

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



Volume III: May 2016

Chairman's Pen



India and Argentina have always supported each other on major international issues as well as India's candidature to various UN and multilateral bodies. A preferential trade agreement between India and Mercosur (of which Argentina is a member) came into operation in 2009. Indian investment in the country totaled \$930 million in 2013. Argentinean investment in India totaled \$120 million in 2013. Big players of Indian origin like TCS, CRISIL, Bajaj, Cellent, Cognizant Technologies, United Phosphorus Ltd (UPL), Sintesis Quimica, Glenmark, Godrej etc have established operations in Argentina. Also Sonalika Pvt. Ltd. has signed a joint venture with Argentine Company Apache of Santa Fe for manufacturing tractors and Indian Bajaj motor bikes has signed a joint venture with Corven Argentina to produce and sell motorbikes in the local market.

To improve our engineering exports to Argentina, we need to focus upon vehicles and auto-parts, machinery and sound & image among others.

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

Tarvinder Singh Bhasin

LA Territorial Committee Chairman's Note



In this edition of the 'Newsletter on Latin America', we have discussed about Argentina as a lucrative market for Indian automobile exports. The newsletter also gives an insight on the top engineering product panels that is imported by LAC and compiles tender information and key news items on LAC.

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

The subsequent issues will keep you 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.

Pankaj Chadha

Territorial
NEWSLETTER – Latin America

EEPCINDIA
ENGINEERING THE FUTURE
www.eepcindia.org



Basic Facts: Latin America & Caribbean

Area: 19,197,000 Sq. km

Population: 589 million

GDP: USD 5.650 trillion

Climate: mostly temperate; arid in southeast; sub-Antarctic in southwest

Natural resources: precious metals, sugar, rubber, grains, coffee, copper, and oil

India-Argentina Trade opportunities in Auto-components & Automobiles sector

Argentina has a very good potential for Indian automobile & automotive industry. To explore trade and investment opportunities in order to enhance economic cooperation between India and Argentina in the areas of vehicles, auto & machinery, etc, we have analyzed the existing trade scenario between India and Argentina, in order to come up with realistic assessment of the expansion of our exports to Argentina.

Argentina is a MERCOSUR member state and is the third largest market in Latin America with a GDP of \$540.2 billion, after Brazil & Mexico. The country has a total population of 43 million and is ranked 124 in World Bank's Ease of Doing Business, 2014.

Argentina as a major trade destination for India-Automobile and auto-component Industry

All the automobile & auto-components products at 6-digit HS codes as per DGCIS classification have been considered for conducting this analysis. For finding the products which can be exported to Argentina, products whose export to Argentina is more than 0.1 USD Million are segregated. There are 18 automobile and auto-component products which are being exported to Argentina in a considerable amount and most of them have experienced a positive growth over past few years. If we observe the trade data then we can infer that India's share in Argentina's total import of automobile and auto-components products is relatively low 1.03% and is valued at 89.9 USD million while the total import of Argentina is 8.76 USD billion as compared India's global export of automobile and auto-components products valued at 14.48 USD billion.

Table 1: Argentina's Automobile & Auto-component Industry Trade (*All values in USD Million)

Product code	Product label	Argentina's import from India in 2014	India's % Share in Argentina's import	India's Export to World in 2014	Argentina's import from World in 2014
871120	Motorcycles with reciprocating piston engine displacing > 50 cc to 250 cc	43.39	0.50	1753.42	281.96
870840	Transmissions for motor vehicles	24.12	0.28	331.22	752.94
870190	Wheeled tractors	6.52	0.07	903.52	82.9
870850	Drive axles with differential for motor vehicles	3.5	0.04	184.64	347.94
870322	Automobiles w reciprocating piston engine displacing > 1000 cc to 1500 cc	3.39	0.04	3236.8	947.67
870899	Motor vehicle parts	3.23	0.04	2696.06	471.35

