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Mikio Kuwayama

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This document has been prepared by Mikio Kuwayama, Chief of the International Trade Unit, Division of International Trade and Integration of the Economic Commission for Latin America and the Caribbean (ECLAC).

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Abstract

Given the risks the world economy is still facing and the ascendancy of Brazil and India as major growth poles of the global economy, government authorities in Latin America and the Caribbean should redouble their efforts to identify and capitalize upon the potential complementarities created by greater integration with the BRICs. In view of the inter-industrial nature of trade between India and Latin America including Brazil, the region should seek to create partnerships between its firms and successful Indian companies, in order to gain access to supply chains that produce more complex, technologically sophisticated inputs and services for production units. This is particularly important when growing production and trade complementarities among and between ASEAN+6 countries, now reinforced by free trade agreements, might lead to trade and investment diversion of the region's economies in Asia-Pacific.

Brazil and India will continue to be key actors in safeguarding an effective multilateral system and promoting the democratization of the structures of global governance. In respect of the Doha Development Agenda, for instance, both countries should continue stressing the importance of close coordination to effectively bring about the development dimension in every aspect of the negotiations, including climate change. The region should take advantage of the economic buoyancy of China and India, as well as the new ties being forged with those countries, in order to foster innovation and competitiveness within the region. China and India offer investments (particularly in areas such as infrastructure, information and communication technologies and energy) that can supplement the funding of important projects in these sectors.

I. Introduction

The four largest emerging economies, China, Brazil, India and Russian Federation, commonly known as the BRICs, will likely to continue as the centre of significant changes in the world's economic structure and power balance in the global economy. Given the new emerging geography centred increasingly on the BRICs, government authorities in Latin America and the Caribbean, including Brazil, should redouble efforts to identify and capitalize upon the potential complementarities created by greater integration with that group of countries.

Latin America and the Caribbean by any means did not escape the repercussions of the severe international financial crisis. However, the region withstood the situation better than in previous crises and the region's resilience this time around speaks well of the economic capacity it built up during the preceding international economic boom cycle and its good macroeconomic management practices (ECLAC 2009a, 2009b). Latin America, especially Brazil, is expected to return to a rate of growth accustomed during the prosperous period of 2003-2007, while Developing Asia, particularly China and India, will continue to be one of the very few global economic growth poles.

Although the worst of the crisis now seems to be over, the outlook for the future is still uncertain. In the early 2010s, the world economy and global trade will experience reduced growth rates, increased competitive tension and protectionist pressure, and tighter access to financing. In the aftermath of the crisis, the industrialized countries will face slower economic growth and high unemployment at a time when they will also have to restore the sustainability of their fiscal accounts. World trade will grow more slowly than it did in the expansionary cycle from 2003 to 2007, while the trade of the industrialized countries will grow slowly, that of China and India will

probably be more dynamic, although it will not match the rates of recent years[1] (WTO 2010, ECLAC 2010b).

Neither the crisis has lessened the urgency with which Latin America and the Caribbean should tackle some of the long pending issues that need to be addressed to improve the region's integration in the world economy: the intensity of technological change and the importance of innovation, the growing weight of BRICs in the global economy and, last but by no means least, climate change. In this rather negative scenario, the emerging economies, headed by China, India, other Asian economies and Brazil, will gain an increasingly larger presence on the world stage. The driving forces of economic growth and international trade will shift even more rapidly towards the Pacific and the emerging economies, underscoring the importance of South-South trade (ECLAC 2009b).

The increasing importance of the BRICs in turn has resulted in a large number of studies worldwide focused especially on the future role of China in the world economy. While studies on China abound, there have been few studies on the other three countries, especially not only from the viewpoint of trade and investment relations of Latin America and the Caribbean with the BRICs but also from a perspective of South-South cooperation. The present study tries to contribute to close the gap that exists between Brazil and India.[2]

[1] The WTO Secretariat projects that world exports in volume terms will grow by 9.5% in 2010, while industrialized economies' exports will grow by 9.5%, and the rest of the world will advance by 11% (WTO 2010).

[2] On the case of Brazil's economic relations with the other three BRICs, see Baumann (2009a, 2009b and 2009c) and Rosales and Kuwayama (2007).

II. BRICs' major characteristics and economic and trade performance

A. The increasing weight of BRICs in the world economy

The combined Gross Domestic Product (GDP) of the four BRICs economies in nominal prices accounted for almost 15% of the world GDP in 2008 (Table 1). Brazilian and Indian economies combined represented roughly 4.7% of the world total, not an insignificant size by any means. The past few years have witnessed a significant increase in the global economic importance of India. When measured at current prices, India's size (US$ 1,217 billion) is 30% smaller than that of Brazil ($1,613 billion). In nominal prices, Brazil and India ranked the world's eighth and twelfth largest world economy in 2008, respectively, the latter being slightly ahead of Mexico, ranked thirteenth. China and Russian Federation were ranked third and ninth accordingly.

In terms of Purchasing Power Parity (PPP), India ranks fourth after the United States, China, and Japan, surpassing the major European countries like Germany, United Kingdom and France, immediately followed by Brazil. When measured in PPP, the Indian economy is 70% larger than that of Brazil (US$ 3,388 billion vs. US$ 1,977 billion). The combined share of Brazil and India reached 7.7% in 2008, share not too distant from the Latin America and the Caribbean of 8.6%. The BRICs' combined share is greater than that of the United States and surpasses that of Eurozone by a large margin. The already huge BRICs' combined GDP, whose world share continues to increase, indicates large trade and investment opportunities for Latin American and Caribbean countries.

TABLE 1
TOP 15 LARGEST ECONOMIES, BYGDP, IN CURRENT PRICES AND PURCHASING POWER PARITY (PPP), 2008
(In billion US dollars and percentages)

GDP Ranking in current prices				GDP Ranking in PPP			
1	United States	14 204	23.4	1	United States	14 204	20.4
2	Japan	4 909	8.1	2	China	7 903	11.3
3	China	4 326	7.1	3	Japan	4 355	6.2
4	Germany	3 653	6.0	4	India	3 388	4.9
5	France	2 853	4.7	5	Germany	2 925	4.2
6	United Kingdom	2 646	4.4	6	Russian Federation	2 288	3.3
7	Italy	2 293	3.8	7	United Kingdom	2 176	3.1
8	Brazil	1 613	2.7	8	France	2 112	3.0
9	Russian Federation	1 608	2.7	9	Brazil	1 977	2.8
10	Spain	1 604	2.6	10	Italy	1 841	2.6
11	Canada	1 400	2.3	11	Mexico	1 542	2.2
12	India	1 217	2.0	12	Spain	1 456	2.1
13	Mexico	1 086	1.8	13	Korea, Rep. of	1 358	1.9
14	Australia	1 015	1.7	14	Canada	1 214	1.7
15	Korea, Rep. of	929	1.5	15	Turkey	1 029	1.5
	BRICs	8 764	14.5		BRICs	15 557	22.3
	Latin America and the Caribbean	4 247	7.0		Latin America and the Caribbean	5 977	8.6
	Eurozone	13 565	22.4		Eurozone	10 900	15.6
	World	60 587	100.0		World	69 698	100.0

Source: Author's calculation based on World Development Indicators database, World Bank, 15 September 2009.

The BRICs have been a major engine of growth of the world economy. Between 2000 and 2008, these four countries accounted for over half of world economic growth and increased their share in global GDP from 16% to 22% (ECLAC 2009a). Together with China, India is one of the few large economies that still continue to expand. According to World Bank (2008) estimates, the economies of China and India would have contributed 0.9 and 0.3 percentage points, respectively, to global growth in 2009, over three quarters of the positive growth expected in the year.[3] The IMF projects that the BRIC economies will account for close to 30% of world DGP and contribute almost half of world economic growth during 2010 and 2014 (IMF 2009). These projections should motivate Latin America and the Caribbean countries including Brazil to realign their own economies in pursuit of closer South-South ties.

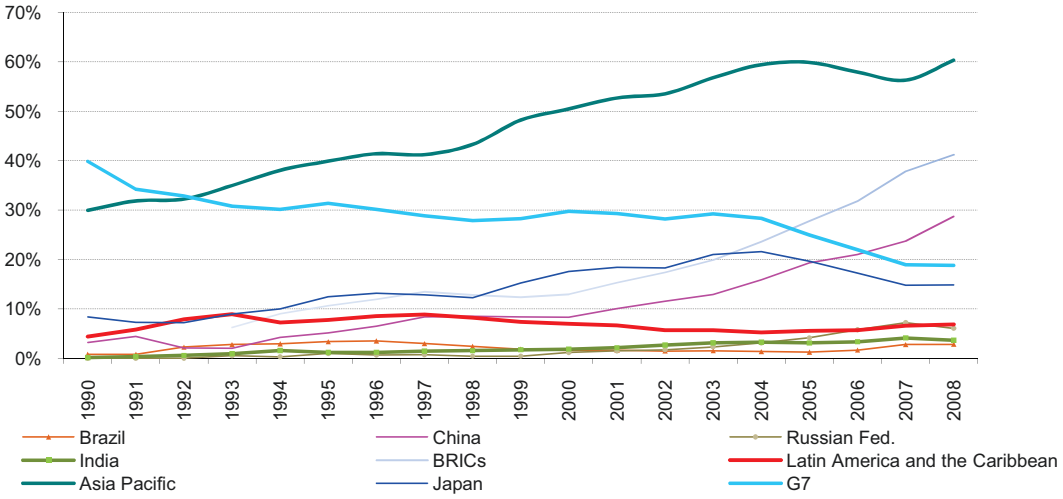
India's economic growth in 2004-2008 was lower than China's yet faster than Brazil's and Russia's. Unlike Brazil and the Russia Federation, India did not fall into recession in 2009. On the one hand, there have been many speculations on a likely "decoupling" between emerging economies and developed countries, amidst and in the aftermath of the present world crisis. The emerging economies have not been exempted from effects of the credit crunch and trade collapse, on the other. However, countries such as India, with a strong domestic demand, continue to cope with the crisis without a contraction of their aggregated economic activity. India is likely to maintain its high growth rate, while Brazil is recovering quickly from the international financial crisis.

[3] According to World Bank estimates (2008), countries showing positive growth will account for 1.49 percentage points of global growth. Of these, China will contribute 0.91 points and India, 0.27 points (60.9% and 18.0%, respectively). The rest of the world will account for -2.6 percentage points.

B. The growing role of BRICs in the preservation of global macroeconomic balances

The BRICs have a major part to play in international financial governance. China, the Russian Federation, India and Brazil ranked first (28.7% of world total), third (6.1%), fourth (3.6%) and seventh (2.8%), respectively, as holders of international reserves at the end of 2008. The four economies accounted for 41.3% of world total reserves, a huge jump from 13.0% reported in 2000 (Figure 1). Given the high proportion international reserves in the hands of the BRICs, the slightest hint of action regarding these enormous reserves has immediate repercussions in global financial markets.

FIGURE 1
STOCK OF FOREIGN RESERVES (MINUS GOLD), DECEMBER 2008

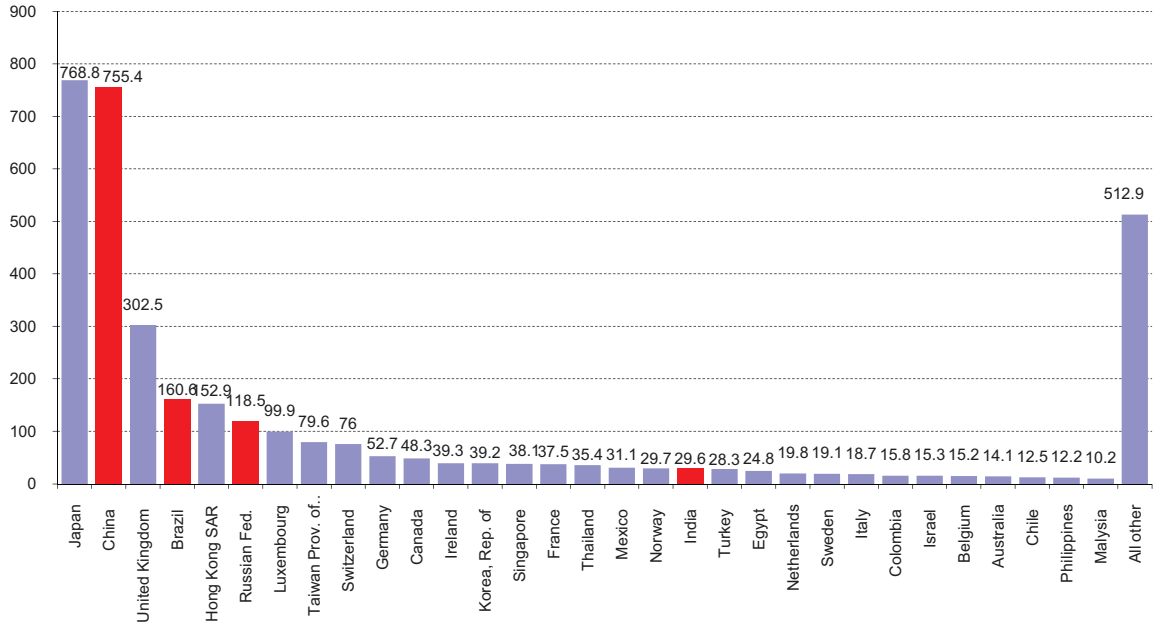


Source: ECLAC, calculations on the basis of information from IMF, International Financial Statistics various issues.

Not only Japan but also the BRICs provide the United States with cheap savings, keep interest rates low and accumulate international reserves through the purchase of Treasury bonds, thus helping to finance its current account deficit. As at December 2009, Japan and China held US$ 769 billion and US$ 755 billion, respectively, in United States Treasury bonds (see Figure 2). The BRICs combined held more than US$ 1,000 billion in these financial instruments. Brazil and India ranked fourth and nineteenth among the top 30 major holders of US Treasury bonds.

The economic and financial crisis has raised the profile of the main emerging economies in world economic governance. In 2009, China contributed US$ 50 billion to IMF, and Brazil and the Russian Federation contributed another US$ 20 billion. These contributions have given the BRICs greater legitimacy within IMF, inasmuch as they were actually lending to the Fund in the midst of the financial crisis and the OECD-wide recession —circumstances in which developing countries would in the past normally have flocked to IMF for financing. In previous crises, the international financial system was controlled exclusively by the Group of Seven (G7) countries. This time, however, decisions are being made by an expanded group known as the Group of Twenty (G20), which includes the main advanced and emerging countries.

FIGURE 2
MAJOR FOREIGN HOLDERS OF UNITED STATES TREASURY SECURITIES, DECEMBER 2009
(Billions of dollars)



Source: United States Department of the Treasury [online] www.ustreas.gov.

As a sign of the changing times on the international stage, the crisis led the BRICs to meet for the first time. The meeting took place in June 2009 in the Russian Federation. Although China's rise in the global economy is the most prominent development, the BRIC concept overall is gaining importance on the international agenda as the four countries become increasingly coordinated. The BRICs do, however, have to deal with trade and strategic challenges before they can define common stances. Brazil and the Russian Federation are commodity exporters, whereas China is a major importer. Brazil, China and India are important players in the Doha Round, whereas the Russian Federation is not a WTO member. China and the Russian Federation are trade rivals in Central Asia, as are China and India in the Indian Ocean countries. China's manufactures compete with those of Brazil in the South American market and elsewhere; several developing country members of G20 have filed antidumping complaints against Chinese manufactures.

C. The rise of BRICs in world trade

The share of the BRICs in world merchandize exports increased from 3% to 15% between 1990 and 2008, while its share in world commercial services exports stood at 9% in 2008 (Table 2). Despite the unquestionably dominant position of China in the BRICs group, the other three countries accounted for 5.3% of world merchandize trade, not so distant from the Latin America and the Caribbean share of 5.7% that year. India figures among top ten world exporters of services.

In 2008 Brazil and India exported US$198 billion and US$179 billion of goods, respectively. The combined exports in goods of Brazil and India comprised only 2.4% of the world total, much lower than their combined share of GDP, measured either in current prices or in PPP. This suggests that both economies, especially Brazil, are relatively "closed": the trade/GDP ratio for Brazil reached only 26%, just half of 48% ratio of India in 2008. Given the much larger population of India, per capita trade of Brazil on average during 2006-2008 was US$1,854 while for India it was US$ 467 (Table 3).

TABLE 2
SHARE OF BRICS IN INTERNATIONAL TRADE, 2008, GOODS AND SERVICES
(In billion dollars and percentages)

MERCHANDIZE EXPORTS

Country/region	Value (US$ billion)	World Share (%)
Asia	**4 355**	**27.6**
Japan	782	5.0
China	1 428	9.1
Korea, Rep. of	422	2.7
Taiwan Province of China	256	1.6
Singapore (domestic exports)	176	1.1
India	179	1.1
Other Asia	1 112	7.0
Latin America and the Caribbean	**894**	**5.7**
Brazil	198	1.3
Mexico	292	1.9
Other LAC	404	2.6
Russian Federation	477	3.0
BRICs	**2 282**	**14.5**
World	**15 775**	**100.0**

COMMERCIAL SERVICES EXPORTS

Country/region	Value (US$ billion)	World Share (%)
Asia	**837**	**22.1**
Japan	146	3.9
China	146	3.9
Newly Industrialized Economies	271	7.2
India	103	2.7
Other Asia	171	4.5
Latin America and the Caribbean	**138**	**3.7**
Brazil	29	0.8
Mexico	19	0.5
Argentina	12	0.3
Chile	11	0.3
Other LAC	67	1.8
Russian Federation	50	1.3
BRICs	**328**	**8.7**
World	**3 780**	**100.0**

Source: WTO International Trade Statistics 2009.

