

Territorial NEWSLETTER Latin America

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ENGINEERING THE FUTURE

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Chairman's Pen



India and Ecuador signed a protocol on Joint Economic & Trade Committee (JETCO) on 9th October, 2015 in New Delhi. The objective of signing the JETCO is to promote trade & investment cooperation and also to take up bilateral issues between India & Ecuador. Ecuador's active membership in global trade organizations and its participation in a number of regional free trade zones confirm the nation's trend toward liberalization and its commitment to open trade. Ecuador's application of free market principals, including the lowering of trade barriers, its participation in numerous international trade organizations, and a firm commitment to diversification of its economy and reform of its financial institutions, are helping to restore a favorable balance of trade and generally better the nation's economy.

To improve our engineering exports to Ecuador, we need to focus upon aluminum and related articles, machinery and mechanical appliances, lead, copper, zinc and articles thereof and miscellaneous manufactured articles.

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

Tarvinder Singh Bhasin

LA Territorial Committee Chairman's Note



In this edition of the 'Newsletter on Latin America', we have discussed about Ecuador as a major market for Indian engineering exports. 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 expand the trade dimension with Ecuador in order to strengthen our global trade position in Latin American region.

The subsequent issues will keep you updated on India's trade and business 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

Expanding Trade Horizon between India and Ecuador

Ecuador is located in Western South America, bordering the Pacific Ocean at the Equator, between Colombia and Peru. Ecuador is substantially dependent on its petroleum resources, which have accounted for more than half of the country's export earnings and approximately 25% of public sector revenues in recent years. Ecuador is a founding member of the UN and a member of many of its specialized agencies; it is also a member of the OAS. It is also a member of many regional groups, including the Rio Group, the Latin American Economic System, the Latin American Energy Organization, the Latin American Integration Association, and the Andean Pact. India- Ecuador bilateral relations have been warming up over past few years with high level officials visiting and exchanging viewpoints for improvements. In the defense sector, Ecuador became the first country to sign a contract for purchasing the Indian made Dhruv helicopters of which one will be for use by its President. The Embassy here has expanded its setup with the appointment of a Military Attaché and prospects appear bright for more defense exports as Ecuador has agreed to be the servicing hub in South America for Indian defense equipment.

India-Ecuador has signed a protocol on Joint Economic & Trade Committee (JETCO) on 9th October, 2015 in New Delhi. The objective of signing the JETCO is to promote trade & investment cooperation and also to take up bilateral issues between India & Ecuador. In order to come up with realistic assessment of the expansion of our exports to Ecuador, we have analyzed the existing trade scenario between India and Ecuador.

The article aims to focus upon following objectives:

- To explore the market potential of Ecuador as a lucrative destination for Indian engineering products export
- To collate the major issues faced by Indian exporters and companies while trading with Ecuador
- To gain accessibility to other potential markets in Latin America through trade diversion and rerouting
- To understand the benefits of India-Ecuador bilateral collaboration and how it will protect India's export from adverse effect of Trans Pacific Partnership

For this, all the engineering products at 4-digit HS codes as per DGCIS classification have been considered for conducting this analysis. For finding the products which can be exported to Ecuador, we have prepared a list of products whose export to Ecuador is more than 0.1 USD Million. There are 75 engineering products which are being exported to Ecuador in a considerable amount and most of them have experienced a positive growth over past few years. Major export items include aluminum and related articles, machinery and mechanical appliances, lead, copper, zinc and articles thereof and miscellaneous manufactured articles.

Table:1 Top 10 Engineering products exported to Ecuador from India(values in USD million)

