

# Territorial NEWSLETTER Latin America

**EEPCINDIA**  
ENGINEERING THE FUTURE

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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 maintains its position as the leading trade partner of India with US\$89.25 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 growth from US\$108.11 million in May 2017 to US\$128.35 million in May 2018; likewise India's export to top 5 Latin America and Caribbean countries have also increased from US\$179.24 million in May 2017 to US\$211.03 million in May 2018.

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

**Aman Chadha**

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## 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

**Table 1: Region wise classification of LAC region**

<b>Caribbean</b>	Aruba, Anguilla, Cayman Islands, British Virgin Islands, Cuba, Saint Lucia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Montserrat,
<b>Central America</b>	Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela
<b>Others</b>	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 5: India's Major 5 Export Destinations in MERCOSUR & LAC Regions for Engineering Products**

Country (MERCOSUR)	May 2017 (USD Million)	May 2018 (USD Million)	Growth %
BRAZIL	72.93	89.25	22.37
ARGENTINA	27.32	25.10	-8.13
PARAGUAY	4.83	9.36	93.95
URUGUAY	2.47	4.57	85.22
VENEZUELA	0.56	0.07	-88.07

Country (LAC)	May 2017 (USD Million)	May 2018 (USD Million)	Growth %
BRAZIL	72.93	89.25	22.37
COLOMBIA	34.60	42.41	22.57
CHILE	19.44	34.57	77.87
ARGENTINA	27.32	25.10	-8.13
PERU	24.95	19.70	-21.04

Source: DGCI&S

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

Top panels export to LAC	Value in May 2017 (USD Million)	Value in May 2018 (USD Million)	Top panels export to MERCOSUR	Value in May 2017 (USD Million)	Value in May 2018 (USD Million)
Motor Vehicle/cars	57.11	55.81	Auto Components/Part	19.66	26.25
Two and Three Wheeler	35.43	39.65	Iron and Steel	10.86	18.65
Auto Components/Part	29.61	36.40	Aluminium and products	12.57	14.93
Iron and Steel	30.60	32.44	Industrial Machinery	8.74	9.57
Products of Iron	13.19	25.01	Products of Iron	7.16	9.11
Aluminium and products	21.05	20.76	Two and Three Wheelers	7.48	8.00
Industrial Machinery	14.07	15.35	Electric Machinery	11.11	7.28
Electric Machinery	14.56	13.39	IC Engines and Parts	7.80	6.10
IC Engines and Parts	9.54	8.83	Air condition and Refrigeration	1.19	5.59
Medical and Scientific instruments	5.87	7.96	Medical and Scientific instruments	3.06	4.50
Air condition and Refrigeration	1.40	5.90	Motor Vehicle/cars	6.91	4.49
Other Misc. Items	4.04	5.30	Other Misc. Items	2.99	3.75
Other Construction Machinery	2.87	3.31	Other Construction Machinery	1.08	2.47
Hand Tools Cutting	2.92	3.28	Pumps of all types	1.24	1.58
Pumps of all types	1.50	3.25	Hand Tools Cutting	1.28	1.29
Copper and products	0.57	2.34	Machinery for ATMs	1.60	1.13
Machinery for ATMs	3.14	1.86	Other Non Ferrous Metals	0.88	0.73
Office Equipments	0.13	1.18	Copper and products	0.35	0.71
Other Non Ferrous Metals	1.00	1.06	Electrodes Accumulator	0.24	0.45
Nuclear Reactors	2.29	0.85	Nuclear Reactors	0.99	0.44

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 May) 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:

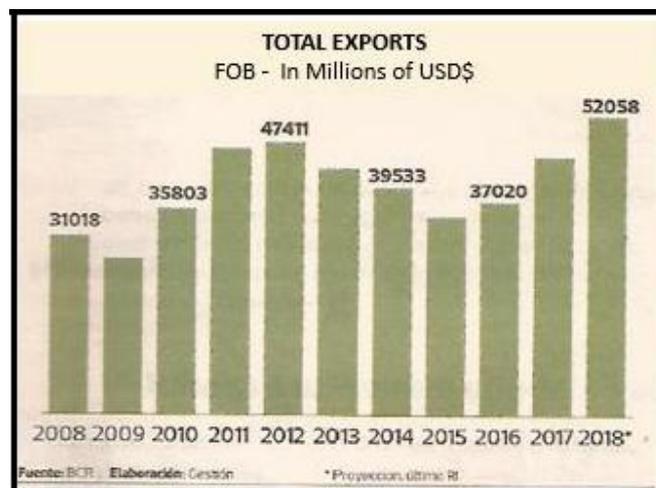
## Economic & Commercial Report for June 2018

### Economic & Commercial Report for the week ending 22nd June 2018

#### 1. Analysis of Trade Data (Peru)

##### Total exports expected to reach a new historical record this year

The Minister of Foreign Trade and Tourism, Rogers Valencia, said that this year will be exceptional in terms of exports. "We expect to reach US \$ 51,000 million with a very important growth in non-traditional products. We are in June, and we have already exceeded the amount expected for the year (for non-traditional products), but we still expect to continue growing and reach 18% growth over an excellent last year", said Valencia.



