

Territorial NEWSLETTER Latin America

EEPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



EEPC India has been playing an important role in promoting the brand Indian Engineering in the world. It has been a leading organization to push key vertical and horizontal reforms initiated by the Government in the engineering export fraternity

EEPC India proudly announces the launch of India Pavilion at Expo Edifica from 2-5 October 2019 in Santiago, Chile, followed by buyer-seller meet in Peru on 7 October 2019. The show is the most important construction industry event with over 900 exhibitors and more than 40,000 professional visitors from all over the globe. It is an appropriate platform for showcasing machinery, equipments, cutting-edge technology and advances, supplies, construction machinery, and capital and intermediate goods & services to a wide market eager for development and industrial growth. EEPC India is also participating at Ferret Expo in Guatemala & a business delegation is being mobilized for BSM to Honduras from 7-10 November 2019. This is a multiproduct expo & delegation. EEPC India will be representing Indian industry for the 3rd time at the Expo. Latin American market has untapped potential and we look forward to unveiling them.

In the recent visit of External affairs minister S Jaishankar has also requested MERCOSUR countries to expedite negotiations for the expansion of the India-MERCOSUR Preferential Trade Agreement (PTA). This is a crucial development and will open new trade and investment opportunities for engineering exporters of India.

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 remains one of the most important trading partners of India. In June 2019, India's export of engineering goods to Brazil was US\$ 88.39 million. This newsletter throws light on the top engineering product panels that is imported by Latin American countries. The upcoming issues will keep you informed on the nature, direction and volume of India's trade with Latin America and Caribbean countries.

Export of engineering products from India to MERCOSUR has realized a decline from US\$234.21 million in June 2018 to US\$232.58 million in June 2019. Despite a marginal decline in exports to MERCOSUR countries, EEPC India continues to work with exporting fraternity to enhance exports to these countries.

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

Aman Chadha

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Basic Facts: Latin America & Caribbean

Latin America and the Caribbean have witnessed remarkable changes in their socio-economic transformation. The macroeconomic situation of individual countries has strengthened, living standards have improved, and poverty and inequality have declined. Yet large structural vulnerabilities remain and new ones have emerged. Many of these are linked to countries' transition to higher income and development levels. The Latin American and Caribbean region is a large market of 41 countries, with a population of 658 million people, regional GDP of US\$ 5.78 trillion (at current prices), per capita GDP over five times higher than that of India, and US\$ 1.18 trillion in merchandise trade, accounting for 6% of the world total. (2018)

Area: 19,197,000 Sq. km

Population: 658 million

GDP: USD 5.78 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

A Snapshot of India- MERCOSUR Trade Relations

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 objective 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.

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 2018 (USD Million)	June 2019 (USD Million)	Growth Rate
BRAZIL	87.1	88.39	1.00
ARGENTINA	21.51	9.30	-0.56
URUGUAY	5.78	5.11	-11.62
PARAGUAY	6.18	3.83	-0.38
VENEZUELA	2.86	4.49	56.88

Country (LAC)	June 2018 (USD Million)	June 2019 (USD Million)	Growth Rate
BRAZIL	87.1	88.39	2.12
COLOMBIA	47.07	40.00	-14.88
CHILE	42.68	46.34	8.57
PERU	21.03	35.12	67
ARGENTINA	21.5	9.30	-0.51

Source: DGCI&S

Export of engineering products from India to MERCOSUR has realized a decline from US\$234.21 million in June 2018 to US\$232.58 million in June 2019, which is reflecting a marginally downward trend in the growth of engineering exports to the MERCOSUR & LAC countries.