India is among world fifteen leading exporters and importers of services, while Brazil continues to expand its services trade from a relatively small base. In 2008, Brazil and India exported US$ 29 billion and US$ 103 billion of services, respectively. Both countries deepen their export specialization in "Other business services",[4] which account for roughly two thirds of total services exports for Brazil and almost 80% for India. Brazil maintains a deficit in services trade while India has a surplus, thanks mainly to the growing ICT related services. With respect to the sector distribution in imports, the share of "Other services" is high for Brazil. In contrast, the transportation sector accounts for roughly half of services imported for India (see Table 3).

The United States and the European Union (EU) constitute important export markets for both Brazil and India (Table 3). Neighbouring Argentina in South America and China and Japan in the Asia-Pacific also hold a significant share of Brazilian trade. The EU, still the main destination for Brazil's merchandise exports, has lost its share of total exports. The share of the United States also decreased, while those of Argentina and China have risen. The shares of imports from Asia and Africa increased in the last few years, while those of the United States and Europe declined. However, imports from all these sources increased in value terms.

The trade basket of India is more diversified than that of Brazil both in exports and imports. The United Arab Emirates and neighbouring Asian economies are its principal trade partners. Many of India's Asian neighbours are using China as a springboard for exports to the United States and Europe. These countries have also become important markets for India: Asia-Pacific (12)[5] together accounted for about 24.7% and 28.7% of total Indian exports and imports in 2008. Western Africa and the Middle East are also important markets for Indian products. As examined in more details, the

[4] The "Other Business Services" category, which includes the subsectors that have displayed the highest rates of growth worldwide (for example, communication services, construction services, insurance services, computer and related services, royalties and licensing rights, personal services, cultural services, recreational services and other business services) accounts for 78% of Indian business-service exports, far surpassing the other two main service categories.

[5] Asia-Pacific (12) includes Australia, China, Indonesia, Hong Kong SAR, Japan, Malaysia, New Zealand, Philippines, Republic of Korea, Singapore, Taiwan Province of China and Thailand.

share of Latin America and the Caribbean in Indian exports and imports reached 4.0% and 3.8% in 2008, respectively.

Together with the important expansion of exports in the past few years, India has experienced a number of changes in the export structure recently. One of the most remarkable changes is the declining share of textiles in overall exports. India's traditional textile sector –the second largest in 2000 – recorded the slowest growth during 2000 and 2007, which has been compensated for by a significant increase in the exports of basic products and natural resources-based manufactured goods, as well as increased exports of steel, machinery, cars and transport equipments. The sector of basic products and natural resources-based manufactures in India represented 35% of overall exports of goods in 2007 (SELA 2009). In this regard, the export basket of India is similar to that of various economies in Latin America, especially Brazil, pointing to possibilities in intra-industry trade and at the same time severe competition involving these products in Asia, Latin America and third markets.

The structural pattern of Indian imports has been more stable than that of exports. In 2007, the major imported items were basic goods and other manufactured goods, similarly to 2000. Probably the only sector showing an increase significantly higher than the mean was steel, machinery, cars and transport equipments. Some of these items are associated with the strong capital formation process taking place in India recently. Particularly, India's imports of iron and steel have climbed significantly, in parallel to the big expansion of the construction and automobile sectors in the country (SELA 2009). Once again, these products are conducive to intra-industry trade with Brazil, while they are, at the same time, quite prone to world competition.

Brazil's export structure remained relatively stable in recent years; Brazil is an important exporter of both manufactures and primary products, and has benefitted from strong global demand and high prices for commodities. Manufactures are the largest importing sector, accounting for almost 71% of total imports in 2007. Brazil conducts a large amount of intra-regional and intra-industry trade, especially with Argentina. The significant amount of Brazil's trade in manufactures of different technological intensity, and those manufactures with a high degree of differentiation, are also good candidates for bilateral trade with India.

Another significant difference between Brazil and India lies in the fact that trade liberalization has been less extensive in India than it has in Brazil. Brazilian tariffs are lower and more linear, whereas India clings to pockets of protection, particularly in the agricultural sector. Both countries have adopted relatively a small number of commitments in sectors of business services covered by the General Agreement on Trade in Services (GATS) –Brazil has adopted 43 commitments while India, 37, contrast to 93 commitments made by China (WTO, 2009b). In relative terms, both countries still maintain high levels of protection in those areas such as agriculture (e.g, animal and dairy products) and in manufactures (e.g., textiles and apparel, and vehicles) in which Brazil and other countries in the region maintain comparative advantage (for applied tariffs by sector, see the Section III).

TABLE 3
BRAZIL AND INDIA MAJOR ECONOMIC AND TRADE INDICATORS

Indicators	Brazil		India	
Population (thousands of inhabitants, 2008)	191 972		1 139 965	
GDP (millions of dollars at current prices, 2008)	1 612 539		1 217 490	
GDP (millions of PPP dollars at current prices, 2008)	1 976 632		3 388 473	
Real GDP (real percentage variation, 2001-2008) (%)	3.6		7.4	
Composition of GDP by activity (%)	2003	2007	2003/04	2007/08
Agriculture	7.4	5.5	21.0	17.8
Industry	27.8	28.7	26.2	29.4
Services	64.8	65.8	52.8	52.8
	100.0	100.0	100.0	100.0
Current account balance (billions of dollars, 2008)	-28 192		-36 088	
Current account (as a percentage of GDP, 2001-2008)	-0.2		-0.3	
Per capita trade (millions of dollars, 2006-2008)	1 854		467	
Ratio of trade to GDP (%)	26.2		47.6	
Annual variation, exports of goods and services (%, 2000-2008)	8		12	
Annual variation, imports of goods and services (%, 2000-2008)	8		15	
Exports of f.o.b. merchandise (millions of dollars, 2008)	197 742		177 499	
Primary export destinations	EU-27 (23.5%); United States (14.0%); Argentina 8.9%); China (8.3%); Japan (3.1%)		EU-27 (21.6%); United States (11.8%); U. Arab Emirates (10.5%) (10.0%); China (5.6%); Singapore (4.9%):	
Imports of C.I.F. merchandise (millions of dollars, 2008)	182 408		293 374	
Main sources of imports	EU-27 (20.9%); United States (14.9%); China (11.6%); Argentina (7.7%); Japan (3.9 %)		EU-25 (13.9%); China (10.0%) United States (7.8%); Saudi Arabia (7.3%); United Arab Emirates (6.2%)	
Commercial services exports (millions of dollars, 2008), by main service category (%)	28 822		102 648	
Transportation	18.8		10.8	
Travel	20.1		11.5	
Other business services	61.2		77.7	
Commercial service imports (millions of dollars, 2008), by main service category (%)	44 396		83 599	
Transportation	23.4		49.5	
Travel	24.7		11.5	
Other business services	51.9		39.0	
Bound tariffs	100.0 (2010)		73.8 (2005)	
Tariffs (Most Favoured Nation)	Bound	Applied	Bound	Applied
	Final	2008	final	2008
Simple average of ad valorem duties (%) All products	31.4	13.6	49.0	13.0
Agricultural products (Agreement on Agriculture)	35.5	10.2	114.2	32.2
Non-agricultural products	30.8	14.0	34.7	10.1
Non-ad valorem duties (% of overall tariff lines)	0.0	0.0	5.3	5.1
Tariff-free imports (Most Favoured Nation)	Percentage of overall imports, 2006		Percentage of overall imports, 2006	
Agricultural products	1.8		6.8	
Non-agricultural products	31.5		9.0	
Foreign direct investment flows (millions of dollars, balance of payments, 2001-2007 annual average)	19 399		9 753	
Inflation (annual variation, 2001-2008)	7.1		4.3	
Gini coefficient (2005)	56.4		36.8	

Source: Economist Intelligence Unit, Country Report, Brazil (2008a), Country Report India (2008b), WTO, Trade Profiles, 2009 (2009b); World Bank Databank, World Bank Economic Indicators IMF, World Economic Outlook 2009, October, (2009).

D. Increasing BRICs role in as hosts and sources of FDI

The role of the BRICs not only as recipients but also as sources of foreign direct investment (FDI) has been increasing in recent years. The four economies accounted for almost half of both inflows and outflows of FDI directed to and originated from developing economies in 2008. The shares of Brazil and India in inflows and outflows of developing economies reached over 7% and 6% of those flows, respectively, Meanwhile, the combined share in world FDI inflows and those directed toward developing economies inflows stood at 5.1% and 14.0% in 2008, while both countries as source of world FDI outflows and developing economies total reached 2.1% and 13.0%, that year, respectively (Table 4). Though China and the Russian Federation play a more significant role as host and recipient of word FDI, the weight of Brazil and India has been increasing in the past years.

TABLE 4
BRICS INWARD AND OUTWARD FDI, 1990-2000, 2005, 2006, 2007 AND 2008
(In million dollars and share in developing economies' total)

	1990-2000 (annual average)		2005		2006		2007		2008	
Brazil										
Inward	12 000	9.2	15 066	4.6	18 822	4.3	34 585	6.5	45 058	7.3
Outward	1 048	2.0	2 517	2.1	28 202	13.1	7 067	2.5	20 475	7.0
India										
Inward	1 705	1.3	7 606	2.3	20 336	4.7	25 127	4.7	41 554	6.7
Outward	110	0.2	2 978	2.4	14 344	6.7	17 281	6.1	17 685	6.0
China										
Inward	30 104	23.0	72 406	22.0	72 715	16.8	83 521	15.8	108 312	17.4
Outward	2 195	4.1	12 261	10.2	21 160	9.8	22 469	7.9	52 150	17.8
Russian Federation										
Inward	1 941	1.5	12 886	3.9	29 701	6.8	55 073	10.4	70 320	11.3
Outward	1 294	2.4	12 767	10.4	23 151	10.8	45 916	16.1	52 390	17.9
BRICs										
Inward	45 750	35.0	107 964	32.8	141 574	32.6	198 306	37.5	265 244	42.7
Outward	4 647	8.8	30 523	24.9	86 857	40.3	92 733	32.5	142 700	48.8
Developing Economies										
Inward	130 778	26.5	329 328	33.8	433 764	29.7	529 344	26.8	620 733	36.6
Outward	52 929	10.7	122 707	14.0	215 282	15.4	285 486	13.3	292 710	15.8
World										
Inward	492 674	100.0	973 329	100.0	1 461 074	100.0	1 978 838	100.0	1 697 353	100.0

Source: Author's calculations based on UNCTAD, World Investment Report 2009, www.unctad.org/wir.

Foreign direct investment (FDI) inflows in Brazil increased strongly in recent years to US$34.6 billion in 2007 from US$13.1 billion in 2003. FDI inflows over the period totalled US$112.8 billion. The Netherlands was Brazil's main single investor, with 21.3% of total FDI, followed by the United States (19.2%), the Cayman Islands, Spain, Germany, France, and Luxembourg. These seven investors accounted for some two thirds of all FDI inflows during the period (WTO 2009d, Table AI.6, p. 158). Only two Asian countries, Japan and the Republic of Korea, figure among top 30 investor economies; China, the largest export market for Brazil, does not appear in this list. As a result of the crisis, Brazil's FDI inflows suffered a large decline from US$45.1 billion in 2008 to US$26.0 billion in

2009, but are expected to register a strong recovery in 2010. Brazil is also a major investor abroad; the country's FDI overseas continued to expand even during 2009 (ECLAC 2010a).

India, who has traditionally depended little on foreign capital, has gained ground in capital flows and particularly in FDI inflows. According to the estimates of the UNCTAD (database online), the FDI in the Indian economy totalled US$ 41.6 billion accounting for 2.5 % of the world's FDI flows in 2008.[6] Back in 2005, India's FDI inflow was only US$ 7.6 billion, which represented only 0.8% of the world's FDI flows. The rising FDI inflows accounted for 9.6% of GFCF in 2008.

Most interestingly, India's FDI outflows have also increased. In 2005, the Indian economy's investments abroad reached US$ 3.0 billion and increased more than fivehold to US$ 17.7 billion in 2008. The amount of FDI abroad represented 5.0% of GDP that year (UNCTAD database). In sum, Indian enterprises have shifted from a domestically dependent GFCF strategy to another based on promotion of for internationalisation strategy.

E. Brazil and India return to rapid growth

1. Brazil

After expanding by just 1.1% in 2003, the Brazilian economy entered a period of rapid growth in 2004, with an annual average growth rate of 4.5% during 2004-07, and an annualized rate of 6% in the first half of 2008, triggered by strong domestic demand, particularly private consumption and gross fixed capital formation, and a favourable external environment as well as fiscal and monetary discipline that allowed a reduction in interest rates. However, at late 2008, Brazil's economic outlook changed dramatically as a result of the slowdown in the world economy and the financial crisis. These factors led to drying up of international credit and bringing down commodity prices (WTO 2009d). Brazil's GDP declined 0.2% in 2009 after expanding 5.1% in 2008.

Having emerged swiftly from recession and benefitting from a strong financial sector, a diversified economy and highly diverse trade partners, Brazil is expected to resume the domestic growth dynamic, driven by the resumption of labour force expansion, real wages growth, credit expansion, low inflation, and increased social spending. Income inequality will continue to decline on the back of income support programmes, but will remain high. Even so, the gradual expansion of a middle class will underpin the growing attractiveness of Brazil's market.

The Economist Intelligence Unit (EIU) projects 4.7% average annual growth for 2011-2015, not as strong as in 2004-2008 because of weaker growth in OECD markets, but Brazil will continue to benefit from rising Chinese demand for its commodity exports (EIU 2010a). Investment in physical infrastructure should rise, as government seeks to boost GDP growth, bringing gradual advances on alleviating difficult and costly logistics. Public-private partnerships will stimulate needed investment in transport infrastructure and the energy network in coming years, but its implementation is considered to be slow.

Brazilian exports performed strongly between 2003 and 2007, increasing at a nominal average annual rate of almost 23% in U.S. dollars terms reflecting solid economic growth and strong external demand for Brazilian products. Imports grew even faster, at a nominal average rate of some 26% during the same period. Brazil posted a surplus in the current account of the balance of payments throughout 2003-2007, although a deficit was recorded in the first half of 2008. A sharp fall in exports and imports during the downturn kept the current-account deficit broadly stable at 1.5% of GDP in 2009. Brazil traditionally posts a deficit in its services balance; this deficit has been expanding with economic growth, particularly since 2005, as imports have increased more rapidly than exports. The

[6] On an execution basis (Ministry of Commerce and Industry), inward FDI increased by 72.4% to US$ 33.0 billion (JETRO 2009, p.21). The major target sectors were the financial, telecommunications, and automotive industries. Investment in the country's port infrastructure amounted to US$ 1.4 billion, and larger international procurement projects are likely in the near future. The FDI in computer-related industries slowed.

EIU estimates that the current-account deficit is likely to rise to 4% of GDP in 2011-2015, as domestic demand plays a greater role in driving GDP causing imports to outpace robust exports.

2. India

Like China, economic growth in India has been significantly faster than that in developed and other emerging economies. India was able to achieve an average annual growth rate of 6.9% between fiscal years 1995 and 2007 (beginning in April and ending in March), propelled by its high capital formation and trade expansion—exports and imports alike—over the last few years. India's merchandize trade balance continues to be negative and increasing in recent years, though the current account, though still in deficit, has improved substantially, thanks to the favourable net balance in services trade.

As in most economies of the world, the financial crisis slowed India's economic growth significantly, as reflected in a marked weakening in exports and a downturn in private consumption and investment. GDP grew at 5.2% in fiscal year 2008 compared to 9.6% a year before. An expansionary fiscal policy underpinned the economy; government expenditure increased 20.2% contributing almost one third of GDP growth.[7]

The combination of counter-cyclical fiscal policies and renewed investor confidence has sustained growth in private consumption and investment in fiscal year 2009 and beyond. The Economist Intelligence Unit (EIU) (2010b) forecasts that real GDP growth (on an expenditure basis) accelerates to 8.8% in 2010/2011, from estimated 7.7% in 2009/2010, as the effects of the global financial crisis begin to fade. The economy should maintain the momentum, with real GDP growth averaging 8.7% a year between 2011/2012 and 2015/2016.

The stimulus package has swollen the fiscal deficit, estimated to reach 8% of GDP in fiscal year 2009/2010, from 6.2% in 2008/2009, but then narrow to 5.5% of GDP by the end of the fiscal year 2014/2015. The EIU also forecasts the deficit on the merchandise trade account to widen in the next five years as a result of a rapid increase in local demand for consumer goods. But it will be largely offset by a growing services surplus and by inflows of remittances. The current-account deficit is forecast to average 2% of GDP in 2010-2015.

