

Territorial NEWSLETTER Latin America

EEPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



T S Bhasin

India's total trade with the LAC countries has risen more than nine-fold in the last ten years, from US\$ 5.2 billion in 2005-06 to US\$ 25.22 billion in 2015-16. While India's total exports to LAC have risen from US\$ 2.8 billion in 2005-06 to US\$ 7.53 billion in 2015-16 and India's total imports from LAC have also risen significantly from US\$ 2.4 billion to US\$ 17.69 billion during the same period. Brazil is very important trade destination for Indian industry. Mining, manufacturing, and service sectors are progressing quite well. Last two years witnessed

the export and import baskets getting more varied. India's relations with Brazil are underpinned by strong trade and investment links which have strengthened and deepened in a short span of time. There is still more potential for commercial relations to grow. Some of the reasons affecting our trade with this region are distance, language barriers, lack of information and the absence of direct shipping and air links. Both the sides should work hard to overcome these.

To improve our engineering exports to Brazil, we need to focus upon infrastructure industry as a major segment. Our members can look into this as an area of interest for exploring opportunities underlying the Brazilian market.

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

LA Territorial Committee Chairman's Note



Pankaj Chadha

In this edition of the 'Newsletter on Latin America', we have discussed about Brazil as a major market for Indian companies. The newsletter also gives an insight on the top engineering product panels that is imported by LAC.

We really need to expand the trade dimension with Brazil in order to strengthen our global trade position in Latin American region.

The subsequent issues will keep our members 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.

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NEWSLETTER – Latin America

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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

Country Focus- Brazil- Emerging trade partner of India

Brazil is South America's largest economy and a regional leader, characterized by large and well-developed agricultural, mining, manufacturing, and service sectors, and a rapidly expanding middle class. Brazil is expanding its presence in world markets. A country of 202 million people, and GDP estimated at USD 3.07 trillion, it has a per capita income of USD 15,200. It is a member of many international associations like IBSA, BRICS, BASIC, G-20 & G-4 and is influencing the emergence of new world order. Bilateral relations between India and Brazil have acquired the dimension of a strategic partnership in the last decade under the leadership of former Brazilian President Luiz Inacio Lula da Silva. His successor President Dilma Rousseff's first ever visit to India in March 2012 provided greater commitment and content to this relationship.

India's multifaceted bilateral relationship with Brazil continued to intensify in 2014. Prime Minister Shri Narendra Modi and President Dilma Vana Rousseff have met each other during the BRICS Summits. BRICS leaders have approved a new development bank for long-term investment in infrastructure and more sustainable development. Way back in 2014 on the fringes of the BRICS Summit, Prime Minister Modi had a meeting with President Dilma at her official Residence in Brasilia. After the meeting, three important bilateral agreements were signed between both the sides. Further, 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 India- MERCOSUR existing relations and promote the expansion of trade by granting reciprocal fixed tariff preferences.

Box 1. Key Economic Indicators (2015)

Inflation Rate	27.6%
GDP Official Exchange Rate	US\$1.773 trillion
GDP per capita (PPP)	US\$15,600
Export	US\$189.1 billion
Import	US\$174.2 billion
Export commodities	Transport equipment, iron ore, soybeans, footwear, coffee, automobiles
Import Commodities	Machinery, electrical and transport equipment, chemical products, oil, automotive parts, electronics
Natural Resources	Bauxite, gold, iron ore, manganese, nickel, phosphates,

	platinum, tin, rare earth elements, uranium, petroleum, hydropower, timber
Exchange Rates	Reals (BRL) per US dollar - 3.27 (as on 1-Aug-16)
Ports & Terminals	Belem, Paranagua, Rio Grande, Rio de Janeiro, Santos, Sao Sebastiao, Tubarao, Manaus (Amazon)

Source: CIA Factbook

Bilateral Trade trend between India & Brazil

Trade relations between India and Brazil have seen a low phase in the last few years. In 2013-14, it was valued at over USD 9.3 billion from a level of about USD 10 billion in 2011-12, and USD 10.8 billion in 2012-13. However, data also reflect that trade between the two countries is passing through a rough phase but if compared with the last decade the trade has fairly improved.

Bilateral trade between India and Brazil has reached and remained steady to USD 10 billion. It showed a significant decline from US\$ 11.36 billion in 2014-15 to US\$ 6.69 billion in 2015-16. India's export to Brazil has significantly decreased from US\$ 5.96 billion in 2014-15 to US\$ 2.65 billion in 2015-16 whereas India's imports from Brazil remained constant. There is need to probe deeper to understand the reason behind this sudden downfall of exports and actions need to be taken in order to improve these trade figures.

