

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



India's exports to Latin America are growing at a robust rate. Indian automobiles, textiles, chemicals, machinery and other value added products have found dedicated customers all over the region. Aside from the economic rationale, it is also in India's strategic interest to reduce its dependency on West Asia for its energy security, and increasingly look to other sources for its needs, including Latin America. At a time when the US is cutting down on its imports to boost domestic production of natural gas with the advent of the shale revolution, Latin America is also in dire need of countries willing to import its oil. Moreover, the Latin bloc has discovered many more domestic reserves of oil over the past few years, which suggests that Latin America has great potential to be a reliable long-term partner to India. With India showing keen interest in procuring energy from both North America and Latin America, both sides are set to benefit from the current state of the market.

Efforts have been taken to strengthen ties in trade and commerce between the two regions. In May 2017, Ecuador expressed its interest in signing a preferential trade agreement (PTA) with India to enhance trade linkages. Colombia has also shown interest towards collaborating in industries like food processing and agriculture. Negotiations over a PTA have started between India and Peru. In 2016, the PTA between India and Chile was broadened, with Chile offering concessions on some 1,798 tariff lines with a Margin of Preference (MoP) ranging between 30 percent to 100 percent and India offering concessions on 1,031 tariff lines with a MoP ranging between 10 percent and 100 percent. India's inroads have been significant to the extent that in 2016, its exports of pharmaceuticals to Latin America beat China's volumes.

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

Ravi Sehgal

LA Territorial Committee Chairman's Note



Brazil has overtaken Venezuela to become the leading trade partner of India with US\$6.69 billion. Trade with Venezuela was US\$5.8 billion, with Argentina US\$3 billion, Chile US\$2.6 billion, Colombia US\$1.69 billion, and Peru US\$1.52 billion. Colombia remained the third largest destination for India's exports, totaling US\$888 million, followed by Peru, Chile, Argentina and Venezuela. This newsletter provides an insight on the top engineering product panels that is imported by Latin American countries. 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

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The Latin American and Caribbean region is a large market of 41 countries, with a population of 642 million people, regional GDP of US\$ 5.15 trillion (at current prices), per capita GDP over five times higher than that of India, and US\$ 1.93 trillion in merchandise trade, accounting for 6% of the world total.

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

Table 1: Region wise classification of LAC region	
Caribbean	Aruba, Anguilla, Cayman Islands, British Virgin Islands, Cuba, Saint Lucia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Montserrat,
Central America	Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela
Others	Antigua and Barbuda, Bahamas, Barbados, Belize, Bermuda, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, , St. Kitts & Nevis, St. Vincent & Grenadines, Suriname, Trinidad & Tobago, Falkland Islands, Turks and Caicos

Source: CIA factbook

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 \$25.22 billion 2015-16; 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 5: India's Major 5 Export Destinations in MERCOSUR & LAC Regions for Engineering Products

Country (MERCOSUR)	December 2016 (USD Million)	December 2017 (USD Million)	Growth %
BRAZIL	70.27	83.85	19.32
ARGENTINA	18.11	23.58	30.20
PARAGUAY	8.50	7.59	-10.75
URUGUAY	3.06	1.87	-39.03
VENEZUELA	0.33	1.65	393.85

Country (LAC)	December 2016 (USD Million)	December 2017 (USD Million)	Growth %
BRAZIL	70.27	83.85	19.32
COLOMBIA	38.84	52.86	36.10
CHILE	31.87	42.45	33.20
PERU	35.69	26.22	-26.55
ARGENTINA	18.11	23.58	30.20

Source: DGCI&S

Export of engineering products from India to MERCOSUR has realized a growth from US\$100.28 million in December 2016 to US\$118.53 million in December 2017; likewise India's export to Latin America and Caribbean have also increased from US\$281.22 million in December 2016 to US\$304.84 million in December 2017.

