

# 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 maintains its position as the leading trade partner of India with US\$73.29 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\$91.61 million in April 2017 to US\$103.86 million in April 2018; likewise India's export to top 5 countries in Latin America and Caribbean have also increased from US\$166.79 million in April 2017 to US\$171.56 million in April 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 639 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\$ 1.63 trillion in merchandise trade, accounting for almost 6% of the world's total. Latin American and Caribbean nations are undergoing rapid and fundamental changes on many fronts.

**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 \$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)	April 2017 (USD Million)	April 2018 (USD Million)	Growth %
BRAZIL	67.07	73.29	9.28
ARGENTINA	16.67	21.29	27.71
PARAGUAY	4.69	4.25	-9.38
URUGUAY	2.90	3.71	28.10
VENEZUELA	0.28	1.32	367.05

Country (LAC)	April 2017 (USD Million)	April 2018 (USD Million)	Growth %
BRAZIL	67.07	73.29	9.28
COLOMBIA	33.82	31.33	-7.37
CHILE	22.06	28.82	30.65
ARGENTINA	16.67	21.29	27.71
PERU	27.17	16.83	-38.07

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 April 2017 (USD Million)	Value in April 2018 (USD Million)	Top panels export to MERCOSUR	Value in April 2017 (USD Million)	Value in April 2018 (USD Million)
Motor Vehicle/cars	59.45	48.12	Auto Components/Part	17.71	23.51
Two and Three Wheelers	29.41	33.52	Iron and Steel	14.32	12.80
Auto Components/Part	26.15	32.54	Two and Three Wheelers	4.97	9.41
Products of Iron	11.08	24.20	Industrial Machinery	7.07	8.20
A. Iron and Steel	32.26	20.84	Products of Iron	4.05	7.54
Industrial Machinery	13.57	12.79	Aluminium and products	7.13	7.41
Aluminium and products	15.35	12.49	Electric Machinery	4.48	6.66
Electric Machinery	9.29	11.77	IC Engines and Parts	10.44	6.42
IC Engines and Parts	12.20	8.79	Medical and Scientific instruments	3.97	4.15
Medical and Scientific instruments	6.92	7.95	Other Misc. Items	2.34	3.52
Nuclear Reactors	1.95	4.84	Nuclear Reactors	0.46	2.31
Other Misc. Items	3.32	4.42	Other Construction Machinery	1.08	2.17
Pumps of all types	2.13	4.12	Pumps of all types	1.82	1.59
Other Construction Machinery	2.26	2.76	Motor Vehicle/cars	6.23	1.47
Machinery for ATMs	1.57	2.68	Air condition and Refrigeration	0.89	1.40
Hand Tools Cutting	2.89	2.56	Machinery for ATMs	0.73	1.19
Copper and products	0.86	1.63	Hand Tools Cutting	1.58	1.17
Air condition and Refrigeration	1.12	1.56	Other Non Ferrous Metals	1.04	0.88
Other Non Ferrous Metals	1.22	1.06	Electrodes Accumulator	0.13	0.50
Machine Tools	0.51	0.88	Bicycle & Parts	0.21	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 April) 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.

### Latest News

#### President Maduro postpones planned currency overhaul:

President Maduro declared on 29th May,2018 that the overhaul of the national currency to remove three zeros from the Bolivares denominations would be postponed by 60 days since the banking industry has requested him to allow more time to put the new system in place.

The Government had planned to commence the new currency “BolivaresSoberanos”, which would see removal of three zeros from the Bolivares, on June 04, 2018. The move was intended to flow more cash in the market to enable millions of Venezuelans struggling for cash, to purchase the basic foodstuff for themselves.

However, President Maduro affirmed that the monetary reconversion would take place as it is very much needed by Venezuela, although the 60 days postponement may extend to 90 days. He also confirmed that the new BolivaresSoberanos notes would coexist with the old notes during the transition period.

Due to the shortage of the cash in circulation, most of the Venezuelans have resorted to an increased use of cellular apps for financial transactions.

## 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-eepc-india.aspx?ms=73&page=Publications-of-EEPC-India>

## Economic & Commercial Report for the week ending 30th May 2018

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

#### Imports from January to March

According to figures from Sunat, in the first three months of the year, Peruvian imports reached a value of US \$ 10,309 billion, 11.1% higher than the same period of the previous year. The rise was mainly due to purchases from China, which registered an increase of 19%, from US \$ 2.017 billion in the period January-March 2017 to US \$ 2.401 billion for the same period of 2018, and represented 23% of total imports. Also, in the second place of the import ranking was the US, with US\$ 2,160 billion, which represented an increase of 2.6% with respect to the first three months of 2017 (US\$ 2,105 billion) and 21% of the total imports. In March, imports totaled US \$ 3,624 billion, with an increase of 11% compared to the same month in 2017. Likewise, China was the main supplier, with US\$ 810 million (+ 20.6%), followed by the US, with US\$ 660 million (+ 9.1%).



