3061.75	15.33
<b>Mexico</b>	778.69	969.71	1182.10	1259.46	1332.09	6.67
<b>Brazil</b>	1331.97	1427.91	1518.58	1450.47	1124.19	5.63
<b>Germany</b>	641.17	822.42	1051.38	1055.71	1122.60	5.62
<b>Korea,</b>	670.55	1144.62	1249.27	1080.22	942.82	4.72

Republic of						
<b>Japan</b>	1184.60	1167.41	1315.04	1238.21	924.17	4.63
<b>Italy</b>	321.68	476.26	566.74	557.50	493.24	2.47
<b>Thailand</b>	325.75	336.73	361.63	542.12	479.78	2.40
<b>Spain</b>	203.74	298.07	505.36	549.79	461.55	2.31
<b>India</b>	223.67	258.88	355.42	319.20	381.92	1.91
<b>Chile</b>	196.59	289.77	280.17	300.46	319.78	1.60
<b>Turkey</b>	173.63	323.20	219.20	307.00	261.63	1.31
<b>Canada</b>	177.82	236.02	247.25	214.98	260.87	1.31
<b>Colombia</b>	206.69	225.63	268.03	265.25	252.17	1.26

India needs to probe in deeper in order to understand the reasons behind the lacking in exports to Peru even after having capacity in the sector. India's total engineering export is valued at nearly 72 USD Billion whereas its export to Peru is limited at 0.38 USD Billion.

**Table4: Peru's Engineering Sector Trade Trend (\*All values in USD Million)**

	2012	2013	2014	CAGR
<b>Peru's import from India</b>	355.42	319.2	381.92	-0.46
<b>Peru's import from World</b>	20834.39	20714.15	19969.00	-0.52
<b>India's export to World</b>	65968.22	76075.78	78607.39	-0.40
<b>India's share in Peru's import basket</b>	1.71	1.54	1.91	

The situation will get worse with TPP coming into picture. India needs to gear up and sign more preferential trade agreements with Chile, Peru & Mexico, in order to save its trade share with Latin American Region.

### LAC-India – Information Guide

LA has a website –LA helpdesk which provide crucial information regarding any trade related query.

The link for the website is:

**Source:** <http://lanic.utexas.edu/la/region/business/index.html>

For all the business travel related information regarding Latin America can be found at the link below.

**Source:** <http://www.businesswithlatinamerica.com/travel.html>

### News in Focus

**Brazil keen to further strengthen trade ties with India**



Brazil would like to expand its trade relation with India beyond the area of just tariff with improved and better rules. Brazil has been emphasizing with all the countries to harmonize and make rules easier. Brazil currently have about 450 products included in the tariff agreement. They would like to see this figure grow to 2,500.

Link: <http://indiatoday.intoday.in/story/brazil-keen-to-further-strengthen-trade-ties-with-india/1/524137.html>

### **India in talks with Peru for free trade pact, wants to widen trade base with Latin American nations**

India wants to trade more with Latin American countries by widening the scope of its preferential trade agreement (PTA) with the MERCOSUR bloc comprising Brazil, Argentina, Uruguay and Paraguay. India and the Latin American countries need to work towards deepening their existing trade pacts to realise the full trade and investment potential that exist between the two regions. Bilateral trade between India and Latin America was \$45 billion in 2014-15. While trade between the two regions has grown several times over the last 10 years, it still is a very small part of India's total trade of \$758 billion. India's cumulative Foreign Direct Investments in the region is around \$15 billion.

Link: [http://economictimes.indiatimes.com/articleshow/49273488.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](http://economictimes.indiatimes.com/articleshow/49273488.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

### **Latin American contribution to India's energy security**

Latin America has become a regular new source for India's imports of crude oil in the last fifteen years holding 19% share in India's global imports of 189 million tons . It was Reliance which opened Latin America as an import source in 2000. India's import of crude is projected to reach 7.2 million bpd from 3.7 m in 2014 and import dependency to go up from 70% of demand in 2014 to 90% in 2040. It is India's strategic policy to reduce the over dependence on the politically unstable Middle East and diversify its crude import sources. This Indian objective fits in with Latin America's own strategy to cultivate India as a market for its crude exports.

Link: <http://businesswithlatinamerica.blogspot.in/>

### **Latin America faces GDP contraction in 2015**

Latin America is projected suffer a negative growth of -0.3% in 2015 and resume marginal growth of 0.7% in 2016, according to the 5 October 2015 estimates of ECLAC, the UN Economic Commission for Latin America and Caribbean. Among the main factors behind the growth drop are a weak internal demand; a global environment marked by a low growth of the developed world; an important deceleration in emerging economies, especially China; the strengthening of the dollar and a growing volatility in financial markets; and an important fall in primary goods prices Brazil's GDP is projected to contract by 2.8% and that of Venezuela by 6.7%. Both the countries are likely to continue the negative growth in 2016 too with Brazil shrinking by -1% and Venezuela by -7%. Mexico's growth projection for 2015 is 2.2%, Argentina's 1.6%, Colombia's 2.9%, Peru 2.7% and Chile 2.1%. Panama will have the highest growth at 5.8%, followed by Dominican Republic at 5.6% and Bolivia at 4.4%

The Indian business need not be discouraged by this lower growth. There are many overall macroeconomic indicators of the region which are positive. The economies of the region have developed resilience and have the capacity to accelerate growth in the coming years. India's trade with the region continues on its trajectory of growth. It can reach 100 billion dollars by 2020 from the 43 billion in 2014-15. The good news is that the Latin Americans have started paying more attention to India after the slowdown of the Chinese market.

Link: <http://www.businesswithlatinamerica.com/>

## Tender Information in LAC

Prior information Notices

TI ref No.	Title	Link
30974989	Sets acquisition bike submersible centrifugal pumps for emissaries strong and tupy - un santos - rs, Brazil	<a href="http://www.tendersinfo.com/details/30974989">http://www.tendersinfo.com/details/30974989</a>
30975412	Metals and polymers for engineering services, Argentina	<a href="http://www.tendersinfo.com/details/30975412">http://www.tendersinfo.com/details/30975412</a>
31004150	Air conditioning equipment, Chile	<a href="http://www.tendersinfo.com/details/31004150">http://www.tendersinfo.com/details/31004150</a>
31003054	Supply of materials for the construction of cultural center for seniors in the village of las mananitas, Panama	<a href="http://www.tendersinfo.com/details/31003054">http://www.tendersinfo.com/details/31003054</a>
31058424	Purchase and installation of an electronic controller 04 stages and a module portable programmer, Brazil	<a href="http://www.tendersinfo.com/details/31058424">http://www.tendersinfo.com/details/31058424</a>
31058366	Acquisition of traffic lights, supports and columns for the traffic lights on the trunk, Ecuador	<a href="http://www.tendersinfo.com/details/31058366">http://www.tendersinfo.com/details/31058366</a>
31015689	Works Infrastructure Improvement to the Regional Building and Remodeling, Honduras	<a href="http://www.tendersinfo.com/details/31015689">http://www.tendersinfo.com/details/31015689</a>
31020331	Purchase of office supplies, Brazil	<a href="http://www.tendersinfo.com/details/31020331">http://www.tendersinfo.com/details/31020331</a>

For more contract notices, Please follow the link:

<http://www.tendersinfo.com/global-latin-america-tenders.php>

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