Table 6: Top 20 panels of Engineering Goods Exported to LAC & MERCOSUR by India

Top panels export to LAC	Value in December 2016 (USD Million)	Value in December 2017 (USD Million)	Top panels export to MERCOSUR	Value in December 2016 (USD Million)	Value in December 2017 (USD Million)
Motor Vehicle/cars	90.34	76.71	Auto Components/Part	16.25	26.59
Two and Three Wheelers	35.28	43.03	Iron and Steel	11.89	15.53
Auto Components/Parts	26.75	39.71	IC Engines and Parts	9.90	12.55
Iron and Steel	32.08	29.11	Industrial Machinery	10.31	10.34
Industrial Machinery	18.21	17.64	Two and Three Wheelers	5.33	9.84
Aluminum and products	10.75	16.73	Products of Iron	6.35	7.83
IC Engines and Parts	11.69	16.62	Medical and Scientific instruments	5.42	5.64
Products of Iron	9.98	13.58	Electric Machinery	4.19	5.14
Electric Machinery	8.76	10.81	Other Misc. Items	1.67	4.48
Medical and Scientific instruments	7.99	8.39	Other Construction Machinery	1.62	3.16
Other Misc. Items	3.87	5.97	Air condition and Refrigeration	0.54	2.98
Other Construction Machinery	2.65	5.16	Nuclear Reactors	0.52	2.47
Nuclear Reactors	1.92	4.51	Hand Tools Cutting	1.58	2.10
Hand Tools Cutting	3.35	3.69	Motor Vehicle/cars	7.25	2.10
Air condition and Refrigeration	1.11	3.24	Aluminum and products	4.18	1.39
Machinery for ATMs	1.89	2.73	Machinery for ATMs	0.94	1.31
Pumps of all types	1.98	1.58	Pumps of all types	1.67	1.29
Other Non Ferrous Metals	1.20	1.39	Other Non Ferrous Metals	0.96	1.21
Copper and products	0.98	1.22	Copper and products	0.39	0.80
Bicycle & Parts	0.53	0.98	Bicycle & Parts	0.15	0.55

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 December) reflects that the overall Indian exports have increased for both LAC and MERCOSUR region. More bilateral trade agreements with the Latin American 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-eepec-india.aspx?ms=73&page=Publications-of-EEPC-India>

Economic & Commercial Report for January 2018

Peru:

i. Peru: Copper production to increase 30% by 2021 (*Andina : 05/01/2018*) - Peru's copper output will expand 30% by 2021 due to new production units, whose construction will start in 2018, Deputy Mines Minister Ricardo Labo projected. These mining projects entail an investment worth over US\$10 billion. Likewise, Labo estimated copper production will reach 2.53 million fine metric tons (FMT) in 2018, driven by better performance by the mining companies. According to Energy and Mines Ministry's statistics, Peru's copper output stood at 2,353,856 FMT in 2016, a significant increase compared to the figure registered in 2008 (1,267,867 FMT). Labo also noted that this increase was explained by greater dynamism at mining firms, as well as the maximum production capacity at Las Bambas.

ii. Peru's 2017 inflation hit lowest in eight years (*Andina : 11/01/2018*) - Inflation in Peru fell to 1.36% in 2017

—the lowest rate in the last eight years— thus remaining within the 1%-3% target range, Central Reserve Bank (BCR) reported. Likewise, Peru's core inflation stood at 2.15% last year, the lowest since 2012. According to BCR, the said decline in inflation —compared to 2016— was mainly explained by the drop in average prices of food and energy (-1.48%); in other words, by the reversion of supply shocks witnessed in previous years. It must be noted the inflation rate for December 2017 (0.16%) was the first positive variation in the general level of prices, following three months of consecutive declines. Lastly, core inflation rose 0.29% in the twelfth month of 2017.

iii. Moody's: Revenue from the Peruvian government would not recover (*El Comercio :11/01/2018*) - At the end of 2017, the revenues of the Peruvian Government touched minimum of 12 years and, according to the risk rating agency Moody's, they would not recover in a short term. "It is unlikely that governments dependent on raw materials will recover levels of income prior to 2014, with prices of commodities that would not rise in the near future," the agency said in a report. Moody's also draws attention to the fact that Peru has been one of the three countries that has seen the largest reduction in its revenues, along with Venezuela and Bolivia. This is contrasted with the cases of Chile and Colombia, which have approved tax reforms that they have compensated for the fall. Meanwhile, he stressed that Mexico has taken steps in taxes that enabled the country even raise their tax revenues.