Product code	Product label	India's export to Ecuador 2013	India's export to Ecuador 2014	Growth % of India's export	Ecuador's import from World 2013	Ecuador's import from World 2014	India's export to World 2013	India's Export to World in 2014
7210	Flat-rolled prod of iron or non-al/s wd>/=600mm,cl ad, plated or coated	57.80	52.26	-9.59	168.50	172.62	2195.61	1965.32
8703	Cars (incl. station wagon)	13.46	14.88	10.55	784.47	778.59	5556.47	5768.98
8711	Motorcycles, side-cars	19.01	12.39	-34.83	106.56	113.56	1648.22	1841.08
7601	Unwrought alumimum	2.19	4.95	125.90	20.97	23.93	940.45	1339.32
8701	Tractors (other than tractors of heading no 87.09)	3.62	4.57	26.16	182.34	173.06	877.30	937.79
7202	Ferro-alloys	5.04	3.66	-27.48	13.16	14.71	1969.26	1714.02
8419	Machinery,plant /lab,involving a change of temp ex heating,cooking, etc	0.53	2.84	436.11	64.75	75.01	576.38	518.03
7222	Bars & rods of stainless steel nes; angles, shapes	2.33	2.56	9.81	5.42	6.89	680.04	702.21
8504	Electric transformer, static converter (for example rectifiers)	5.75	2.49	-56.71	120.46	174.96	1006.34	1083.30
8421	Centrifuges, incl centrifugal dryers; filtering/purifyi ng machinery	1.04	2.05	96.17	128.55	155.74	463.74	449.05

If we observe the trade data then we can infer that India's share in Ecuador's total import of engineering products is relatively low 1.25% which is valued at 0.14 USD billion while the total import of Ecuador is 11.47USD billion as compared India's global engineering export valued at 78.61USD billion.

Table 2: Trade Trends of India-Ecuador (value in USD Million)

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
EXPORT	121.46	231.55	263.55	290.4	225.04
%Growth		90.63	13.82	10.19	-22.51
IMPORT	169.11	44.27	872.54	255.43	1,065.74
%Growth		-73.82	1,871.15	-70.73	317.23
TOTAL TRADE	290.58	275.82	1,136.10	545.83	1,290.77
%Growth		-5.08	311.9	-51.96	136.48
TRADE BALANCE		187.29		34.96	

Source: DGCIS

The major exporting partners of Ecuador for engineering products are China, USA, Japan, Mexico & Colombia. Out of the top 20 exporting partners only Japan & Mexico are TPP members.

The trade data analysis shows that, there are several products on Ecuador'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 Ecuador's import basket is approximately 1.25% compared to China (approx. 29.60%). It is interesting to mention here that Ecuador has a commercial & Security agreement with China. China, The United States, European Union countries, Columbia, Mexico, and Japan are Ecuador's primary trading partners. Colombia, Japan, Mexico, Venezuela, Spain, Germany, Brazil, and Chile together supplied approximately a 40% share of the Ecuadorian import market.

Ecuador's active membership in global trade organizations and its participation in a number of regional free trade zones confirm the nation's trend toward liberalization and its commitment to open trade. Ecuador is a member of the World Trade Organization ("WTO"), the Andean Community, and the Latin American Integration Association ("ALADI"). In addition, Ecuador has concluded bilateral free trade agreements with Bolivia, Chile, Colombia, and Venezuela, is negotiating a trade agreement with Mexico, is engaged in trade talks with the MERCOSUR nations of Brazil, Argentina, Paraguay, and Uruguay, and fully supports the establishment of a free trade area for the Americas.

Ecuador's application of free market principals, including the lowering of trade barriers, its participation in numerous international trade organizations, and a firm commitment to diversification of its economy and reform of its financial institutions, are helping to restore a favorable balance of trade and generally better the nation's economy. Therefore a trade agreement between the two countries can pave the way for increasing the presence of Indian engineering products in Ecuador's market.

Another important reason for signing a trade pact with Ecuador is that, Ecuador has a strategic location between Colombia & Peru. Moreover, it will provide access to Trans Pacific partnerships, a trade bloc consisting of four Latin American countries such as Chile, Peru, Mexico and Colombia. In this context, India should sign a trade agreement with Ecuador for its entry into the Latin American as well as the TPP market.

India's major competitors in Ecuador market

The top 10 importers to Ecuador include China, USA, Japan, Mexico, Colombia, Korea, Brazil, Germany, Italy and Spain. India is the 13th largest exporter to Ecuador. India's share is meager in import basket of Ecuador.