However, according to the latest projections of the Central Reserve Bank - BCR contained in its June inflation report, total exports would exceed US \$ 52,000 million this year, constituting a new historical record. The previous record was achieved in 2012 (US \$ 47,411 million).

But the positive trend would continue. Thus, the BCR projects that exports will exceed US \$ 55,000 million next year. As can be seen on the following chart, with projections for 2018 and 2019 from the Inflation Report of BCR.

#### FACTORS

Eduardo Jiménez, analyst at Macroconsult, points out that the solid growth of China and the acceleration of the GDP of the main developed economies have resulted in an increase in the price of industrial commodities and the growth of global demand for products. With this, in a baseline scenario, traditional exports would grow 10% in 2018, mainly due to higher mineral exports, which in turn can be explained by a higher average copper price (US \$ 3.10 per pound in 2018 versus US\$ 2.8 per pound in 2017), he added.

The exporters indicate that measures are needed to take a better advantage of the free trade agreements that the country currently has; reduce logistics costs especially in the maritime and port activity where the costs per container amount to US \$ 300; strengthen agencies related to foreign trade, among others. *Source: Gestión*

#### 2. News analysis related to Trade

## Peru:

i. Peru: Net International Reserves total US\$ 60,105 million on June 12th (Andina: 18/06/2018)-Peru's net international reserves, which help the country preserve economic and financial stability, amounted to US\$ 60,105 million as on June 12, Central Reserve Bank of Peru (BCR) reported. According to BCR's Weekly Economic Report, reserves were mainly made up of liquid international assets. This level of reserves is equivalent to 27% of the country's gross domestic product (GDP) and 18 months of imports. International reserves guarantee the foreign currency availability in unusual situations that might occur due to external shocks resulting in eventual and possible withdrawals of foreign currency deposits and a subsequent capital flight from the financial system.

ii. Greater dynamics in the fishing sector (El Peruano: 18/06/2018) - Fish exports for human consumption (does not include fish flour) would have increased 80% in the first five months of this year, estimated Carlos Milanovitch, the new chairman of the Fishing and Aquaculture Committee of the National Society of Industries (SNI). With this projection, shipments of these products exceeded 900 million dollars so far this year. "The good catches recorded in the first five months of this year of species such as hake and cuttlefish have caused a strong increase in exports of these products" said the businessman.

iii. Peruvian economy grew by almost 8% (La República: 19/06/2018) - In April of this year the Peruvian economy grew by 7.81% and accumulated 105 months of continuous growth; while the productive activity of the country in the period January-April 2018 increased by 4.40% and in the last 12 months (May 2017-April 2018) by 3.31%, reported the National Institute of Statistics and Informatics (INEI). The INEI explained that the positive evolution of the economic activity was based on the favorable performance of the external demand of traditional products (14.05%); as well as non-traditional (27.5%), the recovery in domestic demand associated with the greater importation of non-durable consumer goods (14.03%), retail sales (3.15%) and consumer loans (7.49%).

iv. Focus Economics: Exports continue to rise strongly (Andina: 20/06/2018) - Peru's trade balance registered a US\$398 million surplus in April 2018, narrowing from March's result; however, it denoted a substantial increase from the US\$154 million-surplus recorded in the same month last year, the latest Focus Economics' Latin Focus Consensus Forecast report recalled. According to Focus Economics, growth came mainly on the back of soaring overseas sales of copper, zinc and natural gas, as well as of non-metallic minerals, plus iron and steel products. Meanwhile, imports rose 16.0% annually in the fourth month, on higher purchases of raw materials for industry and transport equipment, above March's 10.6% expansion.

## Bolivia:

v. Bioceanic train partners confirm project viability (La Razon: 17/06/2018) - Delegates from the bioceanic train partner countries, such as Bolivia, Brazil, Paraguay and Peru, signed on 15th June in Lima, Peru, the Internal Regulation of the Bioceanic Operating Group (GOB). GOB presented the technical studies and confirmed the feasibility and great benefits of the railway mega-project that seeks to unite the Pacific with the Atlantic.

### TBT Notifications issued by LAC countries (June 2018)

**Brazil makes changes to technical regulation on motorcycles, scooters, mopeds, tricycles, trikes and quadricycles chains.** This has reference to TBT notification no G/TBT/N/BRA/559/Add.6 dated 9th May 2018, issued by the National Institute of Metrology, Quality and Technology (INMETRO). The product mentioned in this notification falls under the HS Code 8714.

#### The brief of the regulation is given below:

This draft technical regulation establishes requirements for motorcycles, scooters, mopeds, trikes and quadricycles chains, to be attended to throughout the supply chain of the product in the national market, as well as the conformity

assessment procedures for automotive accessories for the above mentioned products through a compulsory third party certification, carried out by an accredited body, with a focus on security.

**India's export to Brazil on the given product (8714) during 2015-2016 is US\$ 5.05M.**

The full text is available in Portuguese and can be downloaded at:

<http://www.inmetro.gov.br/legislacao/rtac/pdf/RTAC002508.pdf>

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