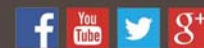


Territorial NEWSLETTER Latin America

EEPCINDIA
ENGINEERING THE FUTURE

Vanijya Bhavan (1st Floor)
International Trade Facilitation
Centre (ITFC)
1/1 Wood Street,
Kolkata - 700016
www.eepcindia.org



July 2018

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 maintains its position as the leading trade partner of India with US\$87.44 million. 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.

Export of engineering products from India to MERCOSUR has realized a slight decline from US\$123.98 million in June 2017 to US\$121.21 million in June 2018; whereas India's export to top 5 Latin America and Caribbean countries have increased from US\$208.75 million in June 2017 to US\$219.74 million in June 2018.

We are hopeful that the newsletter will give fruitful information to our readers.

Aman Chadha

Territorial
NEWSLETTER – Latin America

EEPCINDIA
ENGINEERING THE FUTURE
www.eepcindia.org



Basic Facts: Latin America & Caribbean

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

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 \$29.30 billion 2017-18; 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 2: India's Major 5 Export Destinations in MERCOSUR & LAC Regions for Engineering Products

Country (MERCOSUR)	June 2017 (USD Million)	June 2018 (USD Million)	Growth %
BRAZIL	84.26	87.44	3.77
ARGENTINA	30.36	21.51	-29.14
PARAGUAY	5.86	6.18	5.49
URUGUAY	3.18	5.79	81.86
VENEZUELA	0.43	0.29	-33.91

Country (LAC)	June 2017 (USD Million)	June 2018 (USD Million)	Growth %
BRAZIL	84.26	87.44	3.77
COLOMBIA	41.49	47.07	13.47
CHILE	24.03	42.69	77.62
ARGENTINA	30.36	21.51	-29.14
PERU	28.61	21.03	-26.47

Source: DGCI&S

Export of engineering products from India to MERCOSUR has realized a slight decline from US\$123.98 million in June 2017 to US\$121.21 million in June 2018; whereas India's export to top 5 Latin America and Caribbean countries have increased from US\$208.75 million in June 2017 to US\$219.74 million in June 2018.

Table 3: Top 20 panels of Engineering Goods Exported to LAC & MERCOSUR by India

Top panels export to LAC	Value in June 2017 (USD Million)	Value in June 2018 (USD Million)	Top panels export to MERCOSUR	Value in June 2017 (USD Million)	Value in June 2018 (USD Million)
Motor Vehicle/cars	76.51	61.37	Auto Components/Part	25.48	27.01
Two and Three Wheelers	36.46	43.05	Iron and Steel	14.39	15.52
Auto Components/Part	38.27	39.99	Products of Iron	6.35	11.11
Iron and Steel	30.17	25.49	Aluminium and products	8.28	9.32
Products of Iron	15.35	19.45	Industrial Machinery	9.91	8.76
Industrial Machinery	16.08	15.80	IC Engines and Parts	16.43	7.12
Aluminium and products	18.17	15.59	Two and Three Wheelers	8.03	6.90
IC Engines and Parts	18.69	11.49	Air condition and Re	1.21	6.37
Ships Boats	0.00	10.29	Electric Machinery a	3.43	5.11
Electric Machinery	8.43	9.70	Medical and Scientific instruments	4.19	4.48
Medical and Scientific instruments	6.84	8.18	Motor Vehicle/cars	11.70	4.35
Air condition and Refrigeration	1.57	6.92	Other Misc. Items	3.36	4.17
Other Misc. Items	4.25	5.36	Other Construction M	1.94	1.95
Other Construction Machinery	3.26	4.33	Hand Tools Cutting	1.62	1.71
Hand Tools Cutting	3.91	3.61	Pumps of all types	2.13	1.67
Machinery for ATMs	1.98	3.40	Machinery for ATMs	1.10	1.22
Copper and products	0.80	2.17	Copper and products	0.45	1.04
Pumps of all types	2.29	1.96	Machine Tools	0.15	1.01
Office Equipments	0.15	1.72	Bicycle & Parts	0.31	0.46
Machine Tools	0.31	1.34	Electrodes Accumulators	0.21	0.41