As shown in the following graph, in the period January-March of this year, intermediate goods reached a value of US\$ 4.944 billion (+ 11.1% with respect to the same period of the previous year); capital goods, US\$ 2,954 billion (+ 9.7%), and consumer goods, US\$ 2,403 billion (+ 12.7%). Likewise, with regard to imports in March, these were

also led by intermediate goods, with US\$ 1,683 billion (46.4% of the total, + 7.3%), followed by capital, with US\$ 1,061 billion (29.3%; + 17.1%), and consumption, with US \$ 879 million (24.3%; + 11%).

In the first three months of 2018, among the imports of intermediate goods stood out the raw materials for the industry, which represented 59% of the total of the item, with a value of US \$ 2.939 billion (+ 5.7%). Likewise, among the main imported products of this type are crude oils of petroleum or bituminous minerals, with a value of US \$ 721 million (+ 17.6%), as well as diesel with a sulfur content less than or equal to 50 ppm, with a value of US\$ 369 million (+ 4.4%). On the other hand, consumer goods stood out for non-durable goods, which represented 55% of the total of the item, with a value of US \$ 1,322 billion (+ 9%). The most imported products of this type were the vehicles of between 1,500 cm<sup>3</sup> and 3,000 cm<sup>3</sup>, with a value of US \$ 176 million (-1.2%). Capital goods stood out among those directed to the industry, which represented 63% of the total of the item, with a value of US \$ 1,871 billion (+ 4.1%). The most imported products were cell phones, with a value of US \$ 253 million (+ 5.1%).

## 2. News analysis related to Trade

### Peru:

- I. **SNMPE: Peru has 5% of the world's gold reserves** (*Gestion: 28/05/2018*) - During the 13th Symposium of Gold and Silver held by the National Society of Mining, Petroleum and Energy (SNMPE), Manuel Fumagallo, president of the Organizing Committee, announced that Peru has 5% of the world's gold reserves and the 24% of the world's silver reserves. "The great challenge is to value the enormous reserves of gold and silver available in our country", he recalled "Peru is the sixth world producer of gold and second producer of silver, and gold is the second product of national export after copper". In this context, Fumagallo stressed that both the private sector and the government have taken up the interest to work together in the promotion of investment in the mining sector.
- II. **BCR: trade balance registers surplus in first quarter** (*La Republica: 28/05/2018*) - The trade balance registered a surplus of US\$ 1,723 billion in the first quarter of this year, a level higher than that registered in the first quarter of 2017 when it registered some US\$ 1,172 billion, according to the Central Reserve Bank (BCR). This trade surplus is mainly explained by higher export volumes and higher commodity prices. With this, the trade balance accumulates seven consecutive quarters of surplus adding US\$ 6.8 billion in the last four quarters. In the first quarter of this year, exports totaled US\$ 11,749 million and imports totaled US\$ 10,026 million, an increase of 11.5% compared to the same period last year.
- III. **IDB sees improvement in exports after slowdown in summer** (*Gestion: 28/05/2018*) - In the first quarter of the year, Peruvian exports grew by 10.4%, this advance was half of the average expansion rate of 21.5% in 2017, the IDB said. This was due to a drop of 2.4% in shipments of metals to China, one of the main buyers that our country has. In addition, the volumes exported by Peru fell 4% year-on-year in January-February due to delays in copper shipments after the 8% increase last year, reported IDB. "But the figures tend to improve, it is possible to expect a relative improvement, since the latest data reflect logistical obstacles in shipments of minerals that have been overcome. However, the external scenario presents strong volatility features, particularly in the basic products markets" they stressed.
- IV. **Peru has 11 gold and silver projects for US\$ 7,806 billion** (*El Peruano: 30/05/2018*) - The president of the CONFIEP, Roque Benavides, informed that Peru has a portfolio of 11 gold and silver mining projects that total an investment of US\$ 7.806 billion dollars. "All these projects face problems, like any economic activity that we must attend with firmness and transparency, in addition we have to demonstrate to the communities that we contribute to their development," he said. In addition, during the 13th International Gold and Silver Symposium, Benavides said that the prices of gold and silver are stable, which is good news for the country.

### Bolivia:

**BCB ensures that Bolivia will grow 4.7% this year** (*Los Tiempos: 01/06/2018*) - The President of the Central Bank of Bolivia (BCB), Pablo Ramos, assured on 31<sup>st</sup> May that the country has the best conditions to guarantee a growth rate of the Gross Domestic Product (GDP) of 4.7 percent this year, "one of the highest in the region." Ramos said that the agriculture sector, financial services, administration and industry are at a good level, as can be seen in the growth rates in the first four months of 2018, which also help to boost the country's economy. He also said that the extractive sectors, particularly the hydrocarbon and mining sectors, have good prospects (in terms of prices) because the Latin American markets show a very favorable situation.

### **TBT Notifications issued by LAC countries (May 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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