Unlike Brazil or the Russian Federation where the gross fixed capital formation (GFCF) is around 20% of GDP, the capital formation rate in India is above 30% of GDP, similar to that of China —the investment ratio in Brazil stood at 16.9% of GDP, almost half of India's share of 33.3% in 2009—. India has done this partly through reducing barriers to inward FDI.

Indian economy has been marked by significant structural changes: the share of services in GDP has increased, while that of the agricultural sector has suffered a clear decline, which still plays a more important role in India's economy than in the other BRIC countries (Table3). In India, this sector represents 18 % of the GDP. A significant part of the Indian labour force works in this sector.[8] The role of the industrial sector is not as prominent in India as it is in China; productivity in that sector has increased on a far more modest scale: in India, the share of the industrial sector in the GDP is slightly higher (30%) than Brazil's (29%), and is lower than China's (49 %) and Russia's (38 %). Finally, India's strong service sector, which grew at 10% annually during 2005-2009 (ADB 2010) and accounted for 53% of its GDP in 2008, will be a driving force of the Indian economy.[9]

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[7] December 2008 through February 2009, several fiscal stimulus measures were announced to spur domestic demand, which amounted to about 1.5% of GDP. It provided additional funds for critical rural infrastructure and social security progammes, and authorized 100 billion rupees of tax-free bonds for financing public-private infrastructure projects. A series of value-added tax and the service rate cuts were introduced. From October 2008 through April 2009, the Reserve Bank of India cut its main lending rate and the rate for reverse repos—the Bank's facility that absorbs bank reserves.

[8] The most striking feature of the Indian economy is the slow shift in the composition of the labour force from agriculture to non-agriculture, especially in comparison to other emerging developing economies; between 1960 and 2006, the share of agriculture in the total labour force fell from 75% to 42% or 43% in China and Indonesia and from 84% to 42% in Thailand. In India, the decline was much smaller, from 73% to 56%, despite the rapid fall in agriculture's share in GDP from 50% in 1960 to 18% in 2006.

[9] China's services sector grew even faster at 11.1% during 2005-2009 accounting for 32% of its GDP in 2008 (ADB 2010).

The economy is not free of problems, however. Inflation —a constant source of concern in India— is approximately10%, notwithstanding a decline in oil prices. Unlike China, India runs a chronic current account deficit, and possible increases in petroleum prices and other commodities, especially foods, may worsen the current account deficits. The central government has a difficult task of attenuating rising fiscal deficit and the resulting public debt. It is imperative that the government continue to strengthen its fiscal position, while also improving the country's infrastructure (particularly its power supply and road network), in order to support industrial development. It must also promote the training of human resources in the services sector, and make the investments necessary to increase rural productivity.

India's average income is low compared to its BRIC peers; India's welfare measure (per capita income) is the lowest. However, India's huge population of more than one billion people will become an increasingly important market for consumer goods in coming years. The large number of middle-class households in the country offers considerable potential for manufacturers and exporters of Latin America and the Caribbean.

F. China and India as the chief source of demand for primary and manufactured products of interest to Latin America

1. Primary products

High rates of economic growth and rapid industrialization in China, India and other emerging economies, in a context of short-term supply inelasticity, partly explain the commodity price boom. India accounted for half of the global expansion of rice consumption and a quarter of wheat consumption and 20% of sugar consumption growth between 2000 and 2007 (Table 5A). China was responsible for 4.3% of the global increase in soybean oil consumption and 6.4% of the expansion in soybean demand during the same period.

India's contribution to the world consumption increase in metal and oil is quite small compared to that of China. In the case of petroleum, India accounted for 5.6% of the world increase, compared to 34.7% of China (Table 5B). The expansion of India's demand represented 7.1% of the overall increase in world demand for refined copper between 2000 and 2007 and 3.5% of the increase in global consumption of refined aluminium. India's share in global consumption of finished steel products stood at 5.5%. India's contribution was much greater in the case of slab zinc accounting for almost 14% during the same period. These India's figures, though quite small when compared to those of China, are not insignificant, and have undoubtedly contributed to world price increases of these products, from which Latin American and Caribbean countries have benefited.

It is worthy mentioning that India is a major producer worldwide of several agricultural products that are of high interests to Latin America and the Caribbean. India's share in world production in wheat, maize, soybeans, oilseeds, beef and veal, rice and sugar are as follows: 11.6%, 2.1%, 3.6%, 7.3%, 4.1%, 22.3% and 17.9%, respectively. India is by far the world's largest consumer and producer of tea, accounting for 32.4% and 39.3% of world consumption and production, respectively. However, India has not been able to raise its self-sufficiency rate in most products, due in part to their constantly increasing domestic demand and stagnant local production.

TABLE 5 A
SHARE OF CHINA AND INDIA IN THE GROWTH OF GLOBAL AGRICULTURAL COMMODITIES CONSUMPTION

	2000	2007	% change	Share in total change	Share in world consumption	
					2000	2007
Wheat, million tons						
China	110.3	104.0	-5.6%	-17.4%	18.9%	16.8%
India	66.8	75.9	13.5%	25.0%	11.5%	12.2%
World	583.6	619.7	6.1%	100.0%		
Maize, million tons						
China	120.2	149.0	23.9%	17.2%	19.8%	19.2%
India	12.0	16.5	38.0%	2.7%	2.0%	2.1%
World	608.3	775.1	27.4%	100.0%		
Rice, million tons						
China	134.3	127.3	-5.1%	-23.7%	34.1%	30.1%
India	76.0	91.6	20.6%	53.2%	19.3%	21.7%
World	393.3	422.7	7.4%	100.0%		
Soybeans, million tons						
China	26.7	48.1	79.9%	34.5%	15.6%	20.6%
India	5.3	9.2	74.8%	6.4%	3.1%	3.9%
World	171.6	233.5	36.1%	100.0%		
Soybean oil, million tons						
China	3.5	9.8	176.4%	53.4%	13.4%	25.7%
India	2.0	2.5	24.7%	4.3%	7.7%	6.6%
World	26.4	38.1	44.4%	100.0%		
Sugar, million tons						
China	8.5	13.0	53.3%	19.5%	6.6%	8.6%
India	17.3	22.1	27.8%	20.7%	13.6%	14.7%
World	127.6	150.9	18.2%	100.0%		

Source: Foreign Agricultural Service, Official USDA Estimates.

TABLE 5 B
SHARE OF CHINA AND INDIA IN THE GROWTH OF GLOBAL PETROLEUM AND METALS CONSUMPTION

	2000	2007	% change	Share in total change	Share in world consumption	
					2000	2007
Oil, million barrels daily						
China	4.8	7.9	64.6%	34.7%	6.3%	9.2%
India	2.3	2.7	21.9%	5.6%	3.0%	3.2%
World	76.3	85.2	11.6%	100.0%		
Finished steel products, million tons						
China	124.28	408.30	228.5%	63.4%	16.3%	33.8%
India	26.30	50.80	93.2%	5.5%	3.5%	4.2%
World	760.72	1208.50	58.9%	100.0%		
Refined aluminum, million tons						
China	3.50	12.35	252.9%	73.5%	14.0%	33.3%
India	0.60	1.02	69.3%	3.5%	2.4%	2.7%
World	25.06	37.10	48.0%	100.0%		

(continues)

Table 5 B (conclusion)

Refined copper, million tons						
China	1.93	4.86	152.1%	102.9%	12.7%	26.9%
India	0.24	0.44	83.8%	7.1%	1.6%	2.4%
World	15.19	18.04	18.8%	100.0%		
Slab zinc, million tons						
China	1.96	3.59	83.2%	74.8%	21.6%	31.9%
India	0.18	0.48	172.1%	13.9%	1.9%	4.3%
World	9.06	11.24	24.0%	100.0%		

Source: British Petroleum, International Iron and Steel Institute and World Bureau of Metal Statistics.

2. Manufactures

Apart from the dominant positions that China has consolidated in selected International Standard Industrial Classification (ISIC) industrial sectors, Brazil and India, and to a lesser extent, the Russian Federation, have transformed into major producers of manufactures worldwide (Table 5). When measured in terms of manufacturing value-added, at 2000 constant prices, India ranks quite high among top 15 producing countries in sectors such as textiles (ISIC 17), chemicals and chemical products (24), basic metals (27) and electrical machinery and apparatus (31). On the other hand, Brazil has established a stronghold in wood products (20), coke, refined petroleum products (23), and other transport equipment (35), and others (Table 6). Both countries have a solid industrial base in many sectors, which indicate, on the one hand, future trade and investment opportunities, and competition in domestic and third country markets, on the other, for Latin America and the Caribbean.

TABLE 6
LEADING PRODUCERS IN SELECTED ISIC DIVISIONS, 2007
RANKING IN WORLD TOP 15 PRODUCERS AND SHARE IN WORLD TOTAL VALUE-ADDED
(Measured in world total value-added at constant 2000 prices and percentages)

ISIC	Producto description	Ranking	China (%)	Ranking	Brazil (%)	Ranking	India (%)	Ranking	Russian Federation (%)
15	Food and Beverages	2	14.3	9	2.6			14	1.7
16	Tabacco products	1	51.4	12	0.9				
17	Textiles	1	36.7			4	4.2		
18	Wearing apparel, fur	1	28.7	8	2.0				
19	Leather, leather products and footwear	1	39.1	9	2.2	10	2.0		
20	Wood products (excl. furniture)	2	8.9	7	3.7				
21	Paper and paper products	3	12.9	12	2.1			15	1.5
22	Printing and publishing	5	3.8						
23	Coke, refined petroleum products, nuclear fuel	2	15.7	4	6.0	10	1.8		
24	Chemicals and chemical products	2	3.5	12	1.9	7	3.5		
25	Rubber and plastic products	1	18.3	9	2.2	15	1.4		
26	Non-metalic mineral products	1	16.1	9	2.5	13	2.1	12	2.2
27	Basic metals	1	36.3	14	1.3	6	2.9	7	2.3
28	Fabricated metal products	4	9.4	9	2.4				
29	Machinery and equipment n.e.c.	2	15.9	10	1.6	12	1.4	11	1.5
30	Office, accounting and computing machinery	7	3.2	9	1.1	15	0.3		

(continues)

Table 6 (conclusion)

31	Electrical machinery and appratus	1	30.8	7	2.0	5	3.1	15	0.8
32	Radio, television and communication equipment	3	7.2	10	0.2				
33	Medical, precision and optical instruments	4	5.1	8	2.4			6	4.4
34	Motor vehicles, trailers, semi-trailers			13	1.5	12	1.6		
35	Other transport equipment	1	35.9	3	5.6	10	2.4	13	1.0
36	Furniture, manufacturing n.e.c.	2	20.7	11	1.4				

Source: United Nations Industrial Development Organization (UNIDO), Industrial Statistical Yearbook, 2009.

China and India are both significant consumers of manufactured goods, although China's consumption is much larger. Both countries have been key consumers of several manufactured products that have been surging over the last decade. According to the Japan External Trade Organization (JETRO, 2006), the global market for motor vehicles expanded by seven million units between 1999 and 2005. China was responsible for almost 46% of that expansion, while India accounted for 7.4%.[10] High percentages have also been observed for other high-technology goods, such as electronic devices, mobile telephone access and notebook computers. Chinese demand for the first two has surpassed that of the United States.

3. Services

Both Brazil and India are world major producers of services. When measured in terms of value-added in the three Market Oriented Knowledge Intensive Services (i.e., communications services, financial services, and business services), at 2000 constant dollars, Brazil and India produced almost US$ 104 billion and US$ 64 billion on average during 2001 and 2005, which accounted for 1.0% and 1.7% of world total, respectively. India's figure, roughly a quarter of China's value added of US$ 260 billion, compares favourably with US 53 billion of Taiwan Province of China. It is worthy of mention that India's communication services value-added, which represented 1.4% of world total, showed the world highest annual growth rate of 21.6%. Brazil generated US$ 18 billion of value added in this sub-sector (Kuwayama 2009).

India continues to develop, and displays great potential for further growth in the field of information and communication technologies and business process outsourcing. India's IT industry employs 2 million people, while computer services have annual revenues of over US$ 50 billion and account for roughly 16% of India's total exports (Economist 2008). However, one significant impediment to the expansion of these services is the current lack of investment in technological and human capital, given the tremendous growth of these technologies. A strong link has yet to be forged between trade and FDI, as it has been in China. This not only hampers India's insertion into global markets for commodities involving value added and knowledge, but also hinders its inclusion in the dynamic network of trade between Asian firms and industries.

Brazil has been the most dynamic exporter of services of Latin America and the Caribbean in the 1990s and 2000s. Brazil's services trade share grew 60%, overtaking Mexico as the main service exporter of the region. Brazil's rising share in regional services trade reflects mostly its rising participation in the world trade of "Other services"; in 2007, Brazil was the 14th major global exporter of "Other services", which equals total services minus transport and international travel. Nowadays,

[10] The BRICs accounted for one-third of world car (cars and commercial vehicles) production in 2009 with the following shares, China (22.6%), Brazil (5.2%), India (4.3%) and the Russian Federation (1.2%). Car production in Brazil and India expanded in 2009 when other major car producing countries suffered a severe decline in their production (International Organization of Motor Vehicle Manufacturers, http://oica.net/category/production-statistics).

these services account for about two thirds of total Brazilian services exports, compared to only one fourth in Latin America and the Caribbean as a whole (Valls Pereira, Sennes and Mulder 2009).[11]

Despite an impressive performance in global trade of "Other services", the much faster expansion of China and India in this segment suggests that Brazil could do even better. The diversification of Brazilian exports of "other commercial services" is still low in terms of types of services and destination markets, but new types of exports and markets are gaining importance, for example financial services (where Brazil is the 14th largest exporter worldwide) and legal services, which are part of technical professional services in which the highest index is registered in the South American market, suggesting an important potential to increase trade in this area in the region.

Asia has transformed into an important trade partner for Brazilian services exporters. Central Bank data indicate that the US market accounted for about one half and the European Union for one quarter in total exports during 2001 and 2006. The share of Asia was slightly higher than that of South America, with a geographical distribution totally different from the pattern observed in goods exports. These preliminary findings suggest that there are ample opportunities not only for Brazil but also other countries of the region to expand their services trade with Asia (Valls Pereira, Sennes and Mulder 2009).

[11] The recent dynamism of Brazilian services exports is associated with three, interrelated, trends; i) the internationalization of Brazilian companies, which increases the demand for integrated support services such as finance, information technology and logistics; ii) the rise of inward FDI in the service sector, which expands Brazil's export capacity; and iii) the rapid growth in Brazilian investments abroad in the service sector (Valls Pereira, Sennes and Mulder 2009).

III. Growing trade and investment relations between Latin America, Brazil in particular, and India

A. Trade

1. Trade between India and Latin America and the Caribbean

Exports by the Latin American and Caribbean region to Asia-Pacific including India are highly concentrated in just a few countries. During the period 2005-2008, on average, five countries accounted for almost 86% of all Latin American and Caribbean exports to Asia-Pacific: Brazil (33%), Chile (25%), Argentina (12%), Mexico (9%) and Peru (7%) (Table 7). These shares have not changed substantially over the last two decades (Kuwayama, 2001). India as a trade partner for almost all the countries in the region is still insignificant.

Mexico has become the largest importer from all the Asia-Pacific partners (i.e., Japan, China, Republic of Korea, ASEAN, combined share of Australia and New Zealand, and India). The North American Free Trade Agreement (NAFTA) is considered to be the major factor behind this dynamism. Mexico (47.9%) and Brazil (19.8%) accounted for nearly 68 % of the total (Table 8). Chile and Peru play a much less substantial role as importers from Asia-Pacific than as exporters to that region. As a result, in geographical terms, regional imports from Asia-Pacific are even more concentrated than its exports.

Despite India's increasing role in the global economy, India's trade ties with most countries in the region are at a very incipient stage. Exports from Latin America and the Caribbean to India amounted to US$4.8 billion on average during 2005-2008, which accounted for only 0.7% of total regional exports to Asia-Pacific (Table 7). Major exporters to India were Chile (29%), Brazil (22%) and Mexico (20%). Brazil exported roughly US$ 1billion on average during 2005-2008.

Regional imports from India during the same period amounted to US$ 5.0 billion representing 0.8% of the regional imports from Asia-Pacific. This contrasts to not only US$ 60 billion imported from China but also US$ 20 billion from ASEAN (Table 8). However, Brazil plays a predominant role in the regional imports from India; the country explained more than 42% of total regional imports from India, far ahead of Mexico who imported 23% of the total. This amount, though still small compared to other trade flows with Asia-Pacific, seems to indicate future opportunities and at the same time challenges ahead in expanding trade and investment with India.

When analysed from the viewpoint of India as well, Latin America and the Caribbean as a trade partner occupies a relatively small space. The region accounted for 4.0% and 3.8% of India's total exports and imports in 2008, respectively (Table 9). These figures differ substantially from the values reported in Tables 7 and 8, due not only to the latter's year coverage of only 2008, year of a jump in bilateral trade – instead of the four year average employed in both tables—, but also differences in FOB and CIF values that originate from India's being the reporter and the region as a partner.

