

Territorial NEWSLETTER Latin America

EEPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



T S Bhasin

Latin America, being a resource-rich region of the world, has always attracted Indian investors which has made billions of dollars of investments in the region. The importance of these two regions has increased significantly especially on the back of the economic slowdown in Europe and the USA. Bilateral trade between India and LAC has almost reached US\$50 billion in 2014 from a mere US\$2 billion 15 years ago.

EEPC India in its endeavors to boost engineering exports and also develop brand India engineering across the world has come up with a comprehensive book on 'Doing Business in Latin America & the Caribbeans'. This book is a complete guide for Indian investors to explore opportunities in LAC.

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

LA Territorial Committee Chairman's Note



Pankaj Chadha

India and LAC had for long divergent foreign policy perceptions and inward looking development strategies. But now every effort is being made by the Indian Government to harmonize the trade relations with the LAC region through aggressive outreach strategies. This approach has brought the two regions closer than ever before in terms of trade and investments.

EEPC India has brought all the information of LAC region consolidated in the form of 'Doing Business in Latin America' book. This publication will assist in strengthening and expanding the economic linkages between business communities of India and Latin America.

The subsequent issues will keep you updated on India's trade and business dynamics with the countries in Latin America and Caribbean region. Further, the Newsletter analyses export data for the month of October 2016. It also contains information on upcoming exhibitions and tenders.

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

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Basic Facts: Latin America & Caribbean

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

India seeks enhanced trade, investment with Latin America



The Latin American and Caribbean region is a large market of 41 countries, with a population of 642 million people and regional GDP of US\$ 5.15 trillion (at current prices). Its per capita GDP is over five times higher than that of India. Further, its merchandise trade was valued at US\$ 1.93 trillion, accounting for 6% of the world trade. In a challenging global environment, India seeks to reach out to newer markets by strengthening ties with the Latin American Countries, riding on trade-opening negotiations between the LAC and several major and emerging economies of the world, according to an EEPC India latest publication.

“Trade negotiations are on the anvil by several LAC economies to promote trade with major economies and emerging markets of the world including India to reduce trade barriers and attract investment. This is an appropriate time when Indian SMEs and MSMEs can rise up and significantly contribute towards enhancing bilateral trade with LAC,” noted the ‘Doing Business in Latin America and the Caribbeans’ publication brought out by EEPC India, the apex engineering export organisation.

Releasing the publication, on 22nd November in New Delhi, Commerce Secretary Ms. Rita Teaotia said “There exists a number of preferential trade agreements between India and various other countries of this region. India is desirous of consolidating and expanding such agreements to boost our trade and commerce.”

India's increasing focus on building ties with the LAC region has helped two-way trade to increase from US\$2 billion 15 years ago, to US\$32.59 billion in 2015. India's trade with the region includes everything from soybeans to aircraft to minerals. Further, the region has come up as a major contributor to India's energy needs, accounting for 20% of total crude oil import. India and Latin American countries have also come closer in terms of investments. Companies from India, including mining, metals, agriculture, petro-chemicals, pharmaceuticals, plastics and plane parts, have invested over US\$12 billion.

The major exports from India goes to Central America (58.36%) followed by South America (27.56%) and Caribbean Region (8.64%). India's trade with Latin America has grown exponentially this century, from less than US\$ 2 billion in 2000 to approximately \$32.59 billion in 2015. India imported almost \$21.66 billion and exported around \$10.93 billion worth in 2015.

More than 100 Indian companies have invested over USD12 billion in the LAC region across a wide variety of industries, including mining, metals, agriculture, petrochemicals, pharmaceuticals, plastics and manufacturing. Among the leading Indian investors, Tata Consultancy Services (TCS), Dr. Reddy's Laboratories, United Phosphorus, Videocon (television), and ONGC Videsh, Jindal Steel & Power and Essar Steel are major ones to name a few, said EEPC India Executive Director & Secretary, Mr. B. Sarkar.

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 October 2016 (USD Million) | MERCOSUR | India's Export in October 2016 (USD Million) |
|--------------|--|--------------|--|
| BRAZIL | 51.21 | BRAZIL | 51.21 |
| COLOMBIA | 34.41 | ARGENTINA | 12.13 |
| PERU | 32.29 | PARAGUAY | 5.70 |
| CHILE | 29.47 | URUGUAY | 4.13 |
| DOMINIC REP | 14.41 | VENEZUELA | 2.43 |
| Total | 161.78 | Total | 75.61 |

Export of engineering products from India to MERCOSUR has shown a decline in October, 2016 at USD 75.61million compared to 87.34 million USD in September, 2016. This constitutes about 1.5% of the total engineering export of India to the world in October 2016. In comparison, India's export to Latin America and Caribbean is valued at USD 161.78 million, constituting 3.2% of its total export to world. Latin America's top 5 countries contribute to 31.51% of India's total engineering export to the region while MERCOSUR constitutes of 14.7% of the total export to LAC region. MERCOSUR's PTA with India has boosted trade and the expansion will definitely increase India's share in MERCOSUR's import basket.