India's Bilateral Trade (In Million USD)					
Year	2011-12	2012-13	2013-14	2014-15	2015-16
India's Export to Brazil	5,769.75	6,048.53	5,552.47	5,963.82	2,650.24
India's Import from Brazil	4,271.47	4,825.76	3,720.94	5,400.91	4,040.09
Total Trade with Brazil	10,041.22	10,874.29	9,273.40	11,364.73	6,690.33

Source: Ministry of Commerce, GOI

Top engineering products of India's export to Brazil (In Million USD)					
S. No.	HS Code	Commodity	Value of Exports (2014-2015)	Value of Exports (2015-2016)	Growth (%)
1	84	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.	225.97	182.45	-19.26
2	87	Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.	234.68	175.38	-25.27
3	76	Aluminium And Articles Thereof.	29.49	59.2	100.79

4	73	Articles Of Iron Or Steel	83.04	57.67	-30.55
5	85	Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders And Reproducers ,And Parts.	87.05	55.13	-36.66
6	72	Iron And Steel	101.21	44.58	-55.95
7	90	Optical, Photographic Cinematographic Measuring, Checking Precision, Medical Or Surgical Inst. And Apparatus Parts And Accessories Thereof;	43.49	33.73	-22.45
8	82	Tools Implements, Cutlery, Spoons And Forks, Of Base Metal; Parts Thereof Of Base Metal.	20.64	14.57	-29.4
9	83	Miscellaneous Articles Of Base Metal.	7	6.27	-10.49
10	94	Furniture; Bedding, Mattresses, Mattress Supports, Cushions And Similar Stuffed Furnishing; Lamps And Lighting Fittings Not Elsewhere Specified Or Inc	12.48	3.73	-70.12

Source: DGCI&S, Kolkata

Top engineering products of India's import from Brazil (In Million USD)					
S. No.	HS Code	Commodity	Value of Imports (2014-2015)	Value of Imports (2015-2016)	Growth (%)
1	72	Iron And Steel	207.76	261.33	25.78
2	84	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.	71.52	58.6	-18.07
3	85	Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders And	60.03	38.88	-35.23

		Reproducers,And Parts.			
4	87	Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.	24.99	21.36	-14.49
5	90	Optical, Photographic Cinematographic Measuring, Checking Precision, Medical Or Surgical Inst. And Apparatus Parts And Accessories Thereof;	16.62	14.03	-15.57
6	73	Articles Of Iron Or Steel	18.27	13.54	-25.88
7	75	Nickel And Articles Thereof.	10.75	9.43	-12.27
8	89	Ships, Boats And Floating Structures.	17.09	9.37	-45.2
9	74	Copper And Articles Thereof.	1.38	5.68	310.28
10	83	Miscellaneous Articles Of Base Metal.	4.63	3.86	-16.58

Source: DGCI&S, Kolkata

Bilateral Trade and Investment in Brazil and India

There have been two way investments between India and Brazil. Brazilian companies have invested in automobiles, IT, mining, energy, biofuels, and footwear sectors in India. Indian companies have invested in sectors as IT, Pharmaceutical, Energy, agri-business, mining, engineering/auto sectors. The Brazilian companies present in India include Marco Polo (automobiles), Vale (biggest mining company), Stefanini (IT), Gerdau (Steel).

Indian companies such as TCS, Wipro, Infosys, Cadilla, Mahindra, L&T, Renuka Sugars, United Phosphorus, and Polaris are present in Brazil. Total foreign direct investments (FDI) by Indian companies in Brazil from July 2007 to December 2013 are US\$ 103.25 million.

Brazilian market is an important trade destination for Indian engineering and manufacturing sector due to its strategic location. India can strengthen its position in the whole Latin America and gain access to other Latin American countries as well. However, at present the mutual trade between the two countries is still at a nascent stage and would require more time to mature. Considering all the untapped potential, the governments of both countries must work to increase the momentum in this nascent bilateral relationship. If both the countries position themselves as the gateway to their respective regions—India for South Asia and Brazil for South America—they can bridge the distance and deepen the bilateral trade relations.

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

LAC	India's Export in June 2016 (USD Million)	MERCOSUR	India's Export in June 2016 (USD Million)
BRAZIL	42.53	BRAZIL	42.53
COLOMBIA	34.58	ARGENTINA	12.09
PERU	27.50	PARAGUAY	4.63
CHILE	17.29	URUGUAY	3.54
ARGENTINA	12.09	VENEZUELA	0.98
Total	133.99	Total	63.77

Export of engineering products from India to MERCOSUR in June, 2016 is valued at 63.77 million USD which is 1.26% of the total engineering export of India to the world in June 2016, whereas India's export to Latin America and Caribbean is valued at 133.99 million USD, constituting 2.65% 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 3: Top 10 panels of Engineering Goods Exported to MERCOSUR & LAC by India

Top panels export to MERCOSUR	Value in June 2015 (USD Million)	Value in June 2016 (USD Million)	Top panels export to LAC	Value in June 2015 (USD Million)	Value in June 2016 (USD Million)
Auto Components/Part	17.92	13.28	Motor Vehicle/cars	49.76	53.22
Industrial Machinery	4.93	7.29	Two and Three Wheelers	34.14	28.53
Iron and Steel	7.24	6.43	Auto Components/Part	24.71	22.67
Motor Vehicle/cars	10.74	5.57	Iron and Steel	21.56	21.69
Products of Iron	6.37	4.04	Industrial Machinery	11.96	12.17
Two and Three Wheelers	5.68	3.97	Aluminum and products	6.76	11.28
Electric Machinery	5.71	3.64	Products of Iron	14.54	9.85
IC Engines and Parts	5.31	3.62	Electric Machinery	11.86	6.92
Medical and Scientific instruments	2.82	3.15	Medical and Scientific instruments	5.24	6.50
Aluminum and products	3.69	2.46	IC Engines and Parts	6.11	5.97

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 June) reflects that the overall Indian exports have declined for both LAC and MERCOSUR region. 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>

Brazil– 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.fazenda.gov.br/	Brazil Ministry of Finance
http://www.bcb.gov.br/	Central Bank of Brazil
http://www.investexportbrasil.gov.br/	Trade & investment guide in Brazil

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