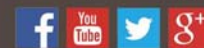


Territorial NEWSLETTER Latin America

EEPCINDIA
ENGINEERING THE FUTURE

Vanijya Bhavan (1st Floor)
International Trade Facilitation
Centre (ITFC)
1/1 Wood Street,
Kolkata - 700016
www.eepcindia.org



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Chairman's Pen



Peru is emerging as one of the major trade partners for India in the Latin America region. Trade between the two countries is growing impressively and recorded a growth of 35% in 2012 and it was valued at USD 1.1 billion. In the next two years ending 2014, trade increased by about 25% to reach over USD 1.3 billion. India's export of engineering products to Peru in 2014 was USD 381.4 million, accounting for a share of nearly 2% of total import of engineering products by Peru. In some sectors particularly automobiles and car, though China and other countries have emerged major competitors; India seems to have garnered better penetration and acceptance. Within the automobile sector, some Indian companies have become market leaders replacing Chinese companies. In this scenario, India signing trade agreement with Peru will lead to multifaceted benefits to Indian exports. In the wake of TPP, India-Peru FTA will be step forward to boost exports in Latin region.

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 importance of India-Peru FTA. 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 expedite the trade agreement with Peru in order to strengthen our global trade position in Latin American region.

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

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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 Preferential Trade Agreement (PTA) which came into effect on 1st June, 2009. The aim of this 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, still it appears to be a small fraction of the potential. The total products in MERCOSUR offer list is 452 out of which 127 products are from engineering sector. This accounts for 28.2% of the offer list. This indicates the significance of engineering products in the export of India.

The major product segment in the offer list include-

- Non-ferrous metals and products
- Nickel & products
- Aluminum and products
- Hand tools & Cutting tools
- Other non-ferrous metals & products
- IC engines and parts
- Pumps of all types
- Industrial machinery for dairy, agriculture, textile, paper, chemicals, etc.
- Electric machinery & equipments
- Medical & Scientific instrument

Table 1: India's Major Export Destinations in LAC & MERCOSUR Regions for Engineering Products

LAC	India's Export in November 2015 (USD Million)	MERCOSUR	India's Export in November 2015 (USD Million)
Colombia	38.66	Brazil	34.76
Brazil	34.76	Argentina	14.47
Chile	34.43	Paraguay	4.12
Peru	29.23	Uruguay	2.93

Argentina	14.47	Venezuela	1.34
Total	151.55	Total	57.62

Export of engineering products from India to MERCOSUR in November, 2015 is valued at 57.62 million USD which is 1.76% 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. MERCOSUR and India PTA has boosted the trade.

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

Top panels export to MERCOSUR	Value in November 2014 (USD million)	Value in November 2015 (USD million)	Top panels export to LAC	Value in November 2014 (USD million)	Value in November 2015 (USD million)
Auto Components/Parts	15.63	12.44	Motor Vehicle/cars	54.56	61.51
Industrial Machinery	8.38	7.43	Two and Three Wheelers	39.78	32.69
Iron and Steel	13.19	5.14	Iron and Steel	34.71	19.47
Motor Vehicle/cars	6.10	5.08	Auto Components/Parts	22.88	19.06
Aluminum and products	1.91	3.91	Products of Iron	30.31	18.22
Two and Three Wheelers	2.92	3.82	Aluminum and products	16.34	16.56
IC Engines and Parts	3.44	3.25	Industrial Machinery	12.62	12.59
Products of Iron	6.29	2.95	Electric Machinery	12.07	7.17
Electric Machinery	2.38	2.58	Nuclear Reactors	3.72	5.42
Medical and Scientific instruments	13.38	1.85	IC Engines and Parts	4.31	4.62
Total	73.62	48.45	Total	231.3	197.31

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 November) reflects that the overall Indian exports have declined for both LAC & MERCOSUR region. For MERCOSUR it has gone down from 73.62 million USD to 48.45 million USD whereas for LAC it has declined from 231.30 million USD to 197.31 million USD from November 2014 to November 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. More trade agreements with the Latin American region countries will strengthen India's competitiveness in the region.

India-Peru PTA- India's Step forward in the wake of TPP

The trade analysis data shows that there are several products on Peru's import basket where India can contribute significantly. However, India's share has remained low. Even in case of products for which India has an export interest, India's share in Peru's export basket is approximately 6.25% (compared to China approx. 24.66%). It is interesting to mention here that Peru has a trade agreement with China. In totality Peru has signed almost 53 trade agreements with its major trade partners including its top 10 importers. Therefore a trade agreement between India and Peru can pave the way for increasing the presence of Indian engineering products in Peru's market. Now since Trans Pacific Partnership has been signed it becomes pivotal for India to sign trade agreements with as many countries as possible, especially with the members of TPP. This will ensure India's stability in global market and will save its share in global trade. Peru is also a member of the Trans Pacific Partnership which also includes some of India's major trade destinations such as USA, some countries of ASEAN, Japan, Korea and Australia. In this context, India should sign a trade agreement with Peru for its entry into the Latin American as well as the TPP market.

Another important reason for signing a trade pact with Peru is that, Peru has been member of a number of multilateral agreements and forums. It is a key member of the Asia Pacific Economic Forum (APEC) which has 21 Pacific Rim member countries. Also, Peru is an observing member in MERCOSUR and has an Economic complementation agreement with MERCOSUR. Moreover, it is already a negotiating member of the upcoming Pacific Alliance, a trade bloc consisting of four Latin American countries such as Chile, Peru, Mexico and Colombia.

