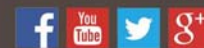


Territorial NEWSLETTER Latin America

EEPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



The year 2016 was not a good year for GDP of the Latin American countries. The GDP contracted by 0.7% contraction. The year 2017 is expected to be a better year. The region is expected to return to growth this year, with its GDP projected to increase 1.6%. And for next few years, it might get even better as its GDP is projected to rise steadily from 2018 to 2021. The forecast suggests that the region is poised to experience the largest growth turnaround this year among the emerging markets. However, with a projected GDP growth of 1.6% in 2017, the region's economic growth is far below its potential of 2.5%. This also implies that the improvement in 2017 will be underwhelming.

Further, certain risks such as continuing global slowdown, lower commodity prices, volatility in currency markets, recession in Argentina & Brazil and capital flight might constrain projected growth. As the New Year 2017 began, important risks began to materialize that are casting a shadow on the region's economic outlook. Even though, BREXIT does not directly impact the region, difficult negotiations between the UK and the EU to reach an understanding about a trade agreement have the potential to disrupt global financial markets and impact currencies in Latin America.

From India's perspective, engineering exports to Latin America have seen a decline in the beginning of 2017. This might be because of protectionist policy of other countries, reinforced by lower economic growth in the region. Going by the emerging prospects of an improved economic performance, it seems to be an opportune time for India to consider fresh investment in the region.

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



Latin America is a major trade destination for Indian exporters but due to political turbulence in the region the bilateral trade is getting impacted. The year 2017 should be a rebound year for Indian exports in the region. This newsletter provides an insight on the top engineering product panels that is imported by Latin American countries. Key news and tender information is also provided in the Newsletter.

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

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Basic Facts: Latin America & Caribbean

Area: 19,197,000 Sq. km

Population: 642 million

GDP: USD 5.15 trillion

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

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

Economic Turbulence in Latin America- Opportunity or Risk for Investors

The best time to invest in emerging markets is when it feels turbulent. Investing in emerging markets is not for the faint of heart. Conditions and markets change quickly and unpredictably. In pre-Donald Trump times, Latin America seemed on the upswing, with political and economic conditions driving a turnaround. Trump bet heavily on Brazil a year ago, when the South American economic juggernaut was in an economic funk tied to a slowdown in China. At that time, he notes, Mexico was the darling among Latin American economies as it was pulled along by a resurgent United States.

After having virtually stagnated in 2015, Latin American economy is estimated to have contracted 0.7% in 2016 due to the combined effects of lower commodity prices and capital flight as the commodity super cycle came to an end, heightened volatility in currency markets and severe recessions in Argentina, Brazil and Venezuela caused by poor economic policy in the past.

Latin America is one of the largest producers of commodities in the world. As a proportion of total global production, it produces 50% of soybeans, 40% of copper and 15% of iron ore and it is not surprising that the region's fastest growth period was during the commodities boom between 2002 and 2008. After that period, a normalization of commodity prices in the post global financial crisis period between 2010 and 2016 translated into significantly lower growth rates.

Due to the sharp drop in commodity prices, particularly after mid-2014, many countries experienced a deterioration in their terms of trade, a substantial drop in fiscal revenues and a massive outflow of capital. As a result, exchange rates in countries with flexible exchange-rate regimes became the first line of defense against the shifting trend, with their currencies depreciating considerably against the U.S. dollar. In this environment, many countries embarked on drastic policy adjustments, with governments restricting public spending and central banks tightening monetary policy to shore up their currencies. The tightening in both fiscal and monetary policies caused the region's economic growth to weaken further and, with it, business and consumer confidence.

In terms of individual countries, the region's recession in 2016 was led by Argentina and Brazil, while Venezuela's crisis continues to drag on the region's growth. In Argentina, ongoing structural reforms are helping to alleviate the pervasive macroeconomic imbalances and microeconomic distortions that were inherited from the policy mismanagement of the previous administration. Much has been done since the new government took office in December 2015, but the transition has proved harsh for economic activity.

For Brazil's economy, 2016 marked the longest and deepest recession in many decades and right now the government has limited maneuvering room to support growth. In addition, the country's recession was exacerbated by a political crisis involving corruption which paralyzed policymaking and severely affected confidence. Brazil's measures to fuel faster economic growth between 2011 and 2014 did not address many structural issues and in fact proved counterproductive, as they contributed to a severe deterioration in the fiscal account, caused high inflation and eroded the financial positions of businesses and households.

