

Territorial NEWSLETTER Latin America

EEPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



Recently exports have seen a significant rise and gaining momentum between India and Latin America. To maintain this in long run, its pivotal to overcome existing barriers which majorly consist of compliance issues. Latin America has become an expanding regional market for Asian industrial goods and foreign direct investment. Engineering exports between the two regions have grown more than double over the past decade, reaching more than \$5.03 billion dollars in 2015—an amount expected to grow to at least \$7.5 billion by 2020. Latin America has very complex and always-changing tax systems with increasing foreign investment. The main tax issues in Latin America today concern indirect taxes, which are assessed on the

taxpayer generating profit, and electronic tax and accounting systems. Also the market compliances keep on changing due to which exporters find it difficult to fulfill. A proper interactive information system where this information is readily accessible and queries of exporters and investors are addressed is required.

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



India and Latin America relationships are ever-growing in economic terms, a lot has been achieved and potential for more remains yet there. We expect the trades to grow in the new year and we are committed towards making that happen. The various studies and members feedbacks have brought up the matter of compliance to product specifications and discriminatory tax structure as the major setback to Indian engineering 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

Latin America and India: Compliances is the only way to enhance the trade

Indian exporters have been facing tough competition in Latin America with China which captures almost 19.5% share of total Latin America imports as compared to India's share of only 1.6% share. India holds 16th position among the major exporting countries to Latin America. Other competing countries include Pakistan, Bangladesh and Thailand for textiles; Thailand, Argentina and Vietnam for iron and steel products; Argentina, Vietnam, Indonesia and Nicaragua for most of the processed food items etc. Apart from these, there are emerging suppliers from countries like Venezuela, Nigeria, South East Asia, Peru, Algeria etc. This losing out its share in US imports due to prevalence of regional trade agreements (RTAs) and preferential trading agreements (PTAs) between USA and competing suppliers including NAFTA (Mexico, Canada), Honduras.

The prevalence of these free trade agreements leads to high import duties for Indian exporters as compared to the other competing countries with relaxed duty rates making Indian exports relatively costlier. In case of other competing suppliers like China, we have been losing this share due to high CIF prices of our manufactured goods as compared to that of China. Adding to this list are countries like Bangladesh which enjoys preferential access in developed markets like US, by virtue of its LDC status, while others are preferred due to better quality.

Compliance in Latin America, is time-consuming due to three main factors: history of hyperinflation; low tax morale and high tax evasion; and "form over substance" rules. In addition, the region lacks harmonization in tax approaches, calculations, and comparability on a variety of issues, including indirect taxes, transfer pricing, treaties, capital flows, income tax, and accounting bases.

Through efficient compliance to changing regulations in the importing markets, exporting firms can gain better access and if this is done timely as compared to our competing suppliers, the chances becomes better. This is because the cost of the product from countries above mentioned other reasons which are emerging as competitive tools in the international market are fair trade practices and compliance of such practices in our production process.

While compliance related to labor, environment and quality have been quite prevalent across the globe, technology compliance is becoming a prime concern for the importers in Latin America. This has resulted into an obvious shift in preferences of the buyers from giving weightage to quality, pricing, duties etc to buying ONLY from countries where companies are compliant.

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

LAC	India's Export in December 2016 (USD Million)	MERCOSUR	India's Export in December 2016 (USD Million)
BRAZIL	70.31	BRAZIL	70.31
COLOMBIA	38.85	ARGENTINA	18.19
PERU	35.69	PARAGUAY	8.50
CHILE	31.87	URUGUAY	3.06
ARGENTINA	18.19	VENEZUELA	0.33
Total	194.91	Total	100.40