Table 3: Top 20 engineering exporters to Ecuador (values in USD million)

Exporters	Imported value in 2010	Imported value in 2011	Imported value in 2012	Imported value in 2013	Imported value in 2014
China	1062.76	2470.01	2029.17	3390.53	3395.14
United States of America	2491.39	1620.07	2788.61	2118.28	1972.97
Japan	650.01	842.51	614.70	809.78	819.50
Mexico	459.74	719.50	502.94	774.15	735.79
Colombia	611.66	587.85	651.62	609.70	595.91
Korea, Republic of	766.62	776.54	614.93	649.87	569.29
Brazil	495.02	513.23	496.26	497.82	439.42
Germany	277.89	373.34	377.79	379.29	374.40
Italy	178.78	238.38	207.58	233.40	260.16
Spain	107.23	137.26	172.78	166.80	213.26
Thailand	289.75	217.85	268.39	182.84	185.66
Peru	156.69	148.94	193.91	153.68	181.56
India	72.05	100.78	95.94	153.54	143.81
Argentina	189.41	132.53	103.35	107.41	132.73
Taipei, Chinese	81.24	128.53	99.40	126.03	128.73
France	36.81	135.60	67.46	103.88	102.76
Malaysia	13.35	82.59	20.45	83.48	92.95
Indonesia	8.67	37.84	46.07	43.15	86.97
United Kingdom	34.93	90.06	53.33	100.64	81.55
Canada	48.90	64.41	37.66	94.17	80.91

From the table it is evident that China is the major competitor of India in Ecuador’s market and it is important to note that China has an FTA with Ecuador. If India goes into a trade agreement, both the nations will be benefitted by mutual trade. India can also explore the possibility to access the whole Latin American and TPP countries. However, at present the mutual trade between the two countries is still at a nascent stage and would require more time to mature.

Major Challenges

The major issues faced by Indian exporters while trading with Ecuador can be summed up as follows:

- **Product Certificate**

Ecuador’s Foreign Trade Committee issued Resolution 116 on December 4, 2013. This resolution applies to 300 products and sets out requirements to demonstrate compliance with the various technical regulations. The certificate of recognition can only come from a body certified by the Ecuadorian Accreditation Organization – which to date have only been Ecuadorian bodies. Besides the burden from not being able to obtain a certificate from bodies in the exporter’s home country, the authorized Ecuadorian bodies appear to lack sufficient

capacity to fulfill the demand for the certificates. As a result, exports to Ecuador are declining sharply. It also appears goods already exported to Ecuador are having difficulty clearing customs.

- **Discriminatory tax and tariff measures against imported vehicles**

The discriminatory tax and tariff structure makes it difficult for exporters to export products to Ecuador. The tax is broken down in the following way: 5 percent will be applied to capital goods and non-essential primary goods; 25 percent to tires, ceramics, television and automotive parts; and 45 percent for fully manufactured goods, including TV sets and cars. This discourages demand for products in domestic market, therefore, import declines. A simplified tax structure is required.

- **Geographical Problem**

Ecuador being in Western South America, bordering the Pacific Ocean at the Equator, between Colombia and Peru, shipping them directly takes long transit time and more money. For small quantity business, it isn't worth.

- **Intellectual Property Rights (IPR) Protection**

The basic legal tenets of Ecuador's IPR regime are provided for under a comprehensive 1998 IPR law and Andean Pact Decisions 345, 351 and 486. The 1998 intellectual property law provides greater protection for intellectual property than existed before it came into effect; however, Ecuador's IPR regime is deficient in a number of areas and the law is not being adequately enforced.

- **Investment Barriers**

Ecuador's foreign investment policy is governed largely by the national implementing legislation for Andean Pact Decisions 291 and 292 of 1991. Under Ecuadorian law, foreign investors are accorded the same rights of establishment as Ecuadorian private investors, may own up to 100 percent of enterprises in most sectors without prior government approval, and face the same tax regime. There are no controls or limits on transfers of profits or capital.

- **Language Problem**

Spanish is the most spoken language. Though they speak English they don't use them often.

- **Lack of Awareness leading to lack of opportunities**

Ecuador's buyers do not have adequate knowledge and information about Indian manufacturers due to which the trade remains nascent. More exhibitions should be organized to create awareness about Indian manufacturers.