Clearly there is a reversal of roles right now, because Mexico is really the key target for Trump's anti-trade comments. So the sentiment toward Mexico has deteriorated significantly, whereas Brazil is coming out of a very negative sentiment and had one of the best performances in all markets last year. Brazil's comeback present in

other Latin American countries that have moved from leftist governments to more pro-business regimes, notably Argentina, Peru and, likely, Chile, where pro-business candidates are leading in the runup to an election late this year. Other positive factors in Central and South America are improving trade competitiveness, thanks to lower currency valuations, and reforms such those made to Mexico's energy sector.

Given Trump's anti-immigrant and anti-trade statements during the election and since, Mexico has been singled out as the one Latin American economy with the most to lose. The Mexican peso has lost value since Trump's election win, continuing a two-year slide in value against the U.S. buck.

Canada's NAFTA partner will survive the rhetoric storm due to its geographic proximity and intricate cross-border trade and business networks. Even immigration is not much of an issue as net migration to the U.S. has been negative over the past two years. About 40 per cent of the content of the Mexican exports to the U.S. are U.S. pieces themselves. Especially in the assembly and auto production, there is a lot of back and forth along the border. Given that a significant percentage of goods that travel from Mexico to the U.S. is ultimately shipped elsewhere.

The U.S. trade deficit is only a quarter of its exports to the country, compared with a deficit with Japan of twice exports and with China of three times. Trump's win marked the death of former President Barack Obama's "pivot to Asia" and the centerpiece Trans-Pacific Partnership trade deal. That leaves China to deepen its trade and economic ties in Eurasia "as the uncontested blueprint for future economic integration" in the region. Asian countries have radically sharpened their competitiveness through currency debasement over the last four years, and benefit more from a lower oil price. Both investors and advisers would do themselves [and their clients] a favour if they stayed away from all of the slices and dices of financial markets, such as by sector, geography. The vast majority of investors and advisers should not be tinkering with these types of allocations because they have no way of knowing whether a market is due for a rebound or not. Investors seeking global exposure should simply buy a global fund or exchange-traded fund (ETF) that includes emerging market stocks.

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. Engineering products play an important role in shaping India-MERCOSUR trade and economic relations. Its importance is reflected by the fact that out of 452 products in MERCOSUR offer list, 127 are from engineering sector. This accounts for 28.2% of the offer list.

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

LAC	India's Export in January 2017 (USD Million)	MERCOSUR	India's Export in January 2017 (USD Million)
BRAZIL	45.07	BRAZIL	45.07
COLOMBIA	28.76	ARGENTINA	15.57
CHILE	21.22	PARAGUAY	5.08
PERU	15.92	URUGUAY	2.69
ARGENTINA	15.57	VENEZUELA	0.23
Total	126.54	Total	68.63

Export of engineering products from India to MERCOSUR has shown a significant decline in January, 2017 at 68.63 million USD as compared to 100 million USD in December, 2016 which is 1.30% of the total engineering export of India to the world in January 2017; whereas India's export to Latin America and Caribbean is valued at 196 million USD, constituting 3.7% of its total export to world. Latin America's top 5 countries contribute to 64.56% of India's total engineering export to the region while MERCOSUR constitutes of 35.01% of the total export to LAC region. MERCOSUR's PTA with India has boosted trade and the expansion will definitely increase India's share in MERCOSUR's import basket.

Table 5: Top 20 panels of Engineering Goods Exported to LAC & MERCOSUR by India

Top panels export to LAC	Value in January 2016 (USD Million)	Value in January 2017 (USD Million)	Top panels export to MERCOSUR	Value in January 2016 (USD Million)	Value in January 2017 (USD Million)
Motor Vehicle/cars	44.79	52.96	Auto Components/Part	13.20	12.97
Iron and Steel	12.94	27.34	Iron and Steel	4.36	12.03
Two and Three Wheelers	34.33	20.78	Aluminum and products	6.04	6.30
Auto Components/Part	20.14	20.21	Industrial Machinery	6.29	5.30
Electric Machinery a	8.83	12.05	Motor Vehicle/cars	7.69	5.04
Aluminum and products	12.88	10.04	Products of Iron	5.68	4.38
Nuclear Reactors	1.54	9.90	Electric Machinery a	3.17	3.67
Industrial Machinery	10.30	8.78	Two and Three Wheelers	2.68	3.28
Products of Iron	21.20	8.22	Medical and Scientific instruments	2.78	2.85
Medical and Scientific instruments	5.34	5.18	IC Engines and Parts	9.33	2.40
IC Engines and Parts	11.26	4.34	Pumps of all types	1.39	1.76
Other Misc. Items	2.15	3.63	Other Misc. Items	1.54	1.68
Hand Tools Cutting	2.14	2.24	Other Construction Machinery	0.93	1.32

