

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



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Chairman's Pen



Latin America is considered to be a far off destination with the cost of freight too high, and therefore that the region should be less important for India's trade, the current trade statistics from the 2016-17 (April-March) are defying. In 2016-17, India exported more to Mexico (\$3.5 billion) than to neighbors such as Thailand (\$3.1 billion), Myanmar (\$1.7 billion) and Iran (\$2.4 billion) or traditional trade partners Russia (\$1.9 billion) and Canada (\$2 billion). The expanded Preferential Trade Agreement signed by Chile and India in 2016 has come into force from May 2017. Peru and India have agreed to start negotiations for a free/preferential trade agreement and this should also help in boosting the trade with the region. Indian exporters should focus on the markets in the Pacific Alliance (Mexico, Colombia, Peru and Chile) whose economies are growing more and whose trade policies are more stable, transparent and predictable, with the least protectionism.

India's trade with Latin America in 2016-17 was \$24.5 billion, of which export was \$7.2 billion and imports \$17.2 billion. The trade has gone down slightly due to recession from \$25.2 billion in 2015-16 to \$24.5 billion in 2016-17. In 2016-17, Brazil was the largest trading partner at \$6.5 billion, followed by Venezuela (\$5.6 billion), Argentina (\$3 billion), Chile (\$1.9 billion), Peru (\$1.8 billion), Colombia (\$1.4 billion) and the Dominican Republic (\$900 million).

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



The collapse of the Trans Pacific Partnership following the withdrawal of the US is good for India. The trade should go up next year, with the recovery of the economies of the region in 2017. The GDP of Latin America had shrunk by 1.1% in 2015 and 0.5% in 2016. The GDP is expected to grow by 1.1% in 2017, helped by the recovery of global commodity prices. India is exploring opportunities to strengthen the economic relations with Latin America. It is a very good time to collaborate with Latin America.

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.

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

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

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)	September 2016 (USD Million)	September 2017 (USD Million)	Growth %
BRAZIL	60.82	87.43	43.76
ARGENTINA	14.14	20.00	41.42
PARAGUAY	6.53	6.16	-5.69
URUGUAY	4.16	3.62	-13.05
VENEZUELA	1.94	1.34	-30.92

Source: DGCI&S

Country (LAC)	September 2016 (USD Million)	September 2017 (USD Million)	Growth %
BRAZIL	60.82	87.43	43.76
COLOMBIA	27.77	43.32	56.01
CHILE	31.66	30.90	-2.39
PERU	30.22	28.02	-7.27
ARGENTINA	14.14	20.00	41.42

Source: DGCI&S

Export of engineering products from India to MERCOSUR has realized a growth from US\$87.59 million in September 2016 to US\$118.55 million in September 2017; likewise India's export to Latin America and Caribbean have also increased from US\$248.29 million in September 2016 to US\$293.23 million in September 2017.

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

Top panels export to LAC	Value in September 2016 (USD Million)	Value in September 2017 (USD Million)	Top panels export to MERCOSUR	Value in September 2016 (USD Million)	Value in September 2017 (USD Million)
Motor Vehicle/cars	79.87	63.37	Auto Components/Part	13.84	23.30
Auto Components/Part	23.16	36.89	IC Engines and Parts	17.10	14.99
Two and Three Wheelers	27.12	35.83	Iron and Steel	7.89	14.43
Iron and Steel	20.30	32.91	Industrial Machinery	7.74	9.50
Products of Iron	9.49	26.81	Aluminum and products	4.68	9.33
IC Engines and Parts	19.22	18.29	Products of Iron	5.26	8.37
Aluminum and products	14.31	17.02	Two and Three Wheelers	2.88	7.99
Industrial Machinery	14.47	15.45	Electric Machinery a	4.46	6.20
Electric Machinery	8.86	11.46	Medical and Scientific instruments	4.50	5.28
Medical and Scientific instruments	7.08	8.52	Other Misc. Items	1.77	3.47
Other Misc. Items	3.54	4.71	Motor Vehicle/cars	7.90	3.24
Nuclear Reactors	6.55	4.55	Other Construction Machinery	0.68	1.85
Hand Tools Cutting	2.50	3.39	Nuclear Reactors	0.80	1.71
Other Construction Machinery	1.66	3.12	Pumps of all types	1.60	1.68
Pumps of all types	2.10	1.96	Hand Tools Cutting	1.17	1.58
Air condition and Refrigeration	0.78	1.80	Air condition and Refrigeration	0.61	1.48
Machinery for ATMs	2.17	1.51	Other Non Ferrous Metals	0.76	1.04
Other Non Ferrous Metals	0.90	1.26	Bicycle & Parts	0.35	0.64
Bicycle & Parts	0.97	1.21	Machinery for ATMs	1.30	0.48
Copper and products	0.59	0.63	Copper and products	0.16	0.41

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 (2016 and 2017 for the month of September) 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-eepe-india.aspx?ms=73&page=Publications-of-EEPC-India>

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Contact: Palak Singh

Email: psingh@eepcindia.net

Phone no: 011-2331 4171