In relative terms, according to the Indian statistics, Brazil is the largest export destination of India, while Venezuela (Bol. Rep. of) figures the most important import origin of India in 2008 (Table 9). Trade ties of Central American countries with India are quite modest. Its Asian neighbours are the most important trade partners, both in exports and imports, representing a quarter of its trade, surpassing, by a large margin, the United States and the European Union (27). Among the Asian economies, China, other industrializing economies (Hong Kong SAR, Republic de Korea, Singapore and Taiwan Province of China) and ASEAN countries stand out.

TABLE 7
LATIN AMERICA AND THE CARIBBEAN: EXPORTS TO SELECTED COUNTRIES AND GROUPINGS OF THE ASIA-PACIFIC REGION, AVERAGE 2005-2008
(In million dollars and percentages)

	Total exports by destination								Percentage of total of Latin America and the Caribbean							Percentage of total of each destination						
	Japan	China	Korea, Rep.of	ASEAN	Aus/NZ	India	Asia-Pacific[a]	World	Japan	China	Korea, Rep.of	ASEAN	Aus/NZ	India	Asia-Pacific[a]	Japan	China	Korea, Rep.of	ASEAN	Aus/NZ	India	Asia-Pacific[a]
Latin America and the Caribbean	**16 707**	**30 549**	**8 199**	**8 650**	**1 980**	**4 786**	**70 870**	**724 734**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**2.3**	**4.2**	**1.1**	**1.2**	**0.3**	**0.7**	**9.8**
Andean Community	**2 341**	**3 614**	**1 031**	**409**	**123**	**291**	**7 808**	**138 065**	**14.0**	**11.8**	**12.6**	**4.7**	**6.2**	**6.1**	**11.0**	**1.7**	**2.6**	**0.7**	**0.3**	**0.1**	**0.2**	**5.7**
Bolivia (Plurational State of)	283	60	280	20	5	3	651	4 683	1.7	0.2	3.4	0.2	0.3	0.1	0.9	6.0	1.3	6.0	0.4	0.1	0.1	13.9
Colombia	355	479	140	169	23	40	1 207	28 300	2.1	1.6	1.7	2.0	1.2	0.8	1.7	1.3	1.7	0.5	0.6	0.1	0.1	4.3
Ecuador	100	156	22	14	17	50	359	13 727	0.6	0.5	0.3	0.2	0.9	1.0	0.5	0.7	1.1	0.2	0.1	0.1	0.4	2.6
Peru	1 468	2 725	554	160	77	167	5 151	24 960	8.8	8.9	6.8	1.8	3.9	3.5	7.3	5.9	10.9	2.2	0.6	0.3	0.7	20.6
Venezuela (Bol. Rep. of)	135	193	34	46	1	31	440	66 395	0.8	0.6	0.4	0.5	0.0	0.6	0.6	0.2	0.3	0.1	0.1	0.0	0.0	0.7
MERCOSUR	**6 425**	**17 922**	**3 323**	**6 375**	**1 079**	**2 048**	**37 170**	**234 497**	**38.5**	**58.7**	**40.5**	**73.7**	**54.5**	**42.8**	**52.4**	**2.7**	**7.6**	**1.4**	**2.7**	**0.5**	**0.9**	**15.9**
Argentina	464	4 547	499	1 902	225	830	8 465	53 113	2.8	14.9	6.1	22.0	11.4	17.3	11.9	0.9	8.6	0.9	3.6	0.4	1.6	15.9
Brazil	4 453	10 597	2 256	4 280	777	1 034	23 398	153 732	26.7	34.7	27.5	49.5	39.2	21.6	33.0	2.9	6.9	1.5	2.8	0.5	0.7	15.2
Paraguay	40	52	14	34	0	16	157	2 692	0.2	0.2	0.2	0.4	0.0	0.3	0.2	1.5	1.9	0.5	1.3	0.0	0.6	5.8
Uruguay	1 468	2 725	554	160	77	167	5 151	24 960	8.8	8.9	6.8	1.8	3.9	3.5	7.3	5.9	10.9	2.2	0.6	0.3	0.7	20.6
Chile	5 888	6 438	3 156	892	194	1 399	17 967	53 405	35.2	21.1	38.5	10.3	9.8	29.2	25.4	11.0	12.1	5.9	1.7	0.4	2.6	33.6
CACM	**178**	**628**	**143**	**214**	**26**	**28**	**1 219**	**18 845**	**1.1**	**2.1**	**1.7**	**2.5**	**1.3**	**0.6**	**1.7**	**0.9**	**3.3**	**0.8**	**1.1**	**0.1**	**0.1**	**6.5**
Costa Rica	70	561	75	164	16	18	904	8 269	0.4	1.8	0.9	1.9	0.8	0.4	1.3	0.8	6.8	0.9	2.0	0.2	0.2	10.9
El Salvador	16	6	3	11	2	3	39	1 977	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.8	0.3	0.1	0.5	0.1	0.1	2.0
Guatemala	63	39	44	34	3	7	190	5 804	0.4	0.1	0.5	0.4	0.2	0.1	0.3	1.1	0.7	0.8	0.6	0.1	0.1	3.3
Honduras	19	17	21	3	4	0	64	1 855	0.1	0.1	0.3	0.0	0.2	0.0	0.1	1.0	0.9	1.1	0.2	0.2	0.0	3.5
Nicaragua	11	5	0	3	2	0	22	940	0.1	0.0	0.0	0.0	0.1	0.0	0.0	1.1	0.6	0.0	0.3	0.3	0.0	2.3
Mexico	1 756	1 691	479	713	538	961	6 138	256 813	10.5	5.5	5.8	8.2	27.2	20.1	8.7	0.7	0.7	0.2	0.3	0.2	0.4	2.4
The Caribbean and other Latin American countries	**119**	**257**	**67**	**46**	**20**	**59**	**567**	**23 108**	**0.7**	**0.8**	**0.8**	**0.5**	**1.0**	**1.2**	**0.8**	**0.5**	**1.1**	**0.3**	**0.2**	**0.1**	**0.3**	**2.5**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE).
[a] The total of Asia-Pacific corresponds to the sum of theprevious columns and, hense does not include exports to other Asian countries and economies such as Taiwan Province of China and Hong Kong SAR.

TABLE 8
LATIN AMERICA AND THE CARIBBEAN: IMPORTS FROM SELECTED COUNTRIES AND GROUPINGS OF THE ASIA-PACIFIC REGION, AVERAGE 2005-2008
(In million dollars and percentages)

	Total imports by origin								Percentage of total of Latin America and the Caribbean							Percentage of total of each origin						
	Japan	China	Korea, Rep.of	ASEAN	Aus/NZ	India	Asia-Pacific[a]	World	Japan	China	Korea, Rep.of	ASEAN	Aus/NZ	India	Asia-Pacific[a]	Japan	China	Korea, Rep.of	ASEAN	Aus/NZ	India	Asia-Pacific[a]
Latin America and the Caribbean	**28 586**	**60 514**	**20 449**	**19 958**	**3 188**	**4 981**	**137 676**	**645 972**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**4.4**	**9.4**	**3.2**	**3.1**	**0.5**	**0.8**	**21.3**
Andean Community	**3 238**	**8 249**	**2209**	**1 468**	**247**	**784**	**16 195**	**97 547**	**11.3**	**13.6**	**10.8**	**7.4**	**7.7**	**15.7**	**11.8**	**3.3**	**8.5**	**2.3**	**1.5**	**0.3**	**0.8**	**16.6**
Bolivia	298	253	23	29	5	19	626	3 424	1.0	0.4	0.1	0.1	0.2	0.4	0.5	8.7	7.4	0.7	0.8	0.1	0.5	18.3
Colombia	1 008	2 928	793	546	37	400	5 712	29 983	3.5	4.8	3.9	2.7	1.2	8.0	4.1	3.4	9.8	2.6	1.8	0.1	1.3	19.0
Ecuador	543	1 173	469	290	10	67	2 553	13 176	1.9	1.9	2.3	1.5	0.3	1.3	1.9	4.1	8.9	3.6	2.2	0.1	0.5	19.4
Peru	601	1 706	421	335	83	174	3 319	16 102	2.1	2.8	2.1	1.7	2.6	3.5	2.4	3.7	10.6	2.6	2.1	0.5	1.1	20.6
Venezuela (Bol. Rep. of)	787	2 190	504	268	112	125	3 985	34 862	2.8	3.6	2.5	1.3	3.5	2.5	2.9	2.3	6.3	1.4	0.8	0.3	0.4	11.4
MERCOSUR	**6 146**	**17 794**	**4 221**	**5 805**	**1 098**	**2 527**	**37 591**	**167 831**	**21.5**	**29.4**	**20.6**	**29.1**	**34.4**	**50.7**	**27.3**	**3.7**	**10.6**	**2.5**	**3.5**	**0.7**	**1.5**	**22.4**
Argentina	1 017	4 212	519	1 096	195	345	7 383	41 243	3.6	7.0	2.5	5.5	6.1	6.9	5.4	2.5	10.2	1.3	2.7	0.5	0.8	17.9
Brazil	4 665	11 500	3 559	4 532	884	2 101	27 242	114 690	16.3	19.0	17.4	22.7	27.7	42.2	19.8	4.1	10.0	3.1	4.0	0.8	1.8	23.8
Paraguay	403	1 571	79	135	3	32	2 222	6 104	1.4	2.6	0.4	0.7	0.1	0.6	1.6	6.6	25.7	1.3	2.2	0.1	0.5	36.4
Uruguay	61	510	65	43	16	49	744	5 794	0.2	0.8	0.3	0.2	0.5	1.0	0.5	1.0	8.8	1.1	0.7	0.3	0.8	12.8
Chile	1 249	3 635	1 933	731	237	169	7 953	35 772	4.4	6.0	9.5	3.7	7.4	3.4	5.8	3.5	10.2	5.4	2.0	0.7	0.5	22.2
CACM	**1 445**	**1 980**	**816**	**499**	**132**	**196**	**5 068**	**39 136**	**5.1**	**3.3**	**4.0**	**2.5**	**4.1**	**3.9**	**3.7**	**3.7**	**5.1**	**2.1**	**1.3**	**0.3**	**0.5**	**13.0**
Costa Rica	668	631	229	211	15	36	1 790	12 073	2.3	1.0	1.1	1.1	0.5	0.7	1.3	5.5	5.2	1.9	1.7	0.1	0.3	14.8
El Salvador	161	266	108	62	42	20	660	6 809	0.6	0.4	0.5	0.3	1.3	0.4	0.5	2.4	3.9	1.6	0.9	0.6	0.3	9.7
Guatemala	365	706	403	141	50	86	1 751	12 026	1.3	1.2	2.0	0.7	1.6	1.7	1.3	3.0	5.9	3.3	1.2	0.4	0.7	14.6
Honduras	134	164	35	40	18	29	420	5 290	0.5	0.3	0.2	0.2	0.6	0.6	0.3	2.5	3.1	0.7	0.8	0.3	0.5	7.9
Nicaragua	117	213	41	44	8	25	447	2 938	0.4	0.4	0.2	0.2	0.2	0.5	0.3	4.0	7.3	1.4	1.5	0.3	0.9	15.2
Mexico	15 250	26 642	10 815	10 833	1 236	1 163	65 938	267 104	53.3	44.0	52.9	54.3	38.8	23.4	47.9	5.7	10.0	4.0	4.1	0.5	0.4	24.7
The Caribbean and other Latin American countries	**1 258**	**2 213**	**456**	**622**	**238**	**143**	**4 930**	**38 583**	**4.4**	**3.7**	**2.2**	**3.1**	**7.5**	**2.9**	**3.6**	**3.3**	**5.7**	**1.2**	**1.6**	**0.6**	**0.4**	**12.8**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE).
[a] The total of Asia-Pacific corresponds to the sum of the previous columns and, hense does not include exports to other Asian countries and economies such as Taiwan Province of China and Hong Kong SAR.

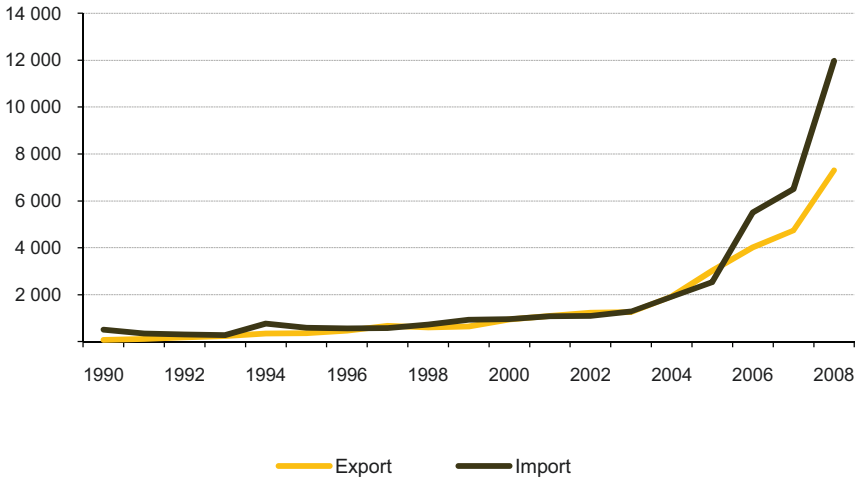
TABLE 9
INDIA'S EXPORTS AND IMPORTS TO AND FROM LATIN AMERICA AND THE CARIBBEAN 2008, BY DESTIATION AND ORIGIN
(In thousand dollars and percentages)

Exports			Imports		
Partner	Trade value	Share (%)	Partner	Trade value	Share (%)
USA	21 407 125	11.8	USA	24487130	7.8
European Union 27	39 204 202	21.6	European Union 27	44 020 372	13.9
Asia12	44 923 319	24.7	Asia12	90 526 921	28.7
China	10 093 927	5.6	China	31 586 024	10.0
Singapore	8 853 900	4.9	Australia	9 568 942	3.0
China, Hong Kong SAR	6 770 545	3.7	Rep. of Korea	8 350 677	2.6
Rep. of Korea	3 773 312	2.1	Singapore	8 304 751	2.6
Japan	3 624 209	2.0	Japan	7 784 411	2.5
Malaysia	3 034 408	1.7	Malaysia	7 461 390	2.4
Indonesia	2 659 314	1.5	Indonesia	6 431 337	2.0
Thailand	2 005 280	1.1	China, Hong Kong SAR	4 998 197	1.6
Taiwan Prov. of China	1 802 833	1.0	Taiwan Prov. of China	2 680 470	0.8
Australia	1 347 332	0.7	Thailand	2 664 791	0.8
Philippines	755 025	0.4	New Zealand	468 291	0.1
New Zealand	203 235	0.1	Philippines	227 640	0.1
LAC33	7 300 702	4.0	LAC33	11 967 357	3.8
Brazil	3250 050	1.8	Venezuela (Bol. Rep. of)	4 102 240	1.3
Mexico	684 343	0.4	Mexico	1 800 095	0.6
Colombia	571 264	0.3	Chile	1 746 702	0.6
Chile	414 645	0.2	Bahamas	1 703 366	0.5
Peru	403 154	0.2	Brazil	1 159 830	0.4
Argentina	380 750	0.2	Argentina	590 530	0.2
Trinidad and Tobago	363 583	0.2	Peru	297 995	0.1
Bahamas	297 566	0.2	Panama	224 792	0.1
Venezuela (Bol. Rep. of)	144 719	0.1	Trinidad and Tobago	84 347	0.0
Panama	93 925	0.1	Costa Rica	61 923	0.0
Ecuador	92 876	0.1	Ecuador	53 322	0.0
Guatemala	91 344	0.1	Saint Vincent and the Grenadines	33 357	0.0
Honduras	82 268	0.0	Colombia	22 049	0.0
Uruguay	70 641	0.0	Cuba	13 292	0.0
Dominican Rep.	54 478	0.0	Uruguay	13 268	0.0
Nicaragua	50 291	0.0	Belize	12 439	0.0
Haiti	44 660	0.0	Guyana	11 484	0.0
Paraguay	42 238	0.0	Dominican Rep.	10 151	0.0
Costa Rica	39 659	0.0	Bolivia (Plurinational State of)	5 911	0.0
Cuba	37 637	0.0	El Salvador	5 784	0.0
Jamaica	21 099	0.0	Honduras	4 396	0.0
El Salvador	16 808	0.0	Guatemala	3 947	0.0
Guyana	13 417	0.0	Haiti	1 575	0.0
Suriname	9 828	0.0	Suriname	1 333	0.0
Bolivia (Plurinational State of)	9 501	0.0	Jamaica	1 008	0.0
Belize	6 844	0.0	Nicaragua	844	0.0
Barbados	3 713	0.0	Dominica	617	0.0
Antigua and Barbuda	3 390	0.0	Paraguay	505	0.0
Dominica	2 947	0.0	Saint Lucia	141	0.0
Saint Lucia	1 067	0.0	Grenada	67	0.0
Saint Vincent and the Grenadines	785	0.0	Barbados	45	0.0
Saint Kitts and Nevis	710	0.0	Antigua and Barbuda	2	0.0
Grenada	501	0.0			0.0
All other	69 025 551	38.0		144 710 326	45.8
World	1 818 60 898	100.0	World	315 712 106	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE).
Note: Asia-Pacific (12) includes Australia, China, Hong Kong SAR, Indonesia, Japan, Korea Rep. of, Malaysia, New Zealand, Philippines, Singapore, Taiwan Province of China, and Thailand.