870829	Parts and accessories of bodies for motor vehicles	1	0.01	61.36	676.24
870870	Wheels including parts and accessories for motor vehicles	0.7	0.01	92.27	119.99
871493	Bicycle hubs and free-wheel sprocket wheels	0.62	0.01	30.22	4.28
871690	Trailer and other vehicle parts	0.5	0.01	28.89	15.9
871410	Parts and accessories of motorcycles, incl. mopeds,	0.49	0.01	116.19	52.38
871499	Bicycle parts	0.43	0.00	123.69	13.61
870891	Radiators for motor vehicles	0.43	0.00	37.45	55.37
871130	Motorcycles with reciprocating piston engine displacing > 250 cc to 500 cc	0.4	0.00	73.86	11.73
871496	Bicycle pedals and crank-gear and parts thereof	0.31	0.00	22.72	6.72
870892	Mufflers and exhaust pipes for motor vehicles	0.21	0.00	41.47	18.39
871494	Bicycle brakes, including coaster braking hubs, and parts thereof	0.2	0.00	20.29	5.18
870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles	0.11	0.00	156.61	217.05

Source: ITC Trade Database

The major exporting partners of Argentina for automobile & auto-components products are Brazil, Mexico, China, Germany & Japan. India holds 13th position among the major exporting countries for automobile & auto-components sector.

Challenges

Argentina is ranked 124 in World Bank's 'Ease of Doing Business'. Its position is 128 in one of the indicators – Trading across Borders which shows that Argentina has stringent trade policies. The country ranks 60 in World Bank's logistic performance index (LPI) which has improved over the years with a score of 2.99 in 2014.

The major barriers to trade include-

- **Infrastructure**- Argentina's railway system needs rehabilitation and modernization.
- **Customs & Taxation**- As member of MERCOSUR, Argentina follows the Common External Tariff which is an average of 15 percent but there are a number of exceptions. Sales tax is 21 percent, corporate tax is 35% and income tax is between 9 to 35%.
- **Import restrictions**- Importers have to file an Anticipated Import Affidavit Declaration to the Tax Authority AFIP. The documentation and approval is a time consuming and tedious process.

India's major competitors in Argentina market

The top 10 exporters to Argentina include Brazil, Mexico, China, Germany, Japan, Thailand, France, United States of America, Korea & Turkey. India is the 13th largest exporter to Argentina.

India's share is meager in import basket of Argentina.

Table 2: Argentina's top 20 Export partners for Automotive and auto component sector (*All values in USD Million)			
Exporters	Imported value in 2012	Imported value in 2013	Imported value in 2014
Brazil	7035.11	8729.85	5516.67
Mexico	947.69	908.39	531.72
China	544.79	606.46	399.59
Germany	745.42	751.98	393.07
Japan	425.85	501.96	334.50
Thailand	205.67	254.05	213.90
France	374.11	374.48	199.95
United States of America	214.36	263.59	182.53
Korea, Republic of	338.01	309.59	112.21
Turkey	172.51	234.84	102.36
Free Zones	75.80	121.02	102.11
Spain	159.67	180.63	94.42
India	83.72	95.99	89.88
Italy	106.02	145.02	65.27
South Africa	69.45	83.03	54.19
Uruguay	81.41	98.33	52.65
Czech Republic	32.07	36.73	31.00
Chile	33.51	38.63	30.96
Poland	22.27	41.66	30.05
Sweden	16.82	33.91	25.40
Source : ITC Trade Database			

From the table, it is evident that India has opportunities to increase its trade with Argentina. India has forte in automobile and auto-component sector because its export to world is 13787.37 USD million, but with Argentina the exports share in Argentina's import basket is low valued at 89.9 USD million. India should probe deeper to understand and explore opportunities for strengthening our trade with Argentina for automobile and auto-component sector. However, at present the mutual trade between the two countries is still at a nascent stage and would require more time to mature.

