

# Territorial NEWSLETTER Latin America

**EEPCINDIA**  
ENGINEERING THE FUTURE

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## Chairman's Pen



India and LAC had for long divergent foreign policy perceptions and inward looking development strategies. But now every effort is being made by the Indian Government to harmonize the trade relations with the LAC region through aggressive outreach strategies. This approach has brought the two regions closer than ever before in terms of trade and investments.

The past decade witnessed sizeable growth in trade and investment, preferential trading arrangements (PTAs). India-Chile PTA being the most significant milestone among the preferential trade agreements with LAC region. LAC is a significant trading partner for India, with immense potential but underutilized at the same time. The total trade has experienced a growth of 6.83% in the year 2014-15 as compared with 2013-2014.

In engineering sector, the bilateral trade is experiencing a downfall over past few years. Exploring more PTAs with LAC region can probably uplift India's trade with the region as a whole.

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

**Anupam Shah**

## LA Territorial Committee Chairman's Note



In this edition of the 'Newsletter on Latin America', we focus on India and Chile preferential trade agreement's impact on the trade between India and Chile. 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.

It is imperative to rethink the trade strategy with LAC region in order to further strengthen the trade relations between India and LAC region.

The subsequent issues will keep you updated on India's relation 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<sup>1</sup> 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.

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 August 2015**

LAC	India's Export in August 2015 (USD Million)	MERCOSUR	India's Export in August 2015 (USD Million)
Mexico	132.40	Brazil	47.19
Brazil	47.19	Argentina	21.01
Colombia	43.97	Uruguay	4.83
Peru	23.17	Paraguay	3.84
Chile	29.38	Venezuela	1.93
Total	<b>276.11</b>	<b>Total</b>	<b>57.80</b>

The total export of India to MERCOSUR in August, 2015 is valued at 57.80 million USD which is 1.28% of the total export of India to the world, whereas India's export to Latin America and Caribbean is valued at 235.99 million USD, constituting 5.24% 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 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.

<sup>1</sup> \*MERCOSUR here comprises of the member states only i.e. Brazil, Argentina, Uruguay, Paraguay and Venezuela. The associate and observer states are included in LAC region.

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

Top panels export to MERCOSUR	Value in August 2015 (USD million)	Value in August 2014 (USD million)	Top panels exported to LAC	Value in August 2015 (USD million)	Value in August 2014 (USD million)
Auto Components/Parts	16.36	23.65	Motor Vehicle/cars	45.45	62.60
Iron and Steel	12.74	9.91	Two and Three Wheelers	44.46	37.27
Motor Vehicle/cars	6.81	5.54	Iron and Steel	22.53	27.28
Two and Three Wheelers	5.83	2.44	Auto Components/Parts	21.63	30.15
Products of Iron	5.61	8.38	Products of Iron	18.77	13.32
Industrial Machinery	5.59	7.79	Aluminum and products	11.18	4.44
Electric Machinery	3.81	16.09	Electric Machinery	10.43	21.07
Medical and Scientific instruments	3.40	3.87	Industrial Machinery	9.41	21.92
IC Engines and Parts	3.39	10.55	Medical and Scientific instruments	5.46	5.68
Aluminum and products	2.91	1.54	Nuclear Reactors	5.26	3.24
<b>Total</b>	<b>66.45</b>	<b>89.75</b>	<b>Total</b>	<b>198.80</b>	<b>238.32</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 August) reflects that the overall Indian exports have declined for both LAC & MERCOSUR region. For MERCOSUR it has gone down from 89.75 million USD to 66.45 million USD whereas for LAC it has fallen down from 238.32 million USD to 198.80 million USD from August 2014 to August 2015. Considering that most of the products are common in both regions, it is imperative to identify the possible causes for this downfall and take necessary measures to rectify it on priority basis. India should also take measures to increase trade of other products not in the list.

### India-Chile PTA- Successfully Crossing Transnational Boundaries

Chile is a global leader in economic freedom aided by prudent public financial management and successful countercyclical fiscal policy; it has kept public debt low and budget deficits under control that have given it the strongest sovereign bond rating in South America. Chile is second in the world in protecting property rights and has been renewing its commitment to open trade and investment by participating in the Trans-Pacific Partnership talks. Chile is a MERCOSUR associate country. It has a market-oriented economy characterized by a high level of foreign trade. India and Chile has a growing trade relationship. The cumulative average growth rate over a period of past five years is over 12%.