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

LAC	India's Export in April 2016 (USD Million)	MERCOSUR	India's Export in April 2016 (USD Million)
BRAZIL	40.76	BRAZIL	40.76
COLOMBIA	29.60	ARGENTINA	13.87
PERU	24.11	VENEZUELA	3.30
CHILE	21.99	PARAGUAY	2.80
ARGENTINA	13.87	URUGUAY	1.61
Total	130.32	Total	62.34

Export of engineering products from India to MERCOSUR has shown a slight increase in April, 2016 at 62.34 Million as compared to 55.14 million USD in February, 2016 which is 1.35% of the total engineering export of India to the world in April 2016, whereas India's export to Latin America and Caribbean is valued at 130.32 million USD, constituting 2.88% of its total export to world. MERCOSUR's PTA with India has boosted trade. To further consolidate its position, India should enter into preferential trade agreements with other countries like Peru, Argentina, Ecuador, in the region.

Table 5: Top 10 panels of Engineering Goods Exported to MERCOSUR & LAC by India

Top panels export to MERCOSUR	Value in March 2015 (USD Million)	Value in March 2016 (USD Million)	Value in April 2015 (USD Million)	Value in April 2016 (USD Million)	Top panels export to LAC	Value in March 2015 (USD Million)	Value in March 2016 (USD Million)	Value in April 2015 (USD Million)	Value in April 2016 (USD Million)
Auto Components /Part	21.56	13.97	21.05	10.65	Motor Vehicle/cars	46.73	64.52	53.08	55.99

Industrial Machinery	8.48	10.92	8.17	8.43	Two and Three Wheelers	42.78	30.54	31.55	24.80
B. Products of Iron	7.19	5.58	6.34	5.33	Auto Components /Part	29.66	23.11	26.44	17.75
Aluminum and products	4.37	1.79	3.89	5.33	Aluminum and products	13.13	13.43	12.30	17.64
Motor Vehicle/cars	3.81	5.35	4.95	4.70	Iron and Steel	30.53	22.87	20.64	13.98
IC Engines and Parts	4.61	3.35	3.51	3.95	Industrial Machinery	17.33	16.71	11.56	12.20
Electric Machinery a	5.54	3.52	4.67	3.62	B. Products of Iron	49.00	22.65	26.03	11.66
A. Iron and Steel	11.22	13.23	8.61	3.31	Electric Machinery	13.07	10.30	10.55	6.62
Medical and Scientific instruments	3.27	3.89	3.54	3.23	IC Engines and Parts	5.45	5.50	4.60	5.40
Two and Three Wheelers	5.85	3.66	3.26	2.94	Medical and Scientific instruments	7.31	6.62	6.58	5.11

The table above comprises of the top 10 exported engineering products to MERCOSUR and LAC. Comparative analysis of month by month data of subsequent years (2015 and 2016 for the month of March and April) reflects that the overall Indian exports have declined for both LAC and MERCOSUR region. For MERCOSUR it has gone down from 89.22 million USD to 62.34 million USD whereas for 29 countries of LAC, it has declined from 241.60 million USD to 190.79 million USD from April 2015 to April 2016. 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 could probably strengthen India's competitiveness in the 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>

Ecuador– Information Guide

Related to the information you can find attached brochure of Investment and also you can find some specific information in the following links:-

<http://www.proecuador.gob.ec/en/>

Trade:

<http://www.ecuador.com/exports/>

Export Catalog:

<http://www.proecuador.gob.ec/exportadores/sectores/>

Investment:

<http://www.proecuador.gob.ec/en/invest-in-ecuador/why-invest-in-ecuador/>

Tourism and Travel:

<http://www.worldtravelguide.net/ecuador>

General information related to fairs and expos:

<http://www.expodatabase.com/trade-shows-america/ecuador/>

News in Focus

Doing Business 2016: Measuring Regulatory Quality and Efficiency

Doing Business 2016: Measuring Regulatory Quality and Efficiency is the 13th in the long-standing series of co-publications by the World Bank and International Financial Corporation (IFC). This annual report on the ease in doing business in 189 nations covers the period from June 2014 to June 2015.

Link: <http://caribjournal.com/2016/06/07/doing-business-in-the-caribbean-2016/#>

Korea helps builders tap Latin American market

Korea is ramping up efforts to help local construction companies tap deeper into the Central and South American market as they suffer from sinking orders from the Middle East thanks to low oil prices.