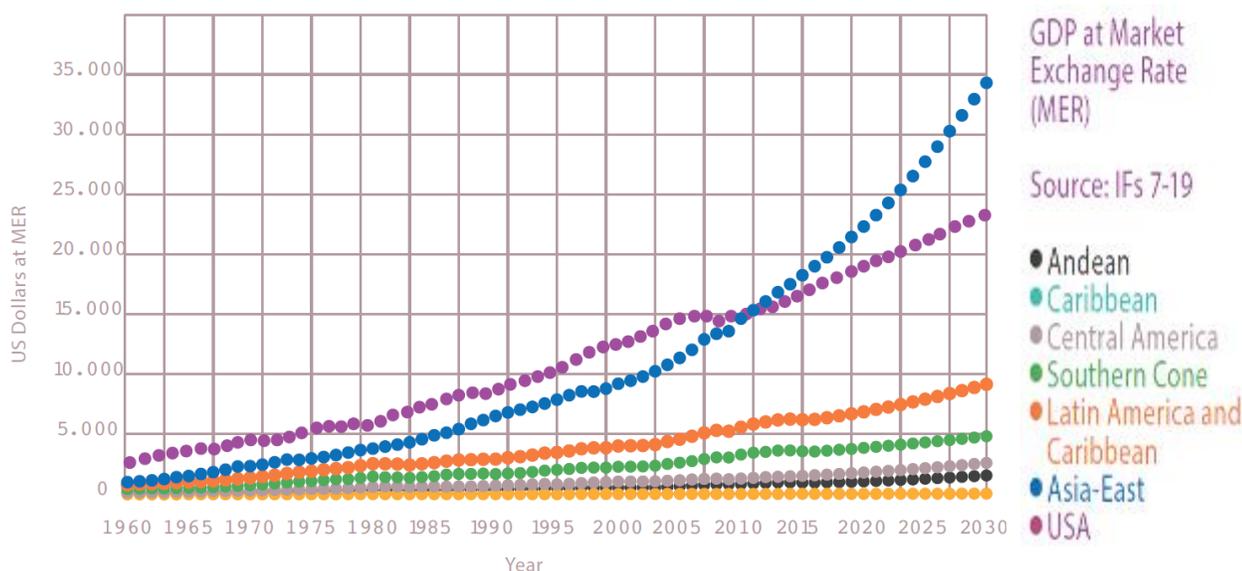
Latin America and the Caribbean 2030: Future Scenarios

Latin America and the Caribbean¹ are at a critical stage in their historical trajectory. In the past decade and a half, much seemed to be going right. A commodity boom spurred a fiscal resource windfall that led to strong gross domestic product (GDP) growth, new or expanded social programs in many countries, and tens of millions of people moving into the middle class or out of poverty

Looking at the top-line regional economic data, the story over the past decade and a half looks reasonably positive. In aggregate, economies have grown from \$6.2 trillion in 2015 to \$9.2 trillion in 2030. Annual GDP growth has slightly outperformed that of the United States (2.4 percent on average versus 2.2 percent). This GDP growth has borne real fruit, as average individual income has increased by \$2,800. In 2030, GDP per capita at PPP (converted to international dollars using purchasing power parity rates) reaches \$18,400 in the Southern Cone on the high end and \$15,000 in the Andean region on the low end.

Figure 1 compares GDP growth with the United States and East Asian economies (China, South Korea, Japan, Taiwan, Mongolia, Hong Kong, and North Korea in aggregate). In absolute GDP growth terms the region is growing, but relative to other countries, in particular East Asian economies, it has continued to slide. The same is true on a per capita basis; since the 2010s, East Asian economies (including China) have continued to converge on the OECD per capita income average, but Latin America has not.

Figure-1 GDP: Latin America and the Caribbean vs East Asia and the United States



The Economic Complexity Index (ECI), which ranks how diversified a country’s export basket is, shows that in 2030 many Latin American economies are still too resource-dependent and far less complex than developed economies.⁷³ Petroleum still accounts for 93 percent of exports for Venezuela and 50 percent for Ecuador, while mineral products and gold still account for 74 percent of Bolivia’s exports.⁷⁴ This overwhelming dependence put Ecuador, Bolivia, and Venezuela in the bottom 20 among 124 countries in the 2014 ECI rankings

¹ This section “Latin America and the Caribbean 2030: Future Scenarios” of the newsletter is extracted from the <https://www.atlanticcouncil.org/publications/reports/latin-america-and-the-caribbean-2030-future-scenarios>