A Preferential Trade Agreement to Promote Economic Cooperation between India and Chile was signed on March 8, 2006. The PTA has two Annexes relating to the list of products on which the two sides have agreed to give fixed tariff preferences to each other and three Annexes relating to the Rules of Origin, Preferential Safeguard Measures and Dispute Settlement Procedures.

The products on which India has offered tariff concessions relate to meat and fish products (84 tariff lines), rock salt (1 tariff line), iodine (1 tariff line), copper ore and concentrates (1 tariff line), chemicals (13 tariff lines), leather products (7 tariff lines), newsprint and paper (6 tariff lines), wood and plywood articles (42 tariff lines), some industrial products (12 tariff lines), shorn wool & wool (3 tariff lines) and some others (7 tariff lines). While Chile's offer covers some agriculture products (7 tariff lines), chemicals and pharmaceuticals (53 tariff lines), dyes and resins (7 tariff lines), plastic, rubber and miscellaneous chemicals (14 tariff lines), leather products (12 tariff lines), textiles and clothing (106 tariff lines), footwear (10 tariff lines), some industrial products (82 tariff lines) and some other products (5 tariff lines).

If we observe the bilateral trade between India and Chile before and after the PTA was signed, we find an increasing trade in consecutive years which shows the positive impact PTA laid on the economic growth of both the countries.

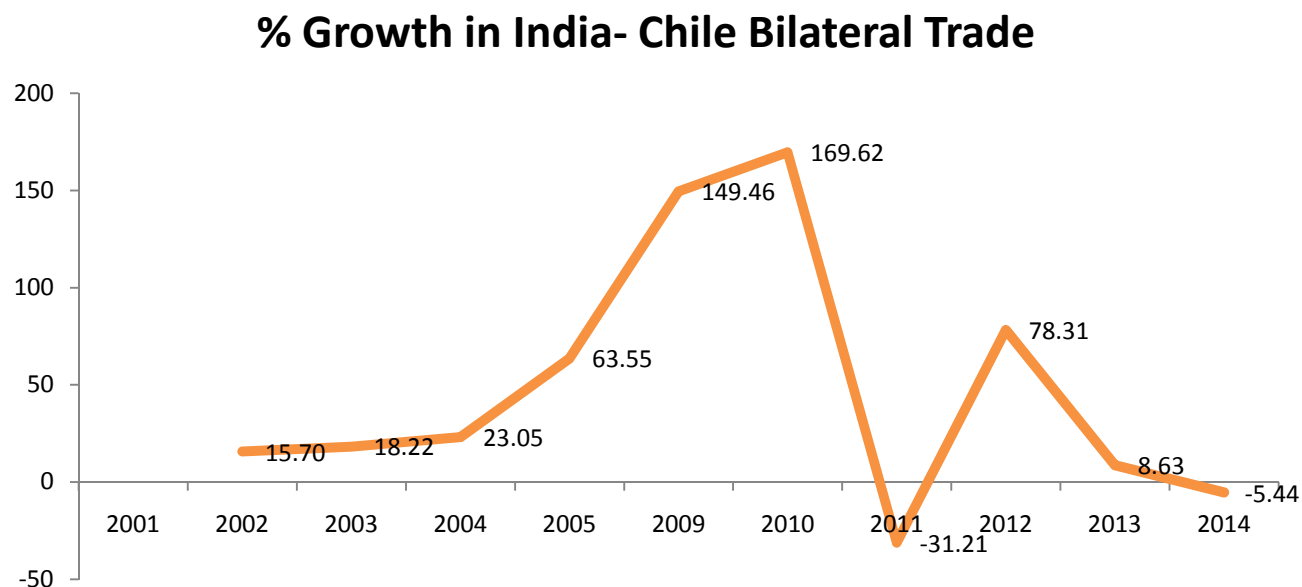
**Table3: India-Chile Bilateral Trade**

US\$ Million

Year	Value of Engineering Export to Chile	Value of Engineering import from Chile	Total Trade	% Growth
2001	16.80	0.84	17.64	-
2002	18.88	1.52	20.41	15.70
2003	21.57	2.56	24.12	18.22
2004	27.93	1.75	29.68	23.05
2005	46.02	2.53	48.55	63.55
2009	113.28	7.83	121.11	149.46
2010	281.21	45.33	326.53	169.62
2011	211.28	13.35	224.63	-31.21
2012	335.80	64.75	400.55	78.31
2013	351.34	83.76	435.10	8.63
2014	291.96	119.46	411.42	-5.44

In the last six years (2009 to 2014), except in the year 2011, and 2014 when engineering trade witnessed a drastic decline due to global economic crisis, growth rates remained positive for other years. The preferential trade agreement signed between the two countries seems to have a positive impact on bilateral trade. Further, Chile seems to be a country of immense opportunities for Indian exporters who are looking forward to export in Latin American countries. The Indian government should focus on LAC region for further strengthening the trade between the two regions.