India's major competitors in engineering products in the Peruvian market

To assess the competitiveness of Peru's other importers with respect to India; we have used a method combining Balassa's RCA measure¹ and the share of the competing countries for products of India's export interest in Peru's import basket. The top 10 exporters to Peru include China, USA, Mexico, Brazil, Germany, Korea, Japan, Italy, Thailand and Spain. India is the 11th largest exporter to Peru.

For this analysis we have considered only those countries whose export profile is more or less like India. These are China, Mexico, South Korea, Brazil and Thailand. The table below shows India's position vis-à-vis other import partners of Peru.

Table 3: India's position in Peru's import basket vis-à-vis other competitors
(Based on trade analysis of 93 products of India's export interest)

Competitor Country	Country's share in Peru's engineering import (%)	Country's average share in Peru's import basket (India's export interest)	India's RCA>1, competitor's RCA<1 (no of tariff lines)	India's RCA<1, competitor's RCA>1 (no of tariff lines)	India's RCA<1, competitor's RCA<1 (no of tariff lines)	India's RCA>1, competitor's RCA>1 (no of tariff lines)
China	30.6%	24.66%	11	37	31	14
Mexico	6.7%	2.63%	19	32	36	6
Brazil	5.6%	4.12%	25	0	67	0
South Korea	4.7%	2.54%	18	20	47	14
Thailand	2.4%	0.40%	21	11	56	4
India	1.7%	6.28%	-	-	-	-

Source: ITC trade map

¹ $RCA_{ij} = (x_{ij}/x_{aj}) / (X_i/X_a)$ where x_{ij} : export of product j from country i ; x_{aj} : Total global export of the product j ; X_i : Total exports from country i ; X_a : Total global exports

From the table it is evident that China is the major competitor of India in Peru's market and it is important to note that China has an FTA with Peru. This analysis supports the fact that India's trade agreement with Peru will definitely strengthen India's position in Peru's market.

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

Trans Pacific Partnership trade deal signed by 12 member nations in New Zealand

The Trans Pacific Partnership, one of the biggest multinational trade deals ever, has been signed by ministers from its 12 member nations in New Zealand. The ceremony in Auckland brings the huge trade pact, which has been five years in the making, another step towards to becoming a reality. But the TPP continues to face opposition. The TPP involves the US, Japan, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile and Peru.

Link: <http://en.mercopress.com/2016/02/04/trans-pacific-partnership-trade-deal-signed-by-12-member-nations-in-new-zealand>

Latin America limping forward to a less painful year in 2016

Latin America experienced the worst in 2015 in the last six years, suffering a GDP contraction of 0.4 percent, according to the December 2015 report of the Economic Commission for Latin America and Caribbean (ECLAC). After a peak growth of 6% in 2010, the regional GDP growth had steadily slowed down reaching 1.2% in 2014 and shrinking in 2015. However, the GDP contraction in 2015 is less than the 1.2 % suffered in 2009 in the wake of the global financial crisis. Venezuela had suffered the most with a GDP contraction of 7.1% followed by Brazil with 3.5% contraction. Brazil has lost its investment grade rating in December 2015. The ten countries of South America together had a GDP decline of 1.6% in 2015.

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

Brazil's recession keeps getting worse

Brazil is facing a crisis of confidence. It's in the midst of the longest recession since the 1930s. And the country is still reeling from the widespread corruption scandal at the state-run oil company, Petrobras. In December, inflation shot up to 10.7% from the previous year -- the highest mark in 12 years.

Link: <http://money.cnn.com/2016/01/11/news/economy/latin-america-2016/>

Tender Information in LAC

Prior information Notices

TI ref No.	Title	Link
31866787	Laboratory equipment acquisition (primary standards), Brazil	http://www.tendersinfo.com/details/31866787
31866374	Construction of Storage Tanks for the improvement and expansion of the water system, Nicaragua	http://www.tendersinfo.com/details/31866374
31875182	Supply and installation of three horses submersible pump force (3hp). (as technical data), Panama	http://www.tendersinfo.com/details/31875182
31866372	Construction of Pipelines , Distribution Network and Rural Systems and installation of micrometers Improvement and Extension, Nicaragua	http://www.tendersinfo.com/details/31866372
31864360	Acquisition of machinery for cutting and jewelry, Brazil	http://www.tendersinfo.com/details/31864360
31864359	Acquisition of tools for cutting and jewelry, Brazil	http://www.tendersinfo.com/details/31864359
1858482	Acquisition of office furniture to equip general building government accounting office, zone 2, Guatemala city., Guatemala	http://www.tendersinfo.com/details/1858482
31832324	Company contracts for the provision of operation and maintenance services, with supply of parts and materials, automation systems and building supervision, detection and fire alarm, all installed at t, Brazil	http://www.tendersinfo.com/details/31832324
31835255	Aluminum wire antihurto triplex aluminum wire copper wire, Ecuador	http://www.tendersinfo.com/details/31835255

For more contract notices, Please follow the link:

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

EEPC India Latin America Territorial Newsletter

Contact: Palak Singh

Email: psingh@eepecindia.net

Phone no: 011-2331 4171