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

Top panels export to LAC	Value in June 2018 (USD Million)	Value in June 2019 (USD Million)	Top panels export to MERCOSUR	Value in June 2018 (USD Million)	Value in June 2019 (USD Million)
Auto Components/Part	27.00	25.02	Motor Vehicle/cars	40.73	41.62
Iron and Steel	15.52	12.74	Auto Components/Part	37.64	35.64
Aluminum and products	9.33	10.56	Products of Iron	15.39	31.28
IC Engines and Parts	7.12	7.57	Two and Three Wheelers	30.63	20.11
Industrial Machinery	8.75	7.52	Aluminium and products	13.89	13.21
Products of Iron	11.11	5.97	Iron and Steel	16.31	12.57
Electric Machinery a	5.11	5.62	IC Engines and Parts	10.41	10.58
Other Construction M	1.94	4.76	Industrial Machinery	11.47	9.91
Medical Devices and Scientific	4.56	4.43	Electric Machinery a	7.49	7.57
Air condition and Re	6.37	3.09	Medical and Scienti	5.90	5.56
Motor Vehicle/cars	4.35	2.55	Other Construction M	2.66	5.08
Pumps of all types	1.67	2.14	Air condition and Re	6.86	3.20
Hand Tools Cutting	1.71	1.74	Hand Tools Cutting	3.04	3.05
Machinery for ATMs	1.22	1.69	Machinery for ATMs	2.83	2.34
Other Non Ferrous Metals	0.38	1.47	Pumps of all types	1.87	2.28
Two and Three Wheeler	6.90	1.44	Nuclear Reactors In	0.31	1.87
Electrodes Accumulate	0.41	0.83	Other Non Ferrous Me	0.60	1.83
Copper and products	1.04	0.50	Copper and products	2.12	1.41
Nuclear Reactors In	0.31	0.49	Electrodes Accumulate	0.53	0.87
Bicycle & Parts	0.46	0.30	Bicycle & Parts	0.84	0.80

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 (2018 and 2019 for the month of June) reflects that the Indian exports have increased in certain products and it has also declined for both LAC and MERCOSUR region. Recognizing the importance of LAC and MERCOSUR, it is important for India to push comprehensive trade agreements with the Latin American countries to boost India's exports and foster strong deeper backward and forward linkages.

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>

News analysis related to Trade

1. **India urge MERCOSUR Countries to Fast Track PTA Talks (Financial Express: 19/07/2019)** – India is expected to ask the MERCOSUR countries to fast-track negotiations for the expansion of the India-MERCOSUR Preferential Trade Agreement (PTA). External affairs minister S Jaishankar in his meeting with the foreign minister of Brazil is expected to raise the issue of delay in talks for the expansion of India-MERCOSUR PTA next week.
2. **Latin America More Vital for Indian Exports (The Wire: 29/06/2019)** – As India expands its Act East policy and looks to take advantage of the US-China trade war, it's easy to forget how important Latin America is as a trading zone for New Delhi.
3. **Mercosur bloc leaders meet to fast-track EU trade deal. (AJImpact:18/07/2019)** - Leaders from South America's Mercosur trade bloc met Wednesday in Argentina to discuss how to fast-track their new free-trade deals with the European Union. The presidents of Argentina, Brazil, Paraguay and Uruguay appeared together in the city of Santa Fe, in Argentina's Pampas grain belt, less than a month after agreeing to the landmark agreement with the EU.
4. **Mercosur upholds free trade, says Chilean president (Xinhua:18.007.2019)** - The South American trade bloc Southern Common Market (Mercosur) aims to further promote free trade among its members and trade partners, Chilean President Sebastian Pinera said on Wednesday. Speaking at the 54th Mercosur Leaders Summit in the Argentine province of Santa Fe, Pinera stressed the bloc's commitment to the free flow of goods and rejection of ideological obstacles to trade. Mercosur, which groups Argentina, Brazil, Paraguay and Uruguay, is in the process of deepening trade integration with the Pacific Alliance (AP), another Latin American trade bloc that comprises Colombia, Mexico, Peru and Chile.
5. **How to really “optimise” free trade between Peru and China (Dialogo Chino:18.07.2019)** - Lima recently hosted the second round of negotiations to “optimise”, or maximise the benefits of, Peru’s Free Trade Agreement (FTA) with China. The full schedule for talks has not been publicly announced but the negotiation of the first FTA in 2008 consisted of six rounds throughout the year.

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