Link: http://www.koreatimes.co.kr/www/news/biz/2016/06/127_206488.html

Latin America On Track To Install 2.2 GW Of Solar PV In 2016, Says GTM

Latin America is on track to install 2.2 GW of solar PV in 2016, up 55% over 2014's still relatively impressive 1.4 GW, according to new figures from GTM Research. GTM Research's new *Latin America PV Playbook*, published today, tracks solar projects, policies, and market developments across South America, Central America, Mexico, and the Caribbean, collectively making up Latin America. Currently, Chile is the leading solar PV market in the region, with a cumulative total of 1.4 GW of solar installed so far — eight-times that in its closest competitor, Mexico. Chile achieved 37% of the regional demand in 2015, and will hold its lead through 2016. However, according to GTM, this is set to change, with both Mexico and Brazil predicted to install more solar PV than Chile in 2017, and eventually surpass Chile's cumulative capacity sometime in 2018, if all proceeds accordingly.

Link: <https://cleantechnica.com/2016/06/03/latin-america-track-install-2-2-gw-solar-pv-2016-says-gtm/>

Looking at Outer Space: Betting Big on Mexico-India Relations

Mexico is one of the most important economies in the world, a member of the G20, a leading oil producer, but a country that has not seen a visit by an Indian prime minister since 1986. Rajiv Gandhi was the last time an Indian prime minister visited there; that was 30 years ago. On June 8, 2016, Prime Minister Narendra modi will undertake a one-day working visit to Mexico City at the invitation of the Mexican president.

Link:<http://thewire.in/2016/06/09/interview-as-modi-heads-to-mexico-ambassador-melba-pria-tells-us-whats-on-the-agenda-41343/>

4 Ways Latin America Can Achieve Energy Success

The rapidly shifting and challenging environment for the energy sector in Latin America offers an unprecedented opportunity for the region to rethink how it can better coordinate its energy sector and look toward building a comprehensive, integrated energy matrix. On July 1, all eyes will be on the leaders of Chile, Colombia, Mexico, and Peru – the founding member states of the Pacific Alliance – to see how the ambitious goal of energy integration can be advanced on the sidelines of the 11th annual Summit. With 42 observer countries from South Korea to Sweden signed up and two—Costa Rica and Panama—pending ascension, the grouping has become a hot commodity. That is partly due to an outstanding record of achievement: the alliance has already integrated four national stock markets, erased a vast range of tariffs, introduced visa-free travel, and organized joint international trade missions.

Link: <http://oilprice.com/Energy/Energy-General/4-Ways-Latin-America-Can-Achieve-Energy-Success.html>

Upcoming Events in LAC

Date of the event	Name of the event	Location	Link
26–30 June 2016	International Conference on Bridge Maintenance, Safety and Management (IABMAS)	Brazil	http://www.globaleventslist.elsevier.com/events/2016/06/international-conference-on-bridge-maintenance-safety-and-management-iabmas/
25–29 September 2016	XXI Brazilian Congress of chemical engineering - COBEQ2016	Brazil	http://www.globaleventslist.elsevier.com/events/2016/09/xxi-congresso-brasileiro-de-engenharia-qu-mica/

Tender Information in LAC

Prior information Notices

TI ref No.	Title	Link
33963766	Acquisition equipment and computer supplies., Brazil	http://www.tendersinfo.com/details/33963766
33964598	Provision of Computer supplies (printing), Brazil	http://www.tendersinfo.com/details/33964598
33964601	Acquisition of computer components, audio and video? video capture cards? for television and radio center of ufpe., Brazil	http://www.tendersinfo.com/details/33964601
33964789	Electrical and electronic equipment, Mexico	http://www.tendersinfo.com/details/33964789
33982394	Acquisition of equipment calibration cutter pipe and gauge for laboratory studies industrial, Panama	http://www.tendersinfo.com/details/33982394
33982320	Supply of materials for building maintenance., Panama	http://www.tendersinfo.com/details/33982320
33982288	Medical materials acquisition of hospital -	http://www.tendersinfo.com/details/33982288

	cones, Brazil	
33967478	Supply of medical equipment, Venezuela	http://www.tendersinfo.com/details/33967478
33967501	Acquisition of electronic items, Chile	http://www.tendersinfo.com/details/33967501

For more contract notices, Please follow the link:

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

EEPC India Latin America Territorial Newsletter

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