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

LAC	India's Export in May 2016 (USD Million)	MERCOSUR	India's Export in May 2016 (USD Million)
BRAZIL	57.16	BRAZIL	57.16
COLOMBIA	33.86	ARGENTINA	13.06
PERU	29.53	URUGUAY	8.68
CHILE	23.10	PARAGUAY	4.57
ARGENTINA	13.06	Venezuela	2.26
Total	151.55	Total	85.73

Export of engineering products from India to MERCOSUR has shown an increase in May, 2016 at 85.73 million USD as compared to 62.34 million USD in April, 2016 which is 1.53% of the total engineering export of India to the world in April 2016, whereas India's export to Latin America and Caribbean is valued at 151.55 million USD, constituting 2.71% of its total export to world. Latin America's top 5 countries contribute to 66.52% of India's total engineering export to the region while MERCOSUR constitutes of 37.63% of the total export to LAC region. 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 5: Top 10 panels of Engineering Goods Exported to LAC & MERCOSUR by India

Top panels export to LAC	Value in May 2015 (USD Million)	Value in MAY 2016 (USD Million)	Top panels export to MERCOSUR	Value in May 2015 (USD Million)	Value in May 2016 (USD Million)

Motor Vehicle/cars	60.94	63.22	IC Engines and Parts	12.93	20.54
Two and Three Wheelers	38.27	30.95	Auto Components /Parts	19.77	11.80
IC Engines and Parts	13.95	22.73	Electric Machinery	3.61	8.40
Auto Components /Part	26.21	19.24	Industrial Machinery	9.66	7.92
Iron and Steel	23.18	15.69	Motor Vehicle/cars	8.46	6.87
Electric Machinery	7.55	14.14	Iron and Steel	12.21	5.23
Industrial Machinery	16.09	12.93	Two and Three Wheelers	3.31	4.82
Aluminum and product	22.15	12.42	Products of Iron	7.29	3.84
Products of Iron	16.71	12.01	Medical and Scientific	3.21	2.86
Medical and Scientific instruments	5.22	4.75	Aluminum and product	15.14	2.68

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 May) reflects that the overall Indian export has shown slight increase for both LAC and MERCOSUR region. For MERCOSUR it has gone up from 62.34 million USD to 85.73 million USD whereas for 29 countries of LAC, it has increased from 190.79 million USD in April 2016 to 227.83 in May 2016. This increase in export of engineering products from India to MERCOSUR and LAC region is a positive indicative of impact on India's global trade which should be probed and kept constant to enhance 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>

Argentina– 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:-

https://www.mrecic.gov.ar/userfiles/investors_guide.pdf

Trade:

<https://www.gov.uk/government/publications/exporting-to-argentina/doing-business-in-argentina-argentina-trade-and-export-guide>

Export Catalog:

http://export.gov/argentina/build/groups/public/@eg_ar/documents/webcontent/eg_ar_091850.pdf

Investment:

<http://inversiones.gob.ar/en>

Tourism and Travel:

<http://www.roughguides.com/destinations/south-america/argentina/>

News in Focus**Brexit and US-UK relations: A new digital trade and cybersecurity agenda**

Expect a big impact on digital trade and foreign direct investment, On a purely commercial level, the steep decline in the value of the British pound (around 12 percent currently) will curtail British shoppers' appetite for foreign goods and services. British consumers are long accustomed to buying on the Internet: over 50 percent made at least one online purchase from a non-UK website last year (US websites were by far the most popular outlets). Over the longer term, if Britain does leave the EU, cross-border sales by US web merchants will become more complicated. For instance, at this point, purchases from the US are eligible for Prime shipping through any Amazon consignment center to any place in Europe. But when the UK departs the union, such purchases will have to be sent separately to that country.