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 (2017 and 2018 for the month of June) 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:

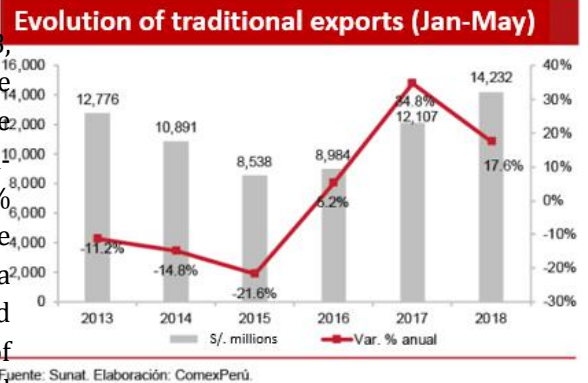
Source: <https://www.eepcindia.org/publications-eepec-india.aspx?ms=73&page=Publications-of-EEPC-India>

Economic & Commercial Report for July 2018

1. Analysis of Trade Data (Peru)

Mining, oil and derivatives: main export products

According to Sunat figures, in the first five months of 2018, Peruvian exports amounted to US \$ 19.513 billion, 17.9% more than in the same period of the previous year. In turn, these were divided into traditional (US \$ 14.232 billion; + 17.6%) and non-traditional (US \$ 5.281 billion; + 19%), each with a share of 73% and 27% respectively. With respect to traditional shipments, the main export sectors in the period mentioned were mining, with a value of US \$ 11.803 billion and a growth of 20.8%, and oil and derivatives, with shipments of US \$ 1.661 billion and a growth of 22.6%. Both had a joint participation of 94.6% of traditional exports.



MINING SECTOR

The main export product in the mining sector, in the period January-May 2018, were copper ores and concentrates, whose shipments totaled US \$ 5,533 million, with a growth of 26.3% compared to the first five months of 2017. They also represented 47% of mining exports and 39% of traditional exports. Moreover, they were the product that Peru exported most at the aggregate level, as it constituted 28.3% of its total shipments to the world. According to figures from the International Trade Center (CCI), in 2017, Peru was the second main exporter of the product in question, only behind Chile, by providing 20.6% of the global supply. However, there are difficult markets. The most notorious example is India, which was the third largest buyer of copper ore and its concentrates in 2017, with purchases of US \$ 3.901 billion (6.9% of imports worldwide), but to which we only export US \$ 159 million (only 4% of its demand and 7% of our offer). This limitation is due, among other factors, to the high tariffs that India imposes on Peruvian products, which would be eliminated after the signing of the Free trade agreement with that country, currently under negotiation.

Despite the low projected growth for the mining sector in the Inflation Report of last June (+ 0.5%), prepared by the Central Reserve Bank of Peru (BCRP), a greater dynamism is foreseen for this in 2019 (+ 3.5%). In addition, thanks to copper extraction by mining companies that are already in operation, such as Las Bambas in Apurímac or Cerro Verde in Arequipa, and projects whose operations will begin in the coming years, such as Mina Justa (Ica) or Quellaveco (Moquegua), the copper offer would be guaranteed. This, added to the growing demand of countries such as China or India, due to its urbanization and population growth processes, would project a good future for our emblematic export product.

OIL AND DERIVATIVES

On the other hand, in the first five months of 2018, the majority (24.5%) of exports from the oil and derivatives sector corresponded to shipments of liquefied natural gas, which amounted to US \$ 407 million and grew by 36.8% with respect to the same period of the previous year. These had as main destinations South Korea (US \$ 222

million, + 855.2%), Japan (US \$ 100 million, + 328.5%) and Spain (US \$ 53 million, -74.6%). In addition, shipments were made to two markets with which we did not trade the previous year: Taiwan (US \$ 19 million) and Malta (US \$ 13 million). It should be noted that, according to figures from the BCRP, the extraction of natural gas fell by 7.7% in the first four months of the year, and that of natural gas liquids decreased by 10.7%. This was reflected in the lower weight of our natural gas exports in the January-May period of 2018, which decreased by 14.3% with respect to the same period of 2017, standing at 1.519 billion kg.