Bolivia:

iv. INE registers in 2017 the lowest inflation of the last 7 years (*La Razón : 05/01/2018*) - The National Institute of Statistics reported that the Consumer Price Index (CPI) recorded a cumulative 12-month variation of 2.71% in 2017. The inflation figure is the lowest of the last seven years. In 2010 inflation reached 7.18%, the following year it dropped to 6.90%, while the INE reported in 2012 that the CPI was 4.54%. In 2013, there was a record of 6.47%. In 2014, inflation reached 5.19%, in 2015 it fell to 2.95% while for 2016 management the figure reached 4%.

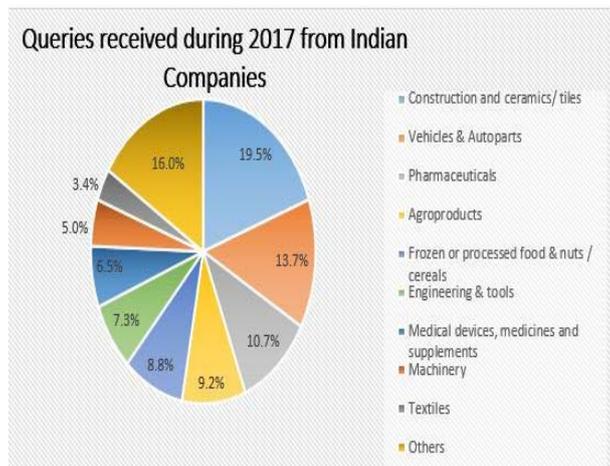
v. Ministry of energy prepares the investment plan (*Cambio : 11/01/2018*) - The Ministry of Energy will present in the coming weeks the Investment Plan for 2018, informed the head of this state portfolio, Rafael Alarcón. "In the following weeks we will present the Investment Plan of the sector, which includes the projects executed by the National Electricity Company (ENDE), Bolivian Lithium Deposits (YLB) and the Bolivian Nuclear Energy Agency (ABEN)," he said. The authority issued these statements in the framework of the progress of four major works, inspected on 9th Jan by President Evo Morales, such as the Photovoltaic Solar Plant, the Lithium Salar Transmission Line, the Salar Substation and the Potassium Chloride Industrial Plant in the municipality of Uyuni, in Potosí. According to the statements of the Head of State, the Solar Photovoltaic Plant, which has a cost of US \$ 62.7

million, will generate 60 megawatts (MW), half of the 120 MW consumed by the department of Potosí. The Industrial Plant of Potassium Chloride, which demanded an investment of US \$ 178 million, has a physical advance of 97%, and its delivery or inauguration will be in August of this year.

Trade promotion activities of the Mission

In the calendar year 2017, the Mission received 262 trade queries from Indian companies/exporters spreading across different sectors for market access in Peru and Bolivia. Sector-wise breakup of the queries received are provided in the adjoining tables.

Sector	Qty	% Share
Construction and ceramics/ tiles	51	19.5%
Vehicles & Autoparts	36	13.7%
Pharmaceuticals	28	10.7%
Agroproducts	24	9.2%
Frozen or processed food & nuts / cereals	23	8.8%
Engineering & tools	19	7.3%
Medical devices, medicines and supplements	17	6.5%
Machinery	13	5.0%
Textiles	9	3.4%
Others	42	16.0%
TOTAL	262	100.0%



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Contact: Palak Singh

Email: psingh@eepecindia.net

Phone no: 011-2331 4171