While Latin America and the Caribbean does not represent a significant market for India as of yet, the region's importance is growing. According to India's statistics, its exports to the region jumped from US$ 1.9 billion in 2004 to US$ 7.3 billion in 2008. India's imports from the region increased ten-fold from US$ 1.9 billion to US$ 12.0 billion during the same period, resulting in a large trade deficit for the country (Figure 2). Trade expansion between India and the region is therefore a recent phenomenon: prior to the present decade, bilateral trade flows were not only small but also stagnant.

FIGURE 3
INDIA'S TRADE WITH LATIN AMERICA AND THE CARIBBEAN
(In million dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE).

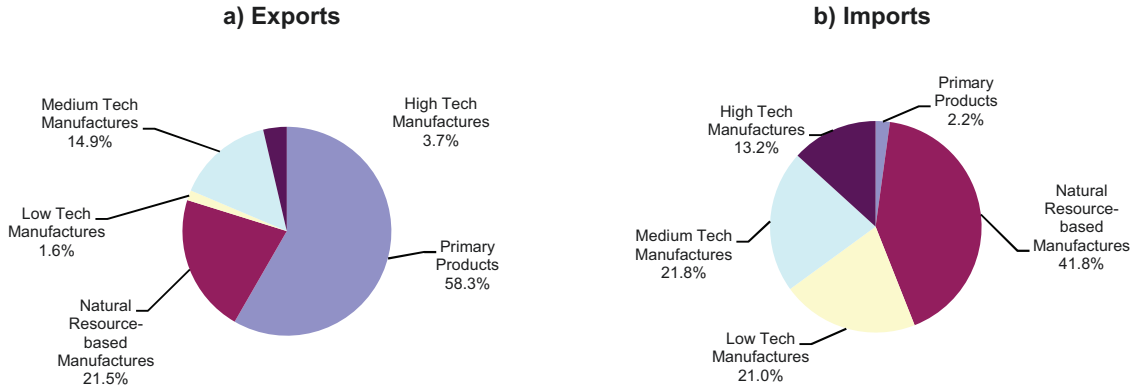
The region's export basket to India by technology intensity is similar to that towards the Asia-Pacific region as a whole; the two categories (primary products and natural resource-based manufactures) together accounted for more than 80% of regional exports to India in 2008.[12] However, the shares of low-tech and high-tech categories are low, in contrast to the share of medium-tech category, with a no insignificant share of 15% (Figure 3A).

The distribution of regional imports from India is also similar to that from the Asia-Pacific region.[13] Medium- and high-tech manufactures combined represented more than 40% of total regional imports from India, while natural-resource-based manufactures alone accounted for a similar share (42%). As in imports from other Asian countries, the share of primary products is quite low (Figure 3B).

[12] Exports of Latin America and the Caribbean with Asia-Pacific can be characterized by a strong bias towards primary products and natural-resource-based manufactures. This is particular so in the case of regional exports to Japan, and to lesser extent, those to China, ASEAN and the Republic of Korea. ASEAN has an import basket from Latin America and the Caribbean in which manufactured products, including those in the intermediate- or high-technology categories, take more than a negligible share. The countries of the Oceania overall report a large component of intermediate-technology manufactures (ECLAC 2008).

[13] The structure of Latin American and Caribbean imports from the Asia-Pacific region is the reverse of its export structure, but with sharp variations between countries and subregions. In the case of Japan and, to a lesser extent, China, the Republic of Korea and ASEAN, the most important components are high- and intermediate-technology intensive manufactures. The largest coefficient of high-technology manufactures occurs in the ASEAN group. In contrast, the export basket of the countries of Oceania is concentrated in primary products (ECLAC 2008).

FIGURE 4
LATIN AMERICA AND CARIBBEAN EXPORTS TO AND IMPORTS FROM INDIA, BY TECHNOLOGICAL INTENSITY
(In percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE).

The Indian market remains largely unexplored by Latin America and the Caribbean. In addition to the expansion of its ITC sectors, growth has been observed in manufacturing sectors such as the motor vehicle, electronics and transport-equipment industries. The Government of India also supports the pharmaceutical industry, as well as the rapidly developing biotechnology sector, in order to exploit the human and biogenetic resources they provide.

In sum, India's trade with Latin America and the Caribbean is typically inter-industrial, with the latter exporting basically primary products to India, which, in turn, exports manufactures of distinct technological intensity. Nonetheless, there seems to be more of intra-industrial types of exchange, based on similar levels of technological capabilities between the region and India than with Japan, for instance.

2. Trade between Brazil and India

The Indian trade statistics show that the country's exports to Brazil show a high product concentration. In fact, close to half of India's exports to Brazil consisted solely of mineral fuels. The other nine products from the top 10 list include chemicals, pharmaceutical products, electrical machinery, iron and steel, and various types of textiles. Despite the crisis, Indian exports to Brazil reported a slight overall increase during the fiscal year 2008(April)-2009(March) compared to the previous year. During this period, shipments of several products including motor vehicles and articles of iron and ore more than doubled (Table 10A).

India's imports from Brazil are more diversified; top ten products accounted for 75% of total imports from the latter country. Though primary products and natural resource-based manufactures figure as the most important import items, the top 20 list includes several products that belong to medium- and high-tech categories. As in the case of exports, the international financial crisis has not affected severely India's imports from Brazil. Motor vehicles and plastics, for example, reported a substantial increase during the two fiscal years (Table 10B).

TABLE 10
INDIA'S TRADE WITH BRAZIL, FISCAL YEAR 2007/08 AND 2008/09
(In million of dollars and percentages)

a) Exports

Ranking	HSCode	Commodity	2007-2008	2008-2009	Growth %	Average 2007/08 2008/09	Share in total
1	27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	1 399.2	1 180.8	-15.6	1 290.0	49.8
2	29	Organic chemicals	154.9	179.8	16.1	167.4	6.5
3	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts	108.3	159.8	47.6	134.0	5.2
4	54	Man-made filaments	103.8	77.6	-25.2	90.7	3.5
5	84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	96.4	127.8	32.6	112.1	4.3
6	30	Pharmaceutical products	91.9	148.5	61.6	120.2	4.6
7	38	Miscellaneous chemical products	90.7	108.6	19.7	99.6	3.8
8	52	Cotton	63.9	112.3	75.7	88.1	3.4
9	55	Man-made staple fibres	62.3	45.9	-26.4	54.1	2.1
10	72	Iron and steel	42.2	55.9	32.5	49.0	1.9
11	32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other coloring matter; paints and ver; putty and other mastics; inks	39.3	44.3	12.9	41.8	1.6
12	39	Plastic and articles thereof	38.9	46.9	20.5	42.9	1.7
13	87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	26.2	53.1	102.8	39.6	1.5
14	67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	21.0	18.7	-10.9	19.9	0.8
15	40	Rubber and articles thereof	15.2	25.8	70.1	20.5	0.8
16	28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, or radi. Elem. or of isotopes	15.0	19.2	27.6	17.1	0.7
17	73	Articles of iron or steel	13.2	27.3	107.3	20.2	0.8
18	62	Articles of apparel and clothing accessories, not knitted or crocheted	12.8	31.1	142.0	21.9	0.8
19	90	Optical, photographic cinematographic measuring, checking precision, medical or surgical inst. and apparatus parts and accessories thereof	12.1	13.6	12.0	12.9	0.5
20	70	Glass and glassware	11.3	14.8	31.3	13.0	0.5
		All other	107.4	159.8	48.8	133.6	5.2
		Total	2 525.9	2 651.4	5.0	2 588.7	100.0

Source: India, Ministry of Commerce and Industry, "Database of Directorate of Foreign Trade" <online> http://dgft.delhi.nic.in/.

B. Imports

Ranking	HSCode	Commodity	2007-2008	2008-2009	Growth %	Average 2007/08 2008/09	Share in total
1	26	Ores, slag and ash	224.6	344.3	53.3	284.4	26.6
2	15	Animal or vegetable fats and oils and their cleavage products; pre. edible fats; animal or vegetable waxes	144.8	103.5	-28.5	124.2	11.6
3	84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	97.7	112.7	15.4	105.2	9.8
4	72	Iron and steel	88.0	72.4	-17.8	80.2	7.5
5	75	Nickel and articles thereof	62.3	2.8	-95.6	32.5	3.0
6	29	Organic chemicals	57.3	75.0	30.8	66.2	6.2
7	25	Salt; sulphur; earths and stone; plastering materials, lime and cement	39.8	37.1	-6.9	38.4	3.6
8	10	Cereals	39.7			19.8	1.9
9	71	Natural or cultured pearls, precious or semiprecious stones, pre. metals, clad with pre. metal and articles thereof; imit. jewelry; coin	24.7	18.9	-23.2	21.8	2.0
10	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts	24.1	23.1	-4.2	23.6	2.2
11	87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	21.5	35.6	65.7	28.5	2.7
12	98	Project goods; some special uses	19.2	24.0	25.3	21.6	2.0
13	86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical	15.7	6.5	-58.5	11.1	1.0
14	40	Rubber and articles thereof	13.8	11.2	-19.2	12.5	1.2
15	90	Optical, photographic cinematographic measuring, checking precision, medical or surgical inst. and apparatus parts and accessories thereof	11.3	12.1	7.3	11.7	1.1
16	41	Raw hides and skins (other than furskins) and leather	9.4	8.1	-13.9	8.7	0.8
17	39	Plastic and articles thereof	5.2	16.8	223.3	11.0	1.0
18	74	Copper and articles thereof	4.4	0.6	-86.7	2.5	0.2
19	33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	4.3	3.7	-13.0	4.0	0.4
20	32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other coloring matter; paints and ver; putty and other mastics; inks	3.1	3.6	15.7	3.4	0.3
		All other	39.1	274.1	601.2	156.6	14.7
		Total	950.0	1 186.0	24.8	1 068.0	100.0

Source: India, Ministry of Commerce and Industry, "Database of Directorate of Foreign Trade" <online> http://dgft.delhi.nic.in/.

Trade flows between Brazil and India present high potential for intra-industry trade in coming years. The Grubel-Lloyd index, which measures the degree of intra-industry trade, indicates that roughly 16% of Brazil's trade (exports and imports) with India is of an intra-industry nature. Even though the absolute values are relatively small, among the 31 sectors which reported a Grubel-Lloyd index superior to 40 (Table 11), rotating electric plant and parts (SITC 716), alcohols, phenols etc, and their derivatives (512), polymerization and copolymerization products (583), and motor vehicle parts

and accessories (784) figure among top 15 of the 100 sectors considered. The sectors that are intensive in intra-industry trade between the two countries are often from medium- and high-tech fields.

TABLE 11
BRAZIL AND INDIA: INTRA-INDUSTRY TRADE 2008, GRUBEL LLOYD INDECES, BY 3 DIGIT SITC SECTORS

(In thousand dollars and percentages)

Ranking out of 100	SITC Code	Commodity name	Exports	Imports	Accum. EX +IM (%)	Grubel-Lloyd
36	667	Pearl, precious and semi-precious stones	8 114	8 354	0.4	98.5
13	784	Motor vehicle parts and accessories	28 096	29 669	1.2	97.3
38	743	Pumps, compressors; centrifuges; filtering apparatus	7 970	7 385	0.3	96.2
69	874	Measuring, checking, analysis, controlling instruments	3 127	3 433	0.1	95.3
52	699	Manufactures of base metal	5 354	6 281	0.2	92.0
20	742	Pumps for liquids; liquid elevators	21 194	17 807	0.8	91.3
45	677	Iron or steel wire (excluding wire rod), not insulated	6 851	5 516	0.3	89.2
11	512	Alcohols, phenols etc, and their derivatives	36 015	46 318	1.8	87.5
47	872	Medical instruments and appliances	6 948	5 247	0.3	86.0
41	728	Other machinery, equipment, for specialized industries	5 738	7 745	0.3	85.1
73	773	Equipment for distribution of electricity	3 599	2 523	0.1	82.4
71	233	Synthetic rubber, latex, etc; waste, scrap of unhardened rubber	3 913	2 419	0.1	76.4
60	551	Essential oils, perfume and flavour materials	3 191	5 275	0.2	75.4
72	523	Other inorganic chemicals; compounds of precious metals	3 964	2 345	0.1	74.3
91	759	Parts, accessories for machines of headings 751 or 752	2 596	1 335	0.1	67.9
88	292	Crude vegetable materials	1 316	2 792	0.1	64.1
29	713	Internal combustion piston engines	7 588	16 198	0.5	63.8
16	511	Hydrocarbons, nes, and derivatives	30 925	13 739	1.0	61.5
49	778	Electrical machinery and apparatus, nes	3 603	8 422	0.3	59.9
35	611	Leather	11 597	4 949	0.4	59.8
31	625	Rubber tires, tire cases, inner and flaps	5 466	13 193	0.4	58.6
8	716	Rotating electric plant and parts	39 482	110 230	3.2	52.7
98	431	Animal and vegetable oils and fats	2 435	792	0.1	49.1
83	776	Thermionic, microcircuits, transistors, valves	1 224	3 831	0.1	48.4
85	899	Other miscellaneous manufactured articles, nes	1 093	3 487	0.1	47.7
90	663	Mineral manufactures	3 120	924	0.1	45.7
12	583	Polymerization and copolymerization products	14 238	48 359	1.3	45.5
89	745	Other non-electric machinery, tools and mechanical apparatus	867	3 233	0.1	42.3
18	749	Non-electric parts and accessories of machinery	8 959	34 783	0.9	41.0
43	598	Miscellaneous chemical products	2 553	10 099	0.3	40.4
82	893	Articles, nes of plastic materials	1 033	4 106	0.1	40.2
30	772	Electrical apparatus for making and breaking electrical circuits	4 244	16 894	0.5	40.2
		Total of the above	286 414	447 683	15.7	

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE).

B. Investment

India's FDI abroad has been increasing since 2006 following important dismantling of foreign exchange restrictions on capital transfers for acquisition of foreign ventures by Indian firms.[14] Total outward FDI from India have risen from US$ 1.9 billion in 2004 to US$ 3.0 billion in 2005, and surged to US$ 14.3 billion in 2006 and to US$ 17.7 billion in 2008 (See Table 4 again). As a result, India's share in total outward FDI of developing countries jumped from below 0.5% in the early 1990s to over 6% during 2006-2008.[15]

India's FDI outflows are reported to spread out across various countries, and developing and emerging countries are increasingly important as the country's FDI destinations.[16] Almost half of the FDI outflows concentrate in developing economies; during 2002-2006, East, Southeast and South Asia accounts for more than 13% of total Indian FDU outflows (Athukorala 2009). Latin America and the Caribbean has not been a favoured destination of Indian FDI abroad. During 2002 and 2006, the region as a whole is estimated to have received 3.9% of total Indian FDI overseas. However, its presence has been increasing in recent years; India's cumulative investment in Latin America and the Caribbean was estimated to have reached US$ 10 billion in 2008 (Deloitte and FICCI 2010). The international financial crisis resulted in a 70% decline in India's FDI outflows to the region in 2008 compared to 2007 (Pradhan 2009).

Major sectors for FDI outflows overall includes the IT sector including software, pharmaceutical industry, new services including financial services, metals, industrial goods, automotive components, beverages, cosmetic industry, energy sector, and mobile communications. The recent surge reflects quality and cost competitiveness to sustain log-term domestic and international growth, motivated by core competencies, increased R&D efforts and technological know-how, Indian firms' need to assure better market access, to secure natural resources, to establish distribution networks, and to seek foreign technologies and strategic resources like brand names (Athukorala 2009, Deloitte and FICCI 2010, EXIM Bank of India 2008).

India's investment in Latin America and the Caribbean is concentrated in natural-resources-intensive sectors, various types of services especially of outsourcing and software development, and manufacturing (Deloitte and FICCI 2010, SELA 2009, Sourcingnotes.com (2007) (for a list of major Indian companies operating in the region, see Annex Table 1).[17] Like China's FDI towards the region, the driving forces stimulating Indian FDI in the region are access to natural resources, expansion of overseas markets (market-seeking) and improvement of production and administration efficiency (efficiency-seeking) (Baumann 2009). In the manufacturing sector Chinese industries —mainly textiles, paper, automobile, electronics, information technologies and telecommunication— have selected some countries (Brazil is clearly one of them) as a stepping stone to enter the regional market.Compared to the Chinese case, sectors such as textiles have not been a major target of Indian investment in the region.

An area where important Indian investments have been made in the region is mining and hydrocarbons. The Indian economy needs to count on stable sources for supply of raw materials in which Latin America is particularly abundant. The most well known in this field is Oil and Natural Gas Corporation Ltd (ONGC), an Indian public sector oil and gas company which contributes 77% of

[14] For the information on India's overseas investment liberalization measures, see RBI (2009) and Deloitte and FICCI (2009).

[15] As a result of the global economic crisis, India's FDI overseas fell by 6% in 2008 and continued to decline during the first quarter of 2009 (Pradhan 2009).

[16] India's actual FDI outflows are not publicly available on a systemic time series basis. Anecdotal evidence points to that many of these investments have been directed towards developed countries such as the United States, the United Kingdom and the rest of Europe. India's outward FDI data based on approvals suggest that developed countries such as the United States and the United Kingdom have small shares of the country's approved outward FDI (6% each of the total) during 2002-2008. compared to Singapore (22%), the Netherlands (15%) and Mauritius and other offshore financial centers (25%) (Gopalan and Rajan 2009).