Other Construction Machinery	3.28	2.20	Hand Tools Cutting	0.98	1.07
Pumps of all types	1.69	1.97	Air condition and Refrigeration	0.49	1.01
Machinery for ATMs	2.39	1.41	Machinery for ATMs	1.19	0.97
Air condition and Refrigeration	0.66	1.31	Other Non Ferrous Metals	0.45	0.73
Other Non Ferrous Metals	0.58	0.89	Nuclear Reactors	0.74	0.69
Bicycle & Parts	0.97	0.53	Copper and products	0.48	0.28
Copper and products	2.63	0.52	Bicycle & Parts	0.50	0.25

The table above comprises of the top 20 exported engineering products to MERCOSUR and LAC. Comparative analysis of month by month data of subsequent years (2016 and 2017 for the month of January) reflects that the overall Indian exports has increased for both 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>

For all investment and business set up information:

Source: <https://www.eepcindia.org/publications-eeep-india.aspx?ms=73&page=Publications-of-EEPC-India>

News in Focus

Uruguay: Industrial production continues to grow in December

In December, industrial production grew 5.6% from the same month of the previous year, which followed the 2.6% expansion recorded in November. December's figure reflected expansions in the output of food and beverages and in chemical products. Conversely, the production of motor vehicles contracted. Excluding the contribution of the La Teja refinery—the country's only oil refinery and a key contributor to overall production—industrial output increased 6.1% annually, which was slightly down from November's 6.3% growth. The trend points upward, with annual average variation in industrial output swinging from minus 0.3% in November to plus 0.3% in December, the highest result in seven months.

Link: <http://www.focus-economics.com/countries/uruguay/news/industry/industrial-production-continues-to-grow-in-december>

India to start negotiations for a Trade Agreement with Peru - January 2017

The cabinet of Indian government has approved the proposal to start negotiations with Peru for a Trade Agreement. This would be useful to increase the trade with Peru, the fifth largest trade partner of India in Latin America. In 2015-16, the trade was 1523 million dollars of which exports were 820 m dollars and imports 703 m.

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

Portal for b2b between Indian and Latin American companies

A young "passionate about Latin America" Indian living in Peru Utsav Sharan has started a portal <http://www.negociomundo.com> to connect Indian and Latin American companies. Companies can make use of this commendable initiative.

Another useful website is <http://www.latmeco.com> run from Panama

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

Latin American brand ambassadors for Indian companies

Tata Motors has contracted Argentine football star Lionel Messi while Hero Motors has contracted Argentine coach and ex-player Diego Simeone.

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

Upcoming Events in LAC

Date of the event	Name of the event	Location	Link
07.03 - 10.03 2017	EXPOAGRO ARGENTINA International Open Air Farming Show with Machinery in Action	Buenos Aires	http://www.eventseye.com/fairs/f-expoagro-argentina-4504-1.html
15.05 - 19.05 2017	EXPONOR CHILE International Exhibition for Latin America Mining	Antofagasta	http://www.eventseye.com/fairs/f-exponor-chile-8111-1.html
14.06 - 16.06 2017	LATIN AMERICAN & CARIBBEAN TYRE EXPO Latin American & Caribbean Tire and Equipment Manufacturers Expo	Panama City	http://www.eventseye.com/fairs/f-latin-american-caribbean-tyre-expo-16295-1.html

Tender Information in LAC

Prior information Notices

TI ref No.	Title	Link
37791377	Electric Improvements San Jose De Caricuao., Venezuela	http://www.tendersinfo.com/details/37791377
37791387	Acquisition Of Parts And Computer Parts For The Management Of Ait Centro., Venezuela	http://www.tendersinfo.com/details/37791387
37791377	Electric Improvements San Jose De Caricuao., Venezuela	http://www.tendersinfo.com/details/37791377

37789795	Acquisition Of Various Types Of Laserjet Hp Toner., Venezuela	http://www.tendersinfo.com/details/37789795
37788047	Acquisition Of Spare Parts For Trucks Jmc With Single And Double Cab For Up To The Sum Of Us \$ 110,000., Uruguay	http://www.tendersinfo.com/details/37788047
37766284	Acquisition Of New Compressors, Compressor Spare Parts, Manual Measurement Equipment And Materials, Venezuela	http://www.tendersinfo.com/details/37766284
37767631	Power Transmissions, Uruguay	http://www.tendersinfo.com/details/37767631

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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