Link:http://www.techpolicydaily.com/technology/brexit-relations-digital-trade-cybersecurity/?utm_source=aei&utm_medium=tpdtile&utm_campaign=cict

TTIP will be heading for the backburner

Finally, on the broader canvas of digital trade policy, Brexit dooms any chance for completion of the US-EU Transatlantic Trade and Investment Partnership (TTIP) agreement in the near future. Both the EU and the UK will be too preoccupied with other major economic, constitutional, and political challenges to work through the complexities of this major interregional trade pact. For the digital agenda, this means that the important breakthroughs in crafting international trade rules for the Internet, begun in the recently completed negotiations for the 12-nation Trans-Pacific Partnership agreement, will not be supplemented in the near future by further liberalization advances between the major economies of America and Europe. That agenda is left for the 2020s.

Link:http://www.techpolicydaily.com/technology/brexit-relations-digital-trade-cybersecurity/?utm_source=aei&utm_medium=tpdtile&utm_campaign=cict

Latin America's recession masks contrasting realities

Latin America remains trapped in recession. Economic weakness persisted at the beginning of the year following two consecutive periods in which the economy contracted in the third and fourth quarters of 2015—the sharpest fall in six years was registered in Q4. The region's aggregate GDP is estimated to have decreased 1.2% year-on-year in the first quarter, which continues to suggest overall weakness in the region. However, this data mask the fact that some economies within Latin America are managing the region's recession better than others and are growing, while others are facing a severe economic deterioration.

Link: <http://www.focus-economics.com/regions/latin-america>

Latin America's Economic Slowdown Continues

The IMF's latest *Regional Economic Outlook for the Western Hemisphere*, release projects that the region is set to contract by 0.5 percent in 2016—marking two consecutive years of negative growth for the first time since the

Latin American debt crisis of 1982–83. This rate, however, masks the fact that many countries continue to grow, modestly but surely, whereas a small number of economies—representing about half of the region’s economy—face recession largely as a result of domestic factors. The deceleration in activity reflects weak external demand, further declines in commodity prices, volatile financial conditions, and for some important domestic imbalances and rigidities, the report said. At the same time, many countries have continued to experience large exchange rate depreciations, mainly as a result of deteriorating terms of trade and external demand. For 2017, the IMF expects the region to bounce back to 1.5 percent growth.

Link: <http://www.imf.org/external/pubs/ft/survey/so/2016/CAR042716A.htm>

Upcoming Events in LAC

Date of the event	Name of the event	Location	Link
4–7 September 2016	XII Bolivarian Symposium of Petroleum Exploration in the Subandean Basins	Colombia	http://www.globaleventslist.elsevier.com/events/2016/09/bolivarian-symposium-of-petroleum-exploration-in-the-subandean-basins/
19–22 September 2016	Multi-Conference on Systems and Control (MSC)	Argentina	http://www.globaleventslist.elsevier.com/events/2016/09/multi-conference-on-systems-and-control-msc/

Tender Information in LAC

Prior information Notices

TI ref No.	Title	Link
34394649	Process No. 6600013109, Ball Valves And Retention For Increasing Production In Phase I, Venezuela	http://www.tendersinfo.com/details/34394649
34394681	Purchase of materials for road and traffic signs to meet the municipal institute of traffic and transportation of itacoatiara - imtt, Brazil	http://www.tendersinfo.com/details/34394681
34394817	Passenger vehicles ., Colombia	http://www.tendersinfo.com/details/34394817
34394857	Acquisition of equipment laboratory for hospital dr. Exequiel gonzalez cortes., Chile	http://www.tendersinfo.com/details/34394857
34407322	Procurement of Goods, Computer Equipment, Honduras	http://www.tendersinfo.com/details/34407322
34406088	Acquisition Of Tools And Equipment Refrigeration Management Operational Logistics Division Boyaca., Venezuela	http://www.tendersinfo.com/details/34406088
34395494	Acquisition of air conditioning units., Brazil	http://www.tendersinfo.com/details/34395494

For more contract notices, Please follow the link:

<http://www.tendersinfo.com/global-latin-america-tenders.php>

EEPC India Latin America Territorial Newsletter

Contact: Palak Singh

Email: psingh@eepcindia.net

Phone no: 011-2331 4171