[17] Athukorala (2009) study indicates that during 2001 and 2006, there were 11 firms operating in Latin America and the Caribbean; 5 firms in the pharmaceutical/health care sector; 2 in information technology; 3 in chemicals; and 1in oil and gas.

India's crude oil production and 81% of India's natural gas production. It has operations in eighteen countries, including Cuba, Colombia, Brazil, and Bolivarian Republic of Venezuela.

The construction sector has also been a favoured sector of India's FDI in the region. For example, Larsen & Toubro Limited (L&T), the largest engineering and construction conglomerate of India, has received major orders from Brazil for process plant equipment for the North East Refinery project of Petrobras (for other Indian investments in the hydrocarbons and mining sector of the region, see SELA 2009).[18]

A major target of India's FDI in the region has been the service outsourcing and software development sectors in which several Indian firms have successfully transformed into world producers and exporters, such as Tata Consultancy Services, Wipro Technologies Ltd., and Infosys Technologies. In the consulting services sector, Tata Consultancy Services operates in Mexico, Argentina, Brazil, Chile, Ecuador, Colombia and Uruguay, and it plans to set up activities in Peru. In the area of software development, Wipro Technologies Ltd., has operations in Mexico and Brazil; .the firm set up operations in 2007 in Monterrey, Mexico, to service North America and Latin America, and it has a payroll of approximately 1,000 employees. Infosys opened operations in Monterrey, Mexico and plans to expand its operations in Mexico and Brazil by means of acquisitions. Another example in this sector includes Evalueserve who started operations in Chile in 2007, business of which generates 10% of the global sales of the company and hires 6% of its labour force (SELA 2009). Future expansion to Latin America in this sector seems to a logical step for established Indian service providers to globalize their operations.

Foreign direct investment by Latin American firms in India is even smaller. The outstanding cases are: i) a joint company between the Brazilian manufacturer of buses Marcopolo and Tata Motors, which started to produce buses in India in 2008 in its plant located in Dharwad. This plant has the capacity to manufacture 30,000 units per year and generate 6,500 direct jobs; ii) the Grupo Gerdau —Brazil's largest steel manufacturer— and the Indian company Kalyan Group signed a contract for a joint venture for US$ 170 million to operate SJK Steel Plant Limited in the city of Tadipatri, state of Andhra Pradesh; and iii) Petrobras and ONGC signed an agreement in June 2007, which would grant them joint participation in exploration blocks, the first oil operations by Brazil in the Indian soil (for a list of major Latin American countries operating in India, see Annex Table II) (Deloitte and FICCI 2010, SELA 2009).

With strong recovery of both countries from the crisis, it is most likely that the mutual investment between Latin America and the Caribbean and India will rise. Not only that Indian investment in the region in areas that go beyond natural-resources should rise, as has been the case of Chinese investment in the region,[19] which is becoming more diversified by sector and size. Also, Latin American investment in India should expand thanks to increasing trade-cum-investment complementarities that are emerging between the two regions. Those complementarities should be greater for Brazil and India, two industrial giants with large domestic markets and export potential.

[18] For more information on Indian investments in the hydrocarbons and mining sector of the region, see SELA 2009.

[19] Brazil is the major Latin American investor in China. Between 2002 and 2007 total Brazilian FDI in that country amounted to a total of US$ 175 million. The major Brazilian FDI in China include: i) in 2002 EMBRAER created with the state enterprise China Aviation Industry Corporation II (AVIC II) a joint venture called Harbin Embraer Aircraft Industry, to produce in Harbin small and medium-sized aircraft. Embraer holds 51% of the capital; ii) the largest Brazilian producer of electrical engines in Brazil, Motores Weg, created in 2005 a producing unit in Jiangsu, called Weg Electric Motor Manufacturing Co.; iii) the first Compressores Embraco, producer of compressors, in a joint venture with a Chinese firm; iv) the association with the Chinese group Snowflake allowing it to install a producing unit in Beijing. In 2006 the firm inaugurated its second producing unit in China, in the outskirts of Beijing. Other, smaller firms operating in China are Politec (information technology), in association with Neusoft, the agro-industrial Bertin Group started operating in 2007 a processing unit in Guangdong to process raw leather, the shoemaker Strada Shoe has five producing units in China, Arezzo, also a shoemaker, has made an association with the Chinese group Prime Success for the commercialization of its products in the Chinese market and Aeromot, producer of small aircrafts made a joint venture with Guizhou Aviation Industries Corporation in 2006 to produce small airplanes in China (Baumann 2009b).

C. India as integrated part of Asia's intra-regional and intra-industry trade network

China's striking economic growth has put it at the heart of Asia's booming trade. The role of Asia as a supplier to China is well known: in 2007, Japan, Taiwan Province of China, the Republic of Korea and ASEAN supplied almost half of all Chinese imports. China runs a deficit in its overall trade with these countries —particularly with the Republic of Korea and Japan— since they are the main suppliers of the capital goods and intermediate inputs that sustain its manufacturing industry.

China exports its manufactures to its other trading partners —particularly the United States and the European Union— with whom it invariably runs its largest trade surpluses in terms of low, high and —to a lesser degree— medium-technology products As a result, China's trade deficit with Asia, which exceeded US$ 40 billion in 2007, was more than offset by its large and growing trade surpluses with the United States (US$ 163 billion) and the European Union (US$ 134 billion) (ECLAC, 2008). India is rapidly becoming part of this complex "Asian Factory" machinery (Table 12).

TABLE 12
CHINA, COMPOSITION OF THE INTERNATIONAL TRADE DEFICT/SURPLUS, BY TECHNOLOGY INTENSITY, AVERAGE 2006-2008
(In million dollars)

Region / Economy	Exports	Imports	Balance	Primary products	Manufactures			
					Natural Resource-based manufactures	Low Technology	Medium Technology	High Technology
Latin America and the Caribbean (33)	52 438	52 154	283	(12 371)	(614)	2 967	4 206	2 999
ASEAN	93 258	104 972	(11 714)	(5 299)	(829)	3 855	3 878	(8 371)
Australia and New Zealand	20 050	29 115	(9 065)	(6 922)	(122)	1 890	1 250	1 517
Korea, Republic of	58 184	101 871	(43 687)	1 308	(2 101)	2 241	(4 612)	(11 054)
United States	229 914	70 143	159 771	(2 693)	2 561	21 477	8 507	19 757
India	23 393	15 051	8 341	(5 460)	701	840	2 064	2 541
Japan	103 255	133 405	(30 151)	1 584	(1 039)	5 302	(10 787)	(6 146)
European Union (27)	242 902	111 411	131 490	888	667	14 932	(1 376)	20 709

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE).

China is a net exporter of each type of manufactures to India, while the balance in primary products is in deficit. As with India, China has a deficit with Latin America and the Caribbean and Australia and New Zealand because it imports large quantities of primary products and natural resource-based manufactures.

ASEAN trade with India totalled US$ 39 billion, or 2.5% of the group's overall trade, in 2009. During the same year, India became the seventh largest trading partner of ASEAN, after China, the European Union, Japan, United States, Republic of Korea and Australia. ASEAN, in turn, became India's fourth largest trading partner, after the European Union, U. Arab Emirats, China, and the United States. This upsurge in trade is being driven by the electronics sector and, to a lesser degree, by natural-resource-based products. India and ASEAN enters into full effect, trade flows of India with ASEAN are likely to expand.

D. Free trade agreements of Brazil and India

Brazil considers the multilateral trading system to be at the core of its trade regime, and preferential agreements as complements to the system. Brazil is a full Member of the Southern Common Market (MERCOSUR), and as part of MERCOSUR it has preferential trade agreements with Bolivia, Chile, Colombia, Cuba, Ecuador, Mexico, Peru, and the Bolivarian Republic of Venezuela. Brazil also has a number of bilateral preferential agreements with other LAIA members. Discussions on the possible conclusion of a MERCOSUR-CARICOM trade agreement have also started. Brazil and Mexico are now considering a bilateral FTA.

A Free Trade Agreement between MERCOSUR and Israel entered in effect, after its ratification by Israel in November 2009. As part of MERCOSUR, Brazil has signed a partial scope agreement with India, concluded negotiations of a partial scope agreement with the South African Customs Union (SACU) whose member are Botswana, Lesotho, Namibia, South Africa and Swaziland, and with the Gulf Cooperation Council (GCC), which includes Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman. The latter accord will cover more than 90 % of agricultural and industrial products, as well as service and investment sectors in the two regions. The negotiation of an Association Agreement between MERCOSUR and the European Union, including a bi-regional FTA, remains on MERCOSUR's agenda (WTO 2009d). It is interesting that both Brazil with other MERCOSUR members and India have singed partial agreements with SACU and GCC. Brazil is reportedly negotiating preferential trade agreements with Egypt, Jordan, Morocco, and Turkey.

Brazil participates in the Global System of Trade Preferences among Developing Countries (GSTP). India is one of the 43 member states to the GSTP. The GSTP, established in 1989, provides a framework for preferential tariff concessions and other measures of cooperation to stimulate trade between developing countries, under the "Enabling" clause of the WTO which allows developing countries to offer to each other tariff rates lower than those granted under Most Favoured Nation status. The new decision reached in December 2009 paves the way for participating countries to offer reductions of at least 20% on tariffs that apply to some 70% of the goods exported within this group of nations. A timeline was set for intensive negotiations next year to conclude the agreement by the end of September 2010. Like other MERCOSUR members, Brazil grants preferences to participating countries on some 98 HS96 tariff headings. The preferences range from to 10% to 50% and include agricultural products, fuels, chemical products, hides and skins, ferrous and steel products, among others (WTO 2009d).

MERCOSUR, of which Brazil is full member, and India signed a framework trade agreement on 17 June 2003, which provided for the negotiation of a partial scope agreement, signed on 25 January 2004 (annexes were signed on 19 March 2005). The agreement contains disciplines on safeguards, anti-dumping and countervailing measures, technical barriers to trade, and sanitary and phytosanitary measures, as well as dispute settlement procedures. The trade agreement covers 450 tariff lines for India and 453 lines for MERCOSUR, with reductions of between 10% and 20% on the MFN tariff. Since the ratification by India in June 2009, the agreement came into effect. Whether or not the agreement will sustain, or even accelerate, the high rate of trade expansion between the two regions observable since 2004 remains to be seen.[20]

India is creating a complex network of trade agreements. It has already established nine FTAs, including partial agreements with Chile and MERCOSUR, it is negotiating agreements with ten other groups of countries and it is considering twelve more agreements (Table 13). India has been negotiating a FTA with the EU, its largest trading partner.[21]

[20] In view of CUTS (2005), India-MERCOSUR PTA will not likely to have a strong direct impact on trade flows between the parties. Indian exports of organic chemicals and parts and accessories for data processing in particular might rise as a result of the Agreement. Conversely, MERCOSUR might see a growth in its exports of primarily machinery and mechanical appliances, tanning or dyeing extracts, and organic chemicals, including antibiotics.

[21] The talks have run into a wall of differences, especially over EU efforts to link trade with sensitive topics such as market access, intellectual property rights, a dispute over generic drugs and the EU's desire to include issues such as climate change and child labour.

As part of its policy of market expansion, India has signed a Comprehensive Economic Partnership Agreement with the Republic of Korea, has also signed a Trade in Goods Agreement with ASEAN which entered in force from January 01, 2010, and has also concluded the MERCOSUR Preferential Trade Agreement. The Chile-India partial agreement has been in effect since August 2007 and there have been efforts to deepen the agreement to go beyond the tariff and non-tariff barriers of goods. This agreement has facilitated the growth in bilateral trade which reached $ 2.3 billion in 2008 from $ 300 million in 2004.

TABLE 13
INIDA'S PREFERENTIAL TRADE AGREEMENTS, IN EFFECT, SIGINED OR UNDER NEGOTIATION

In effect	Singed/Under Negotiation	Proposed/Under Study
• ASEAN-India Regional Trade and Investment Area • Asia-Pacific Trade Agreement • India-Bhutan Trade Agreement • India-Chile Preferential Trading Agreement • India-Korea Comprehensive Economic Partnership Agreement • India-MERCOSUR Preferential Trade Agreement • India-Singapore Comprehensive Economic Cooperation Agreement • Indo-Nepal Treaty of Trade • South Asian Free Trade Area India-Sri Lanka Free Trade Agreement	• Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Area ((FA) signed/FTA Under Negotiation) • India-Afghanistan Preferential Trading Agreement (Signed) • India-Gulf Cooperation Council Free Trade Area ((FA) signed/FTA Under Negotiation) • India-Southern African Customs Union Preferential Trade Agreement ((FA) signed/FTA Under Negotiation) • India-Thailand Free Trade Area ((FA) signed/FTA Under Negotiation) • India-Egypt Preferential Trade Agreement India-European Free Trade Association Free Trade Agreement • India-European Union Free Trade Agreement • India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement • Japan-India Economic Partnership Agreement • Malaysia-India Comprehensive Economic Cooperation Agreement	• Comprehensive Economic Partnership for East Asia (CEPEA/ASEAN+6) • India-Australia Free Trade Agreement • India-Canada Economic Partnership Agreement • India-Colombia Preferential Trading Arrangement • India-Indonesia Comprehensive Economic Cooperation Arrangement • India-Israel Preferential Trade Agreement • India-Russian Federation Comprehensive Economic Cooperation Agreement • India-Turkey Free Trade Agreement • India-Uruguay Preferential Trading Arrangement • India-Venezuela Preferential Trading Arrangement • New Zealand-India Free Trade Agreement • People's Republic of China-India Regional Trading Arrangement
9	10	12

Source: Prepared by the authors, on the basis of Asian Development Bank, Free Trade Agreement Database for Asia, http://aric.adb.org/; NIC (s/f) and DIRECON (s/f).

[a] The five States originally participating in the Agreement were Bangladesh, India, the Republic of Korea, the Lao People's Democratic Republic and Sri Lanka. The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) serves as the Secretariat for the Agreement.

[b] Members are Bahrein, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.

[c] Members are Botswana, Lesotho, Namibia, South Africa and Swaziland.

In addition, in Asia-Pacific, a new commercial order is forming around the ASEAN. This regional grouping, which is emerging as a bloc in the international economy, is consolidating an integration process that began in the 1980s, spurred by intraregional investment and growing intra-industry trade. A preferential trade regime, accompanied by greater standardization of rules regarding trade disciplines, investment, services, technical and phytosanitary standards, trade facilitation and labour mobility, among other issues, would be a decisive step toward deeper regional integration. A future free trade area comprising each of the three countries, China, Japan, the Republic of Korea and ASEAN (ASEAN+1), or the three together with ASEAN (ASEAN+3), with the possible addition of Australia, New Zealand and India (ASEAN+6), would strongly encourage intraregional trade in Asia.

Above all, however, it would have a significant impact on the economic landscape of the Asia-Pacific region. India has become a very active actor in this Asian integration, which was until recently based on productive complementarities (market-led) and is now complemented by a wave of free trade agreements (government-led).

With the ASEAN+1 process almost complete, there has been increasing interest in the ASEAN+3, ASEAN+6, and the APEC-wide transpacific FTA (FTAAP), which is currently in the study phase. In addition, a new regional FTA initiative, the P-4 (TPP), has also gained momentum. Scheduled to participate in the TPP negotiations along the present four member countries (Singapore, Brunei Darussalam, Chile and New Zealand), are the United States, Australia, Peru and Vietnam. Economic implications of these groupings for Latin America and the Caribbean are obvious; i) the share of ASEAN+6 in world population is almost 50%; ii) the share of this grouping in world GDP is 23%; iii) the group's share in world trade is 25%; and iv) intra-regional trade within the Asia-Pacific region (ASEAN+6) accounts for almost 44% of the region's total trade (JETRO 2009).

The recent trend toward the consolidation of trade between Latin America and the Asia-Pacific region through various types of agreements may facilitate the inclusion of Latin American firms in Asian production chains revolving around China and India. Examples of Trans-Pacific FTAs include agreements of Chile with Australia, China, India, Japan and Republic of Korea; Peru's FTAs with China, Republic of Korea, Singapore, Thailand, and Japan (in negotiation); FTAs of Costa Rica with China and Singapore; an FTA between Panama and Singapore and Taiwan Province of China; Japan' EPA with Mexico; and the Trans-Pacific Strategic Economic Partnership Agreement between Brunei Darussalam, Chile, New Zealand and Singapore (referred to as a P-4 agreement). These initiatives reflect a serious attempt by Latin American countries to adopt a more strategic approach to their relationship with China and the Asia-Pacific region.

E. Implications for Latin America and the Caribbean of a regional FTA in Asia

It may be argued on the one hand that since trade relations between Latin America and the Caribbean and the Asia-Pacific region are of an inter-industrial nature, the former exporting natural resources to and importing primarily manufactures from the latter, they are complementary rather than competitive. On the other hand, given that Asian countries, including India and those of ASEAN, are important producers and exporters of primary products in which Latin America and the Caribbean has strong comparative advantages, trade specialization of Latin America in Asia may be more competitive than complementary.