**Fig 1: India-Chile Bilateral Trade Growth**



India's export of engineering products to Chile consists of an array of products exceeding the value of 10 million USD. The share is significant in Chile's import basket but it can be further improved.

**Table4: India's Top 15 Engineering Exports to Chile (value in USD million)**

Product Label	India's Export to Chile in 2014	Chile's Import from World 2014	India's share in Chile's Import Basket (%)
Vehicles other than railway, tramway	168.05	7962.54	2.11
Articles of iron or steel	51.59	1382.33	3.73
Iron and steel	20.15	1265.29	1.59
Machinery, nuclear reactors, boilers, etc	16.84	8729.47	0.19
Electrical, electronic equipment	10.05	6869.67	0.15
Aluminium and articles thereof	8.86	413.41	2.14
Tools, implements, cutlery, etc of base metal	4.06	344.06	1.18
Furniture, lighting, signs, prefabricated buildings	3.94	738.54	0.53
Optical, photo, technical, medical, etc apparatus	3.11	1228.07	0.25
Miscellaneous manufactured articles	1.79	261.99	0.69

Product Label	India's Export to Chile in 2014	Chile's Import from World 2014	India's share in Chile's Import Basket (%)
Miscellaneous articles of base metal	1.42	230.28	0.62
Copper and articles thereof	0.98	104.05	0.95
Toys, games, sports requisites	0.87	669.37	0.13
Nickel and articles thereof	0.07	3.55	2.11
Lead and articles thereof	0.06	2.36	2.72

In the overall trade among Chile's trading partners, India holds 17<sup>th</sup> position with a share of 1.03% in the import basket in the year 2014. This is very low as compared to other countries given the situation that India has competency to deliver more than the current export to Chile.

**Table5: Major Export Partners of Chile**

Exporters	Imported value in 2012	Imported value in 2013	Imported value in 2014	% share in Import Basket
China	8771.33	9694.82	8816.69	27.8
USA	8268.39	5814.08	4880.09	15.4
Korea, Republic of	1990.95	2073.12	1866.44	5.89
Germany	2095.05	2364.65	1807.70	5.71
Japan	1934.12	2000.18	1807.04	5.70
Mexico	1720.98	1693.23	1572.24	4.96
Brazil	1991.19	1765.04	1356.33	4.28
Area Nes	1364.35	1199.49	1175.58	3.71
France	1075.30	1775.68	1095.71	3.46
Italy	915.77	934.94	911.37	2.88
Spain	840.59	1106.48	834.16	2.63
Thailand	573.25	642.51	695.31	2.19
Argentina	632.84	545.08	421.71	1.33
United Kingdom	406.74	437.02	376.78	1.19
Sweden	451.57	387.56	343.96	1.09
Canada	401.15	365.41	337.93	1.07
India	376.00	392.89	327.34	1.03
Taipei, Chinese	356.55	351.51	299.80	0.95
Denmark	118.30	161.77	187.96	0.59
Malaysia	139.56	185.38	181.43	0.57

In conclusion, it clearly emerges that LAC region, including Chile, has immense potential for Indian exporters. India need to gear up and explore more preferential trade agreements with other countries of LAC region. This could be beneficial to enhance trade between two regions.

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>

### **XXVI Brazilian Meeting on Mineral Processing and Extractive Metallurgy (22 October, 2015)**

In its 26<sup>th</sup> edition, the Brazilian Meeting on Mineral Processing and Extractive Metallurgy celebrates its 42<sup>nd</sup> anniversary in 2015 as Brazil's most important gathering of the industry in this area. The ENTMME's target audience comprises researchers, professionals, managers, teachers and students from universities and research institutions in the mineral, metallurgical, environmental and water resource fields. The event aims also at service providers, consulting firms and other professionals in the environment, metallurgy and mining areas.