Table 5: Top 10 panels of Engineering Goods Exported to LAC & MERCOSUR by India

| Top panels export to LAC | Value in October 2015 (USD Million) | Value in October 2016 (USD Million) | Top panels export to MERCOSUR | Value in October 2015 (USD Million) | Value in October 2016 (USD Million) |
|------------------------------------|-------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| Motor Vehicle/cars | 144.01 | 206.43 | Auto Components/Part | 13.83 | 14.19 |
| Iron and Steel | 21.64 | 103.21 | IC Engines and Parts | 3.60 | 10.28 |
| Two and Three Wheelers | 47.96 | 36.73 | Iron and Steel | 6.51 | 7.62 |
| Auto Components/Part | 33.07 | 36.25 | Industrial Machinery | 4.90 | 6.22 |
| Industrial Machinery | 16.38 | 22.82 | Motor Vehicle/cars | 6.28 | 6.12 |
| Aluminum and products | 22.84 | 22.58 | Products of Iron | 7.29 | 5.51 |
| Products of Iron | 32.46 | 16.11 | Medical and Scientific instruments | 3.72 | 4.92 |
| IC Engines and Parts | 6.08 | 14.01 | Electric Machinery | 7.59 | 3.98 |
| Electric Machinery | 13.86 | 12.32 | Aluminum and products | 3.54 | 3.48 |
| Medical and Scientific instruments | 7.20 | 8.38 | Two and Three Wheelers | 3.68 | 2.31 |

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 October) reflects that the overall Indian exports has increased for both LAC and MERCOSUR region. Expansion of trade agreements with the Latin American countries could 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-eepc-india.aspx?ms=73&page=Publications-of-EEPC-India>

News in Focus

Donald Trump says he will end the thaw between the US and Cuba if the country does not offer a "better deal".

Mr Trump, who takes office in January, said during the election campaign that he would reverse President Barack Obama's rapprochement with Cuba. Under Mr Obama, diplomatic ties were restored in 2015 after being severed in 1961. Some trade restrictions have been eased and the White House has been lobbying the US Congress to terminate an economic embargo that has been in place for decades.

Link: <http://www.bbc.com/news/world-us-canada-38135894>

Latin America will resume GDP growth in 2017 after the downturn in 2016

Latin America is projected to recover with 1.5% GDP growth in 2017 after the economic contraction of 0.9% in 2016. There is a tendency to blame the socialist policies of the Leftist governments in the region for the economic downturn since 2011. It is not a failure of the socialism. It is the failure of those crazy leaders who abused their power in the name of socialism. The principal reason for the downturn in South America is the drastic fall in demand and price of their commodities, caused mainly by the Chinese slow down.

Link: <http://businesswithlatinamerica.blogspot.in/>

India: Long term bet for Latin America's exports

Many Latin Americans assume that India is less important for their exports than their traditional European partners such as Germany and France. Wake up ... amigos. India was the third largest destination for Latin America's exports in 2014. The region exported 29 billion dollars of goods to India, while its exports to Japan and Spain were 21 billion dollars each, Germany-17 bn, Italy and UK-11 billion each and France-8 bn. In 2015, India was the number one destination of Latin America's vegetable oil exports, third largest for crude oil and copper.

India has to increase its imports of these items in the future both globally and from Latin America in view of the of the growing gap between domestic demand and production.

Link: <http://latinvex.com/app/article.aspx?id=2798>

Upcoming Exhibitions/Events in LAC

| Date of the event | Name of the event | Location | Link |
|--------------------|--|--------------|---|
| 29.11 - 02.12 2016 | EXPONAVAL International Maritime Defense Exhibition & Conference for Latin America | Valparaiso | http://www.eventseye.com/fairs/f-exponaval-902-1.html |
| 07.03 - 10.03 2017 | EXPOAGRO ARGENTINA International Open Air Farming Show with Machinery in Action | Buenos Aires | http://www.eventseye.com/fairs/f-expoagro-argentina-4504-1.html |

Tender Information in LAC

Prior information Notices

| TI ref No. | Title | Link |
|------------|--|---|
| 36618692 | Preventive Maintenance Service Boiler, Guatemala | http://www.tendersinfo.com/details/36618692 |
| 36618653 | Provision Of Medical Equipment, Chile | http://www.tendersinfo.com/details/36618653 |
| 36607915 | Purchase Of Equipment And Tools For The Execution Of Mechanical Maintenance Activities In Central Manduriacu, Ecuador | http://www.tendersinfo.com/details/36607915 |
| 36603587 | Exchanger Cleaning, Boilers, Torres And Drums. Puerto La Cruz Refinery, Venezuela | http://www.tendersinfo.com/details/36603587 |
| 36604817 | Acquisition Of "cables And Traps For Vehicles, Spare Parts And Accessories For Transportation Equipment, Fuel And Lubricants, Plastic Products, Minor Tools, Knives And General Hardware, Condecoration, Offering And Similar Articles, Electrical Materials, S, Venezuela | http://www.tendersinfo.com/details/36604817 |

For more contract notices, Please follow the link:

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

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