Export of engineering products from India to MERCOSUR has shown a significant increase in December, 2016 at 100.40 million USD as compared to 62.25 million USD in November, 2016 which is 1.77% of the total engineering export of India to the world in December 2016, whereas India's export to Latin America and Caribbean is valued at 280.89 million USD, constituting 4.96 % of its total export to world. Latin America's top 5 countries contribute to 69.39% of India's total engineering export to the region while MERCOSUR constitutes of 35.14% 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 December 2015 (USD Million)	Value in December 2016 (USD Million)	Top panels export to MERCOSUR	Value in December 2015 (USD Million)	Value in December 2016 (USD Million)
Motor Vehicle/cars	86.51	90.12	Auto Components/Part	14.07	16.33
Two and Three Wheelers	39.58	35.28	Iron and Steel	5.79	11.89
Iron and Steel	19.09	32.08	Industrial Machinery	6.86	10.31
Auto Components/Part	31.72	26.82	IC Engines and Parts	2.89	9.90
Industrial Machinery	13.75	18.14	Motor Vehicle/cars	4.87	7.25
IC Engines and Parts	4.87	11.70	Aircrafts & Spacecrafts	0.07	6.95
Aluminum and products	16.05	10.75	Products of Iron	4.95	6.38
Products of Iron	27.42	10.00	Medical and Scientific instruments	2.66	5.41
Electric Machinery	10.67	8.77	Two and Three Wheelers	4.51	5.33
Medical and Scientific instruments	4.89	7.97	Electric Machinery	4.55	4.19
Aircrafts & Spacecrafts	0.07	6.95	Aluminum and products	4.85	4.18
Other Misc. Items	2.56	3.86	Other Misc. Items	1.85	1.67
Hand Tools Cutting	2.61	3.34	Pumps of all types	1.36	1.67
Other Construction Machinery	3.12	2.65	Other Construction Machinery	1.48	1.62
Pumps of all types	2.02	1.98	Hand Tools Cutting	1.31	1.58
Machinery for ATMs	1.93	1.87	Other Non Ferrous Metals	0.54	0.96
Nuclear Reactors	4.07	1.81	Machinery for ATMs	0.77	0.92
Other Non Ferrous Metals	0.74	1.20	Zinc and products	0.17	0.63
Air condition and Refrigerators	2.68	1.13	Air condition and Refrigerators	1.30	0.57
Copper and products	2.04	0.98	Nuclear Reactors	2.25	0.52

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 (2015 and 2016 for the month of December) 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

Latin America's Top Four Anti-Corruption Compliance Mistakes

Attention to anti-corruption compliance has grown dramatically in Latin America in the last few years. The trend is fueled by continued robust enforcement of the FCPA against Latin American-based companies, the recognition of compliance programs as mitigating factors in local legal regimes, and the increased willingness of certain local governments to enforce their own anti-corruption laws. This has led to a rise in local compliance know-how in various parts of the region. Communities of attorneys, accountants, investigators, and other compliance professionals are forming quickly in markets like Brazil, Mexico, Argentina, and Colombia.

Link: <http://fcpamericas.com/english/anti-corruption-compliance/latin-americas-top-anti-corruption-compliance-mistakes/#>

Peruvian company Vistony setting up plant in Rajasthan for production of lubricants - Nov 2016

Vistony from Peru is a manufacturer of lubricants, additives and coolants for automobiles. They have plants in US, Bolivia, Ecuador and Paraguay. They are in the process of establishing a production plant in Rajasthan.

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

Hard Brexit: UK to leave the single market and Parliament will vote on the final deal, pledges PM May

Prime Minister Theresa May has said the UK "cannot possibly" remain within the European single market, as staying in it would mean "not leaving the EU at all", but at the same time promised to push for the "greatest possible" access to the single market following Brexit. In a long-awaited Tuesday speech, PM May also announced Parliament would get a vote on the final deal agreed between the UK and the European Union. And promised an end to the UK's "vast contributions" to the EU.

Link: <http://en.mercopress.com/2017/01/17/hard-brexit-uk-to-leave-the-single-market-and-parliament-will-vote-on-the-final-deal-pledges-pm-may>

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
04.04 - 06.04 2017	SIMATEX International Textile Machinery Show	Buenos Aires	http://www.eventseye.com/fairs/f-simatex-6698-1.html
10.04 - 12.04 2017	EMITEX - CONFEMAQ Clothing Machines Trade Show	Buenos Aires	http://www.eventseye.com/fairs/f-emitex-confemaq-8971-1.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

Tender Information in LAC

Prior information Notices

TI ref No.	Title	Link
37335129	Construction Of Premises, Commercial Or Industrial Plants, Chile	http://www.tendersinfo.com/details/37335129
37343055	Acquisition Of Truck, Paraguay	http://www.tendersinfo.com/details/37343055
37341020	Provision Of Bases, Plugs And Cast Iron Clamps., Argentina	http://www.tendersinfo.com/details/37341020
37337930	Conduct Engineering Design And Architectural Details Of Maritime And Land Infrastructure Works For Caleta, Chile	http://www.tendersinfo.com/details/37337930
37333754	Construction Of Civil Works, Chile	http://www.tendersinfo.com/details/37333754
37333704	Provision Of Infusion Pumps, Mexico	http://www.tendersinfo.com/details/37333704

For more contract notices, Please follow the link:

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

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