**Source:** <http://www.globaleventslist.elsevier.com/events/2015/10/xxvi-brazilian-meeting-on-mineral-processing-and-extractive-metallurgy/>

### **Offshore Technology Conference Brasil 2015 (27-29 October, 2015)**

OTC Brasil is one of the world's foremost events for the development of offshore resources in the fields of drilling, exploration, production, and environmental protection. The 2015 technical program will focus on deepwater developments. Having the world's deepwater experts gathered in Brazil will enable an excellent exchange of ideas and technology know-how.

**Source:** <http://www.globaleventslist.elsevier.com/events/2015/10/offshore-technology-conference-brasil-2015/>

## News in Focus

### **Government to announce greater trade agreement with Chile soon**

India has in recent years got partial admission in the MERCOSUR trade grouping of countries operating in South America. Trade facilitated through this account for almost 68% of India's trade with the region. India is looking to muscle up its trade with Latin America through focused trade pacts including one with Chile which will be announced soon.

**Link:** [http://www.business-standard.com/article/economy-policy/govt-to-announce-greater-trade-agreement-with-chile-soon-115100800402\\_1.html](http://www.business-standard.com/article/economy-policy/govt-to-announce-greater-trade-agreement-with-chile-soon-115100800402_1.html)

### **IMF says commodities shock from China slowdown likely to put Latin America into recession**

Latin America's economy is likely to go into recession this year for the first time since the end of the global financial crisis as China's slowdown lessens demand for the region's commodities, threatening to undo recent progress in reducing poverty, the International Monetary Fund said.

**Link:** <http://www.usnews.com/news/business/articles/2015/10/07/imf-sees-recession-for-latin-america-on-commodities-shock>

### **Global investing hotspot-Peru the region's secret success story**

Peru was upgraded by Moody's in July 2014 on the back of the continued strength of its government balance sheet and measures to diversify revenue sources and widen its tax base. These measures have helped decrease the country's vulnerability to commodity price volatility, despite the importance of copper and silver to its economy.

Link: <http://www.cnbc.com/2015/10/08/forget-mexico-is-peru-the-regions-secret-success-story.html>

### Brazil Economy- A tight squeeze

The economy is faltering. With business confidence plumbing record depths, unemployment up and real wages down—by 3% year-on-year in March, the most in more than a decade—demand remains fragile. Supermarket sales fell by 2.6% last month, compared with the previous one. Output will probably contract by at least 1% this year. Yet with prices rising at the fastest rate since 2003, the central bank's rate-setters had little choice when they met on April 29th but to raise interest rates by another half a percentage point, to 13.25%.

Link: <http://www.economist.com/news/americas/21650243-faced-weak-growth-and-soaring-inflation-central-bank-hikes-interest-rates-tight-squeeze?zid=305&ah=417bd5664dc76da5d98af4f7a640fd8a>

### Tender Information in LAC

Prior information Notices

TI ref No.	Title	Link
29757222	Purchase of equipment for chemical engineering laboratory	<a href="http://www.tendersinfo.com/details/29757222">http://www.tendersinfo.com/details/29757222</a>
29756103	Central Solar Panels Adquisicion Rio Antofagasta	<a href="http://www.tendersinfo.com/details/29756103">http://www.tendersinfo.com/details/29756103</a>
29755867	Procurement of works and engineering services to run the reform and expansion of the integrated center for defense and protection	<a href="http://www.tendersinfo.com/details/29755867">http://www.tendersinfo.com/details/29755867</a>
29731555	Engineering services for installation and aeration system assembly to provide with aerators supply and frame electrical control	<a href="http://www.tendersinfo.com/details/29731555">http://www.tendersinfo.com/details/29731555</a>
29740123	Water treatment services, cleaning of reservoirs and physical-chemical analysis and microbiological to the provision, on demand, all the equipment and accessories for its full implementation	<a href="http://www.tendersinfo.com/details/29740123">http://www.tendersinfo.com/details/29740123</a>
29755300	Purchase of electrical materials	<a href="http://www.tendersinfo.com/details/29755300">http://www.tendersinfo.com/details/29755300</a>
29750355	Equipment acquisition for infusion pump	<a href="http://www.tendersinfo.com/details/29750355">http://www.tendersinfo.com/details/29750355</a>
29756655	Purchase of power meter pliers, grinder and other	<a href="http://www.tendersinfo.com/details/29756655">http://www.tendersinfo.com/details/29756655</a>

For more contract notices, Please follow the link:

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

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