For example, ASEAN's export basket to China, Japan the Republic of Korea and India differs substantially from that of Latin America and the Caribbean to the same four major Asian markets (Figure 4). ASEAN countries specialize more intensively in manufactures goods of different intensity as a result of their increasing integration to the "Asian Factory" phenomenon, as described above. Latin America's export basket to the four Asian countries consists basically of primary products and natural resource-based manufactures. However, when measured in absolute terms, ASEAN countries export more than Latin American counterparts these two categories of products. In sum, ASEAN and Latin America compete directly in those products in which the latter is supposed to have a greater competitive advantage.

For India, the countries of ASEAN are important suppliers of primary goods and natural-resource-based manufactures —much more so than Latin America and the Caribbean. ASEAN countries also account for a relatively high share of the manufactured goods imported by India in which Brazil's comparative advantages in manufactures seem to lie.

Latin American exporters of primary products face stiff competition in the Indian market from exporters from other regions, particularly ASEAN economies. This competition is illustrated in Table 15, which lists the 30 main products imported by India from Latin America and the Caribbean during 2005-2008, the top five suppliers of each product and their respective market shares. What stands out

is the importance of many Asian countries as suppliers of the same natural resources for which Latin America possesses a sizable comparative advantage in the Indian and other Asian markets, and in which it continues to specialize.

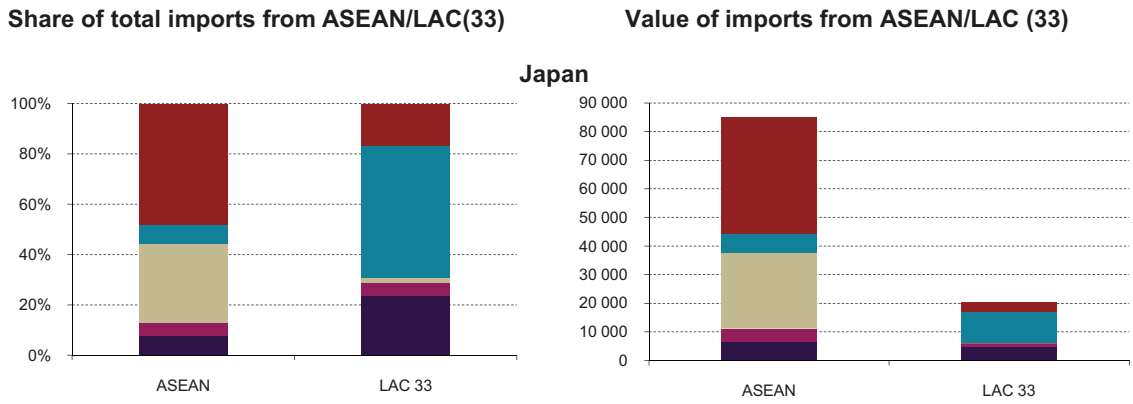
Brazil is an important supplier of primary products and natural resource-based manufactures to India. However, India has achieved a high level of diversification of supply sources, sufficient to prevent Brazil and other Latin American countries from a strong bargaining power, with respect to these 30 products. There is a significant competition with several developed and developing economies from North America, Europe, Asia-Pacific, Africa and the proper Latin American region.

Similarly, the region's imports from India range from primary products to manufactures of distant technological intensity (Table 14). Among the major suppliers, several Latin American countries, especially Brazil and Argentina, figure as major suppliers of the leading 30 products imported by the region from India. Notwithstanding the increasing role of India as a major supplier of manufactures to the region, competition within Latin America is expected to intensify, and diversion of trade by India may have a significant impact on the region unless proactive policies are adopted with regard to the establishment of bilateral or subregional trade agreements.

The countries of the region including Brazil would face less of a disadvantage as they compete with ASEAN and other Asian suppliers to Asian markets, if they singed FTAs with that bloc. The strongest competition would arise in the primary-product and natural-resource-based manufacture sectors, where ASEAN countries will continue to enjoy comparative production advantages if effective tariffs remain high (Table 16). The tariffs applied by the members of ASEAN+3 and India to agricultural products, textiles, apparel and certain categories of machinery remain high: a lowering of these tariffs within the framework of the ASEAN+3 or ASEAN+6 would benefit ASEAN countries at the expense of Latin America and the Caribbean.

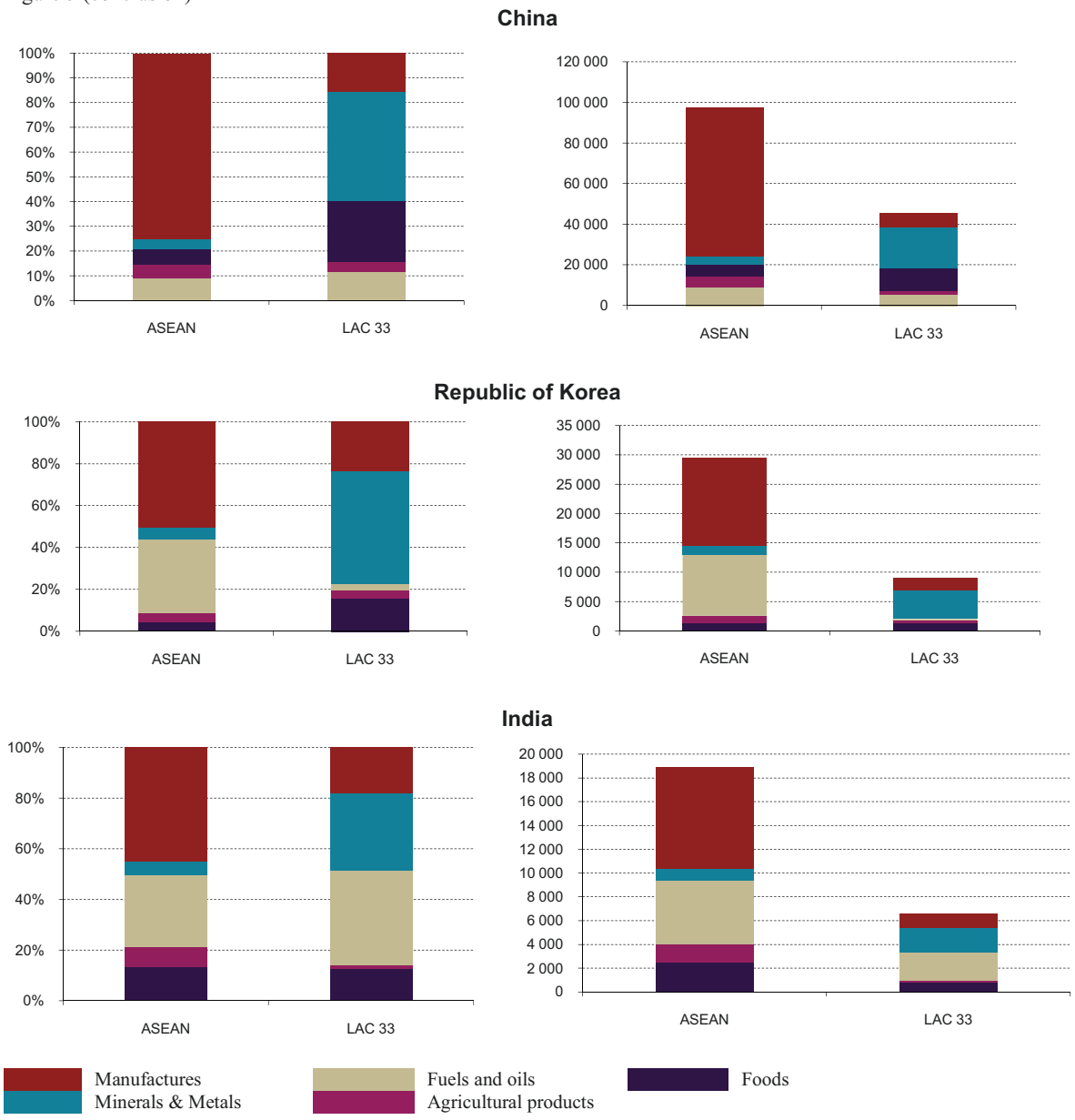
As a consequence, the creation of a large free trade area in Asia such as ASEAN+3 or ASEAN+6 poses a challenge to Latin America and the Caribbean, insomuch as integration in Asia is more intra-regional in nature, with intra-regional exports playing a greater role in the region's scheme of tariff preferences. As mentioned above, imports from Latin America and the Caribbean still consist mostly of primary products and natural resource-based manufactures, whereas imports from ASEAN countries are mainly comprised of medium and high-tech technology goods.

FIGURE 5
IMPORTS OF JAPAN, CHINA, KOREA, AND INDIA FROM ASEAN AND LAC (33), BY TECHNOLOGY INTENSITY, AVERAGE 2005-2008
(In million of dollars and percentages)



(continues)

Figure 5 (conclusion)



Source: United Nations Commodity Trade Database (COMTRADE).
Note: The case of Korea refers to Average 2005-2007.

TABLE 14

INDIA: 30 LEADING EXPORTED PRODUCTS TO LATIN AMERICA AND THE CARIBBEAN AND THEIR COMPETITORS, AVERAGE 2005-2008

(*In million US dollars and percentages*)

Ranking[f]	SITC 3-Digit Code	Commodity description[a]	Value[b]	Accum. %[c]	Share (%)[d]	Total exports to the world[e]	Leading buyer countries and export percentages[g]										Total %[h]
							1st	%	2nd	%	3rd	%	4th	%	5th	%	
		All Commodities	5 146	100.0	0.8	654 769	USA	33.6	CHN	9.2	BRA	5.63	JPN	4.4	DEU	4.0	56.9
1	334	Petroleum products	1 039	20.2	2.7	39 060	USA	36.7	ARG	5.9	VEN	4.7	ANT	4.7	NLD	4.4	56.5
2	541	Medicines,etc.exc.grp542	319	6.2	6.4	4 947	USA	23.6	DEU	11.9	CHN	8.3	FRA	6.8	CHE	6.6	57.2
3	515	Organo-inorganic compnds	304	5.9	6.2	4 910	USA	22.0	CHN	20.7	DEU	9.5	IND	6.2	IRL	5.8	64.2
4	651	Textile yarn	297	5.8	10.0	2 953	USA	29.1	IDN	11.0	IND	10.0	CHN	7.5	BRA	5.3	63.0
5	542	Medicaments	285	5.5	2.8	10 054	USA	21.9	DEU	10.0	CHE	9.0	FRA	5.8	MEX	5.3	52.1
6	781	Pass.motor vehcls.ex.bus	184	3.6	0.8	23 251	USA	22.1	JPN	18.0	BRA	15.9	KOR	9.0	ARG	7.6	72.5
7	931	Spec.transact.not classd	163	3.2	1.0	16 367	nes	38.6	CHN	12.6	USA	11.6	JPN	4.8	KOR	4.0	71.6
8	667	Pearls,precious stones	152	3.0	58.0	262	IND	58.0	USA	27.9	CAN	5.3	CHN	1.4	THA	1.1	93.7
9	514	Nitrogen-funct.compounds	119	2.3	4.8	2 470	USA	35.5	CHN	9.8	CHE	8.3	DEU	7.6	BRA	5.1	66.3
10	784	Parts,tractors,motor veh	107	2.1	0.5	19 627	USA	43.2	DEU	10.8	JPN	9.5	BRA	8.4	ARG	3.2	75.2
11	513	Carboxylic acids,derivts	73	1.4	2.5	2 864	USA	45.7	MEX	11.9	CHN	7.5	DEU	4.8	BRA	3.4	73.5
12	785	Cycles,motorcycles etc.	69	1.3	3.2	2 161	CHN	52.5	JPN	12.8	USA	9.0	BRA	7.1	OAN	4.0	85.4
13	531	Synth.colours,lakes,etc.	69	1.3	8.0	857	USA	16.9	CHN	15.1	DEU	14.8	FRA	10.9	IND	8.0	65.6
14	842	Women,girl clothng,xknit	62	1.2	4.4	1 401	CHN	27.2	USA	12.5	ESP	7.4	COL	7.0	PAN	6.1	60.2
15	674	Flat-rolled plated iron	58	1.1	2.3	2 531	USA	22.2	JPN	12.8	KOR	10.5	DEU	7.0	CHN	6.5	59.1
16	625	Rubber tyres,tubes,etc.	56	1.1	1.2	4 507	USA	24.1	BRA	15.1	CHN	13.5	JPN	8.1	KOR	4.8	65.6
17	716	Rotating electric plant	54	1.0	1.2	4 574	USA	41.7	DEU	11.8	CHN	9.7	BRA	5.2	JPN	3.4	71.8
18	512	Alcohol,phenol,etc.deriv	50	1.0	2.2	2 220	USA	38.2	BRA	17.4	DEU	7.6	CHL	5.8	TTO	4.3	73.2
19	676	Iron,stl.bar,shapes etc.	47	0.9	1.4	3 441	USA	21.7	BRA	16.4	CHN	7.2	CAN	5.1	ESP	4.3	54.6
20	771	Elect power machny.parts	45	0.9	1.1	3 989	CHN	31.1	USA	25.8	JPN	4.9	BRA	3.6	KOR	3.4	68.8
21	574	Polyacetal,polycarbonate	44	0.9	1.5	2 994	USA	49.1	KOR	7.5	MEX	6.4	DEU	5.3	CHN	4.1	72.5
22	679	Tubes,pipes,etc.iron,stl	43	0.8	1.1	3 865	USA	33.0	CHN	12.2	ARG	8.1	BRA	7.5	MEX	6.0	66.8
23	522	Inorganic chem.elements	42	0.8	1.6	2 565	USA	34.3	TTO	7.7	CHN	7.7	MAR	5.5	ARG	4.0	59.1
24	658	Textile articles nes	42	0.8	3.6	1 164	USA	25.0	CHN	23.5	BRA	8.6	COL	5.6	PAN	5.0	67.7
25	325	Coke,semi-coke,ret.carbn	39	0.8	5.5	706	CHN	46.2	COL	19.6	JPN	10.9	USA	9.1	IND	5.5	91.3
26	516	Other organic chemicals	38	0.7	2.0	1 931	USA	54.5	BRA	7.0	DEU	4.8	CHN	4.6	JPN	3.2	74.0
27	778	Electric.mach.appart.nes	38	0.7	0.4	10 404	USA	31.9	CHN	18.1	JPN	11.6	DEU	5.1	KOR	4.5	71.3
28	591	Insecticides, etc.	38	0.7	1.3	3 002	USA	20.4	ARG	10.5	BRA	9.4	CHN	8.0	GBR	6.8	55.1
29	582	Plastic plate,sheets,etc	35	0.7	0.7	4 931	USA	49.7	CHN	5.4	BRA	4.8	DEU	3.4	ARG	3.2	66.5
30	845	Othr.textile apparel,nes	34	0.7	1.5	2 330	CHN	24.7	USA	23.1	COL	8.0	PER	4.8	HKG	3.8	64.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data from the United Nations Commodity Trade Database (COMTRADE).

[a] 30 leading products exported to Latin America and the Caribbean by India, based on its export average value in 2005-2008, with their ISIC Rev.2. codes.

[b] The order reflects the export value of these products.

[c] Share of the product in the total exports of India from Latin America and the Caribbean in 2005-2008.

[d] Share of the product exported to Latin America and the Caribbean in the total value of the product exported worldwide.

[e] Total value of exports of the product worldwide.

[f] Ranking by the value of the product in relation to total exports worldwide.

[g] Five leading countries as buyers of this product, and their share in exports worldwide.

[h] Sum of the shares of the five leading suppliers of the product in its total exported value.

