

# Territorial NEWSLETTER Latin America

**EEPCINDIA**  
ENGINEERING THE FUTURE

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## Chairman's Pen



India's trade with MERCOSUR is meager as obvious from the trade trend. The existing India-Chile PTA, signed on 8th March, 2006 which came into force in September, 2007, has been expanded and implemented by both sides on 16th May, 2017. Under the expanded PTA, India has offered concession on 1031 tariff lines to Chile and the latter has offered concession on 1798 tariff lines to India. Now most of the engineering products come under 80% or 100% margin of preference. This is evident from improving trade with Chile in recent times.

India has PTA with MERCOSUR but the tariff rates are still high due to which existing trade potential remains unachieved. There are 146 engineering products where MERCOSUR's tariff rate to India is more than 5 and for 89 product's India's global export is more than 100 USD million. India's share in MERCOSUR's import basket is meager with only 72 products having more than 1% share whereas remaining 74 products have share less than 1%. For 82 products the tariff rate offered by MERCOSUR is more than 10 (table above). We would like to recommend that lower tariff rates can definitely improve the bilateral trade statistics.

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.

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 again hold its position as the leading trade partner of India with US\$71.06 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\$79.07 million in February 2017 to US\$108.41 million in February 2018; likewise India's export to top 5 Latin America and Caribbean countries have shown a positive trend from US\$ 158.63 million in February 2017 to US\$ 194.27 million in February 2018. This newsletter provides an insight on the top engineering product panels that is imported by Latin American countries.

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

**Pankaj 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

<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 \$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)	February 2017 (USD Million)	February 2018 (USD Million)	Growth %
ARGENTINA	20.30	27.48	35.40
BRAZIL	51.55	71.06	37.85
PARAGUAY	3.66	6.34	73.24
URUGUAY	3.16	3.38	6.82
VENEZUELA	0.40	0.15	-61.12

Country (LAC)	February 2017 (USD Million)	February 2018 (USD Million)	Growth %
BRAZIL	51.55	71.06	37.85
COLOMBIA	28.48	35.43	24.40
CHILE	31.46	31.57	0.35
PERU	26.84	28.73	7.03
ARGENTINA	20.30	27.48	35.40

Source: DGCI&S

Export of engineering products from India to MERCOSUR has realized a growth from US\$79.07 million in February 2017 to US\$108.41 million in February 2018; likewise India's export to top 5 Latin America and Caribbean countries have shown a positive trend from US\$ 158.63 million in February 2017 to US\$ 194.27 million in February 2018.

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

Top panels export to LAC	Value in February 2017 (USD Million)	Value in February 2018 (USD Million)	Top panels export to MERCOSUR	Value in February 2017 (USD Million)	Value in February 2018 (USD Million)
Motor Vehicle/cars	68.29	74.18	Auto Components/Part	13.95	26.66
Auto Components/Part	22.11	39.03	Iron and Steel	18.72	19.26
Two and Three Wheelers	28.63	35.88	Two and Three Wheelers	3.06	9.30
Iron and Steel	42.48	30.90	Industrial Machinery	7.21	7.29
Industrial Machinery	13.83	14.81	Products of Iron	5.08	6.50
Products of Iron	9.64	11.51	IC Engines and Parts	3.14	5.92
Aluminium and products	11.25	11.46	Electric Machinery a	3.14	4.54
IC Engines and Parts	4.17	8.75	Medical and Scientific instruments	4.64	4.40
Electric Machinery	7.77	8.25	Other Misc. Items	1.78	4.20
Medical and Scientific instruments	6.99	8.10	Motor Vehicle/cars	3.48	3.66
Other Misc. Items	2.84	6.78	Aluminium and products	7.37	3.62
Other Construction Machinery	2.28	4.48	Other Construction Machinery	0.89	3.05
Air condition and Refrigeration	0.96	3.05	Air condition and Refrigeration	0.70	2.46
Hand Tools Cutting	2.67	2.78	Pumps of all types	0.92	1.72
Nuclear Reactors	1.49	2.56	Hand Tools Cutting	1.34	1.34
Machinery for ATMs	2.48	2.14	Other Non Ferrous Metals	0.69	1.10
Pumps of all types	1.16	2.02	Machinery for ATMs	1.16	0.98
Copper and products	0.40	1.49	Bicycle & Parts	0.31	0.54
Other Non Ferrous Metals	0.82	1.34	Copper and products	0.16	0.49
Bicycle & Parts	0.77	0.95	Nuclear Reactors	0.41	0.43

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 February) 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 February 2018

### Peru:

i. **Peru to invest US\$7.7 bn in transport infrastructure (Andina: 23/02/2018)** – Investment commitments in Peru's transport infrastructure projects —for the coming five years— currently stand at US\$7.7 billion, Supervisory Board for Investment in Public Transport Infrastructure (Ositran) Chairwoman Veronica Zambrano affirmed. Likewise, the official explained, investment commitments worth US\$15 billion are linked to the Inca country. From this amount, US\$7.3 billion has been used so far (48% of the total). The remaining US\$7.7 billion will be implemented in the next five years.

i. **Israel willing to sign FTA with Peru (Andina: 21/02/2018)** - Israeli Ambassador Raphael Singer on affirmed his country is interested in signing a Free Trade Agreement (FTA) with Peru in the near future, since both nations rely on an investment protection agreement. "Israel is an observer at the Pacific Alliance, and we hope to reach an FTA with Peru in the future," Singer pointed out. "There is already an investment protection agreement, which is the basis for an FTA," he added.

ii. **Ministry of Energy and Mines to prepare new renewable energy promotion scheme by the end of the year (Gestión: 22/02/2018)**- The Ministry of Energy and Mines (MEM) is evaluating the regulatory framework of Renewable Energy Resources (RER), so that they can participate in the market in free competition with other technologies. The Deputy Minister of Energy Raúl García Carpio said that this would be ready by the end of the year, in order to later carry out RER auctions again. Alternatives are being evaluated such as the recognition of firm power (maximum power of a generator) to participate in tenders.

i. **Domestic demand grew at its best pace in almost five years (El Comercio: 19/02/2018)** - The best economic environment in the world began to infect the Peruvian economy in the second part of 2017, and gained strength in the last three months. According to the National Institute of Statistics and Informatics (INEI), domestic demand in Peru grew 5% in the fourth quarter of last year, which represents its greatest dynamism in almost five years. This result represented an acceleration for the third consecutive quarter. The last time a higher figure was observed was the second quarter of 2013, when combined consumption and investment grew by 7.1%.

### Bolivia:

v. **Bolivia increased the value of banana exports to US \$ 39 million in 2017 (La razón: 21/02/2018)** - Bolivia increased in 2017 the value of banana exports from 35 million to 39 million dollars in relation to 2016, informed the director of the National Fund for Integral Development (Fonadin), Erlan Oropeza. Oropeza said that Bolivia exports 6,500 hectares of banana from the production of 15,000 hectares in the tropical region of Cochabamba, to the benefit of 1,300 families that produce this fruit.

vi. **Livestock farmers calculate loss of US \$ 10 million due to flooding in Beni (La razón: 22/02/2018)**-The leader of the Federation of Ranchers of Beni, Fernando Boehme, estimated a loss of 10 million dollars until Feb 15 in cattle and other damages caused by the flood in the department.

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