According to the projections of the BCRP, after negative scenarios in terms of real growth over the course of this year, with consequent impacts on the mass of trade, everything indicates that, in 2019, both the mining sector and the oil and derivatives sector will enjoy growth positive and significant. This is highly relevant due to the importance of both sectors in the composition of our traditional exports. *Source: COMEXPERU*

2. News analysis related to Trade

Peru:

i. Peruvian economy is in a process of re-acceleration (*El Peruano; 25/07/2018*) - In the framework of the 5th Business Summit, the Economy and Finance Minister stressed that the GDP grew 7.1% in the last two months, which means that the Peruvian economy is in a process of re-acceleration. We are aware that the great challenge we have for the future is not only to strengthen the growth month by month, but, most importantly, to consolidate the potential GDP, that is, the capacity of our economies to continue growing". In order to achieve this goal, the Minister said that the Government has a strategy to increase the competitiveness of companies, which begins with dialogue and joint work between the public and private sectors.

ii. The production of the red metal recovered (*Gestion: 25/07/2018*) - Copper production showed a recovery in May, registering an increase of 15.4%. Although in the year just had an increase of 0.2%. The result was driven by the higher production volumes of Las Bambas and Southern Peru. However, Sociedad Minera Cerro Verde continued to show a fall, due to lower concentration of treated ore. Even so, this company continues to be the main producer in the country. The daily price of copper was affected in the first half of May by the decrease in world inventories, however, the strengthening of the dollar caused it to increase only 1% at the end of that month.

iii. Macusani plans to triple lithium resources (*Gestion. 26/07/2018*) - Macusani Yellowcake, the Peruvian subsidiary of the Canadian company Plateau Energy reported 2.3 million tons of lithium carbonate in the Falchani project (Puno) with an average of 2,000 parts per million (ppm). Ulises Solis, representative, said that as a next step, the company will seek to expand these volumes for the next publication of resources in October or November. To date, only 20% of the project has been explored. He also indicated that the Falchani project is viable even considering costs. An investment of US\$ 800 million is projected.

iv. Start of Quellaveco mining project was announced (*Andina: 27/07/2018*) - Peruvian President Martin Vizcarra on 26.07.2018 announced the start of Quellaveco copper project —to be operated by Anglo American-Mitsubishi consortium— as a tool to invigorate the country's economy. According to the Head of State, the project, which demands an investment of US\$5.3 billion, will produce about 300,000 tons of copper per year, in the first 10 years of operation, and create nearly 10,000 direct jobs.

Bolivia:

v. Government affirms that the country has the largest lithium reserves in the world (*El Deber: 25/07/2018*) - With more than 10 million tons of lithium, Bolivia has established itself as the country with the largest reserves of this metal in the world, said Deputy Minister of High Energy Technologies, Luis Alberto Echazú. "Salar de Uyuni is the largest lithium reserve in the world, estimated at more than 10 million tons, probably in the next few months we will ratify the supremacy because we will have the official information of a US company that is doing the study and is soon to conclude," said Echazú.

i. Trade Promotion Activities of the Mission

SRTEPC Roadshow for Source India 2018 – The Synthetic and Rayon Textiles Export Promotion Council (SRTEPC) held a roadshow in Lima on 23rd July 2018 to promote the 2nd edition of Source India 2018. The roadshow, organized in association with the Lima Chamber of Commerce and the Embassy, was attended by around 50 Peruvian business persons from the textile sector. Ambassador M Subbarayudu and Mr. Rohit Rao, President of INCHAM (Indian Chamber of Commerce) spoke on the occasion. Mr. Sri Narain Aggarwal, Chairman SRTEPC gave the presentation on Source India 2018. Mr. Erick Valderrama of Russell Bedford Peru explained the audience on how to form business relationship with India.

EEPC India Latin America Territorial Newsletter

Contact: Palak Singh

Email: psingh@eepcindia.net

Phone no: 011-2331 4171