TABLE 15

INDIA: 30 LEADING IMPORTED PRODUCTS FROM LATIN AMERICA AND THE CARIBBEAN AND THEIR COMPETITORS, AVERAGE 2005-2008

(In million US dollars and percentages)

Ranking[f]	SITC 3-Digit Code	Commodity description[a]	Value[b]	Accum. %[c]	Share (%)[d]	Total imports from the world[e]	Leading supplier countries and import percentages[g]										Total %[h]
							1st	%	2nd	%	3rd	%	4th	%	5th	%	
		All Commodities	**6 625**	**100.0**	**3.1**	**213 358**	CHN	9.6	USA	6.8	SAU	6.1	ARE	5.1	CHE	4.5	32.1
1	333	Petroleum oils, crude	2 492	37.6	4.5	55 755	SAU	23.7	nes	20.6	IRN	15.1	NGA	13.2	IRQ	11.6	84.2
2	283	Copper ores,concentrates	1 631	24.6	46.9	3 476	CHL	36.3	AUS	19.4	IDN	12.9	BRA	5.6	IRN	4.6	78.9
3	421	Fixed veg.fat,oils, soft	683	10.3	91.6	746	ARG	74.1	BRA	17.4	ARE	2.5	UKR	2.3	USA	2.0	98.3
4	334	Petroleum products	620	9.4	7.7	8 017	SGP	22.1	nes	20.1	SAU	12.9	ARE	11.2	KWT	9.9	76.2
5	793	Ship,boat,float.structrs	224	3.4	7.0	3 200	NOR	15.4	SGP	14.0	JPN	8.7	USA	6.1	MHL	5.8	50.0
6	041	Wheat, meslin, unmilled	189	2.9	30.4	622	RUS	40.4	CAN	24.1	ARG	14.5	AUS	13.6	UKR	6.5	99.0
7	672	Ingots etc.iron or steel	80	1.2	24.3	328	MEX	28.1	CHN	18.8	UKR	9.9	ZAF	6.9	GBR	5.7	69.6
8	671	Pig iron,spiegeleisn,etc	78	1.2	21.1	367	CHN	24.5	COL	10.3	RUS	8.9	VEN	8.2	BRA	7.1	59.0
9	343	Natural gas	72	1.1	4.3	1 674	QAT	60.0	NGA	11.9	BEL	10.9	DZA	9.9	EGY	7.1	99.8
10	061	Sugars,molasses,honey	71	1.1	75.8	94	BRA	56.7	ZAF	10.7	IRN	9.8	PAK	7.5	NLD	6.0	90.6
11	684	Aluminium	69	1.0	9.6	714	CHN	21.5	ZAF	9.9	BHS	9.5	THA	9.0	ARE	7.8	57.8
12	562	Fertilizer,except grp272	65	1.0	1.3	5 118	USA	25.0	RUS	13.1	CHN	10.3	UKR	8.2	JOR	7.7	64.2
13	247	Wood rough,rough squared	62	0.9	6.1	1 015	MYS	30.8	MMR	29.6	NZL	6.2	CIV	4.7	GAB	4.6	76.0
14	512	Alcohol,phenol,etc.deriv	56	0.8	5.5	1 028	SAU	15.9	USA	10.4	CHN	9.3	KWT	9.2	IRN	7.5	52.3
15	287	Ore,concentr.base metals	53	0.8	11.3	470	AUS	26.9	ZAF	15.2	CHN	10.6	CHL	6.9	COG	6.4	66.0
16	522	Inorganic chem.elements	51	0.8	2.0	2 559	MAR	20.5	ZAF	12.2	SAU	7.3	CHN	7.0	TUN	6.5	53.5
17	931	Spec.transact.not classd	49	0.7	1.1	4 397	CHN	24.5	USA	15.6	DEU	9.0	SGP	5.3	JPN	4.9	59.3
18	282	Ferrous waste and scrap	47	0.7	2.6	1 841	USA	14.8	GBR	11.8	ARE	10.7	NLD	7.0	ZAF	4.4	48.8
19	759	Parts,for office machins	44	0.7	3.2	1 378	CHN	33.1	MYS	18.6	SGP	16.7	USA	7.7	HKG	4.1	80.2
20	681	Silver,platinum,etc.	43	0.6	3.5	1 208	GBR	31.7	CHN	17.6	RUS	10.3	CHE	9.8	ZAF	5.8	75.3
21	511	Hydrocarbons,nes,derivts	40	0.6	2.5	1 612	SGP	21.1	SAU	15.7	MYS	10.0	USA	8.6	QAT	5.7	61.1
22	281	Iron ore, concentrates	38	0.6	99.6	38	BHS	81.2	BRA	18.5	IRN	0.2	FIN	0.1	ZAF	0.1	100.0
23	278	Other crude minerals	35	0.5	12.2	286	RUS	18.3	CHN	16.6	BRA	9.7	CAN	8.8	UKR	5.2	58.7
24	611	Leather	35	0.5	11.3	308	ITA	19.7	SAU	10.5	ARG	6.7	ESP	4.3	EGY	4.1	45.4
25	344	Petroleum gases, nes	34	0.5	12.2	281	SAU	62.0	OMN	20.4	BHS	11.8	SGP	3.1	MYS	2.4	99.6
26	683	Nickel	32	0.5	6.6	492	RUS	37.2	CAN	10.7	BRA	6.6	NOR	5.8	GBR	5.7	65.9
27	764	Telecomm.equip.parts nes	32	0.5	0.5	6 979	CHN	44.0	KOR	13.1	USA	6.5	SWE	6.3	SGP	3.7	73.6
28	679	Tubes,pipes,etc.iron,stl	29	0.4	2.3	1 263	CHN	37.9	ITA	11.2	JPN	10.1	DEU	5.3	USA	4.4	68.8
29	288	Non-ferrous waste,scrap	28	0.4	3.0	955	ARE	17.4	GBR	14.4	SAU	11.5	USA	7.4	DEU	4.6	55.4
30	742	Pumps for liquids,parts	26	0.4	5.0	512	DEU	22.4	USA	12.2	CHN	10.2	JPN	10.0	ITA	8.7	63.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official data from the United Nations Commodity Trade Database (COMTRADE).

[a] 30 leading products imported from Latin America and the Caribbean by India, based on its import average value during 2005-2008, with their ISIC Rev.2. codes.

[b] The order reflects the import value of these products.

[c] Share of the product in the total imports of India from Latin America and the Caribbean in 2005-2008.

[d] Share of the product imported from Latin America and the Caribbean in the total value of the product imported worldwide.

[e] Total value of imports of the product worldwide.

[f] Ranking by the value of the product in relation to total imports worldwide.

[g] Five leading countries as suppliers of this product, and their share in imports worldwide.

[h] Sum of the shares of the five leading suppliers of the product in its total imported value.

TABLE 16
AVERAGE MFN APPLIED TARIFF RATES OF SELECTED ASIAN COUNTRIES AND BRAZIL, 2007

(In percentages)

	All products	Animal products	Dairy products	Fruit, vegetables, plants	Coffee, tea	Cereals y preparations	Oilseeds, fats and oils	Sugars and confectionary	Beverages and tobacco	Cotton	Other agricultural products	Fish and fish products	Minerals and metals	Petroleum	Chemicals	Wood, paper, etc.	Textiles	Clothing	Leather, footwear, etc.	Non-electrical machinery	Electrical machinery	Transport equipment	Manufactures. n.e.s.
Australia	**3.5**	0.4	4.1	1.6	1.0	1.3	1.6	1.9	3.6	0.0	0.3	0.0	2.8	0.0	1.8	3.4	6.8	15.4	5.5	3.1	3.2	5.9	1.4
New Zealand	**3.0**	1.8	1.5	1.4	3.1	3.5	0.8	1.7	2.9	0.0	0.7	0.5	2.3	0.2	1.0	1.6	3.0	16.3	4.6	4.1	3.5	4.8	2.3
Japan	**5.1**	13.9	154.7	12.3	15.5	64.3	10.9	23.2	12.9	0.0	5.3	5.5	1.0	0.6	2.5	0.8	5.5	9.2	11.2	0.0	0.2	0.0	1.2
China	**9.9**	14.8	12.2	14.9	14.9	24.5	11.2	27.4	23.0	22.0	11.7	10.9	7.9	5.1	6.9	4.6	9.7	16.0	13.5	8.3	9.0	11.5	12.2
Korea, Republic of	**12.2**	22.1	67.5	57.8	53.9	133.7	40.0	17.8	31.7	0.0	16.6	15.8	4.6	4.6	5.9	2.2	9.1	12.6	7.9	8.0	6.2	5.5	6.7
Hong Kong SAR	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Singapore	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taiwan, Province of China	**16.8**	16.8	16.0	20.3	8.5	40.8	18.9	16.0	16.1	0.0	3.4	22.8	2.7	3.9	2.8	0.5	7.4	11.7	5.2	3.1	4.0	8.4	3.2
Philippines	**6.3**	21.3	3.9	9.4	15.8	10.9	5.6	16.0	8.2	2.6	3.4	8.0	4.7	2.9	3.8	6.9	9.3	14.9	6.7	2.3	3.8	9.0	4.8
Indonesia	**6.9**	4.4	5.5	5.9	8.3	6.3	4.0	10.4	51.8	4.0	4.3	5.8	6.6	0.5	5.2	5.0	9.3	14.4	9.0	2.3	5.8	11.6	6.9
Malaysia	**8.4**	0.5	3.4	4.2	9.0	5.1	1.7	2.8	136.6	0.0	0.6	2.2	10.9	1.1	3.3	10.7	10.5	16.0	13.9	3.6	6.5	11.4	4.9
Thailand	**10.0**	28.1	15.8	27.6	23.1	19.4	19.1	32.3	33.4	0.0	10.3	14.5	5.9	9.4	3.8	6.8	8.1	24.5	12.7	4.7	8.3	20.7	11.0
Viet Nam	**16.8**	20.1	21.9	30.6	37.9	27.4	13.4	17.7	66.6	6.0	7.8	31.3	10.2	17.5	5.2	17.2	30.4	49.3	19.0	5.4	12.8	22.2	15.2
India	**14.5**	31.6	34.5	30.8	55.9	31.1	48.8	34.4	63.3	17.0	22.0	29.6	8.4	8.9	8.0	9.1	20.9	22.2	10.1	7.0	6.6	20.8	8.7
Brazil	**13.6**	8.9	15.1	9.7	13.3	11.8	8.0	16.5	17.2	6.4	7.6	10.0	10.1	0.2	8.3	10.7	22.4	35.0	15.7	12.7	14.2	18.1	15.3

More than 10% and less than 20%
More than 20% and less than 50%
More than 50%

Source: WTO World Trade Profiles 2009.
Note: The figures of Brazil refers to 2008.

IV. BRICs as a promoter of south-south cooperation between Latin America and the Caribbean and Asia-Pacific

Brazil and India have shared a tradition of fruitful cooperation in regional and multilateral fora including at the United Nations. The two countries have been, and will continue to be, key actors in safeguarding an effective multilateral system and promoting the democratization of the structures of global governance. In respect of the Doha Development Agenda, for instance, both countries should continue stressing the importance of close coordination to effectively bring about the development dimension in every aspect of the negotiations, promoting the interests of developing countries and reaffirming their commitment to work closely together in the G-20. The authorities of both countries are also encouraged to find effective solutions on climate change, which would not foreclose the right to accelerated economic and social development of developing countries for poverty alleviation obligations.

The ascendancy of Brazil and India in the global economy may represent both an opportunity and a significant risk in the medium and long terms. It will be an opportunity to the extent that it induces both countries to rethink their strategy to change their production model and to enter the global economy, as well as to introduce more proactive policies for productive development, competitiveness and innovation. This will require significantly strengthening technological capacities in order to compete on the global market on the basis of higher value-added products and knowledge-based goods and services.

A. Development of joint strategies for trade and investment promotion

Sufficient elements seem to exist for the two regions to work together in the areas of trade and investment and maintain and improve the links between them, threatened as they now are by the new regional architecture strategies under discussion in Asia-Pacific, which do not include Latin America and the Caribbean. The production and trade complementarity among and between ASEAN+6 countries, now reinforced by these free trade agreements, is a serious threat to Latin American and Caribbean economies seeking to enhance their trade links with the Asia-Pacific region, as they compete in a number of areas with the ASEAN economies. This is why it is so important to develop joint strategies to create closer ties and strategic links with ASEAN and large Asian developing economies such as China and India, as efforts undertaken in partnership will be more fruitful than isolated initiatives.

The countries of Latin America and the Caribbean, especially Brazil, should examine the growing integration of production in Asia, centred on China, and strive to join the value chains being established there. To this end, the authorities of countries in the region should examine, and at the same time learn from, the Indian experience with production integration revolving around regional or subregional value chains.

Asia-Pacific, including India, offers multiple possibilities for export and investment agreements in mining, energy, agriculture, infrastructure and science and technology. To make the most of such opportunities, and to do so on a significant scale, will take a concerted partnership-building effort. This will require the Latin American and Caribbean countries to work in a coordinated manner to leverage convergent, transparent, stable policies in order to secure long-term commitments between the two regions. To this end, integration mechanisms in the region should be strengthened with a view to developing a regional focal point for biregional dialogue with India and Asia-Pacific, in order to explore mutually beneficial, longer-range initiatives than those that might emerge from isolated national efforts. Brazil could lead this dialogue process.

Regarding the services sector, there exist ample opportunities for Brazil and India to expand their services trade. India possesses vast industrial and technological capacities that could support the development of software development and communication services.

B. Cooperation on infrastructure, competitiveness and innovation

While the current global economy is increasingly defined by freer and substantial movement of capital and by the technology revolution, other factors of production like labour and technology are not, and severe market-access problems still remain. The development imperatives of both Brazil and India demand intensive economic engagement with the rest of the world. Both countries need huge resources, financial and human alike, to foster inclusive growth, both in terms of funds as well as in terms of natural resources, energy resources, technology, and knowledge. How to mobilize international finance available to achieve these objectives and to come up with a common development strategy on these fronts is a very fertile area of South-South cooperation.

In the context of further developing their trade and economic partnership, it is highly desirable to develop greater connectivity between the two regions. There is a strong need for cooperation in investment, in the infrastructure sector, among SMEs, in pharmaceuticals, in energy, in the automobile sector, in ITC, in agriculture, food processing and other related sectors. Given the importance of the agricultural sector in both Brazil and India and the advancements made by each country in specific areas in respect of agriculture and food processing, both countries can work together in search for greater cooperation in agricultural research and education.

The countries of the region also urgently need to take full advantage of current growth in the Asia-Pacific region, China and India in particular, and develop new linkages to strengthen innovation and international competitiveness, which has been a weak link in the Latin American region. It is also very beneficial for the countries in the region to consolidate productive and technological linkages with Indian enterprises and at the same time establish cooperation schemes of bi-regional cooperation with India in the sphere of technological upgrading and innovation. To this end, the countries in the region should establish cooperation schemes with India aimed at enhancing international competitiveness, innovation and regional integration.

C. Climate change

The BRICs countries have an important role to play in establishing a new post-Kyoto multilateral regime on climate change and stimulating South-South cooperation in this area. If a post-Kyoto agreement is not reached quickly, there is an increased likelihood of industrialized countries introducing unilateral measures that would adversely affect access to their markets by the region's exports. Indeed, in the short term developing-country exporters could face a double competitive disadvantage, as not only would they encounter barriers in several of their main export markets but they would also be unable to afford to grant State aid for production redeployment on a scale comparable to that accorded by the industrialized countries to their domestic producers. All this serves to highlight the importance of reaching an agreement on a new multilateral regime for climate change soon.

Latin America and the Caribbean as a region is a relatively minor contributor to the global GHG emissions. In 2008, Latin America and the Caribbean accounted for 8.6% of the world's population, 8.2% of global GDP and 12% of global GHG emissions. However, the fact that in absolute terms the region accounts for a small amount of emissions does not relieve it of its global responsibilities. On a per capita basis and in proportion to the size of its economies, the region contributes more GHG emissions than do other developing countries, including China and India. Still, vast forest areas in the region are lost every year and the remaining forest areas will continue to be threatened, which makes efforts to address changes in land use and emissions from deforestation a priority for the region as well as for the world (ECLAC 2010b).

The BRICs have large responsibilities in GHG emission reduction via the route of international trade: world trade is reported to be responsible for 21.5% of global carbon dioxide (CO2) emissions. While Annex I countries under the Kyoto Protocol export 18.9% of their domestic CO2 emissions and import 24.5%, which makes them net emission importers. Meanwhile, non-Annex I countries export 25.3% of emissions and import 17.2%, which makes them net exporters of emissions (ECLAC 2010c). In the future, the environmental goods and services industry is very likely to become one of the main drivers of economic development in many countries, and the outcome of the WTO negotiations will determine not only the degree to which Latin America and the Caribbean will be able to profit from growth in this market but also the contribution that the sector of environmental goods and services and environmentally "friendly" products will make to sustainability.

In the framework of Clean Development Mechanism (CDM) projects, when the carbon market began, Latin America was the main supplier of projects, as it had pioneered pilot projects prior to the Kyoto meeting. However, their share has now fallen, in terms of both the number of projects and the amount of emission reductions. In contrast, The Asia and Pacific region, particularly China, has the largest amount of annual certified emission reductions and total emission reductions expected by 2012. Latin America and the Caribbean accounts for 19.6% of all projects, generating 15% of the total emission reductions expected by 2012 (ECLAC 2010b).[22]

[22] Brazil accounts for 40% of the Latin American and Caribbean region's CDM projects, which are concentrated in biomass power generation, landfill methane destruction, agriculture and renewable energies. Next is Mexico, with 26%, with projects chiefly in the areas of agriculture, biogas and sanitary landfill, followed by Chile, with 7%, with projects relating mainly to biomass and sanitary landfill. The majority of the region's registered projects concern the renewables. They include projects for biomass power generation and cogeneration, dominated by Brazil.

Latin America and the Caribbean is a growing market for environmental goods and services, chiefly because of the region's lack of environmental infrastructure, coupled with its population growth and high urban density.[23] Furthermore, it is a market that is starting to respond to the new regulatory frameworks and to increased social preference for environmental protection. This is intensifying in countries whose exports specialize in environmentally sensitive industries, such as those of South America, which will need to increase their investment in new processes, equipment, environmental technology and services in order to meet the growing environmental requirements of international markets.

Within the context of the Doha Round, the developed countries have proposed liberalizing trade in environmental goods and services, which has aroused opposition from many developing countries. This is partly because global trade in environmental goods and services, linked with the environment industry, is currently dominated by the industrialized countries, and opportunities for developing countries are limited. Moreover, some developing countries have proposed expanding the list to include ecological goods and services, where they offer more export advantages. Brazil has suggested including ethanol in the environmental goods and services category, whereas the developed countries consider it to be an agricultural product. A new proposal made by Brazil in November 2007 for a bilateral "request offer" process[24] to be employed in negotiations regarding services, might be taken as a representative example of the proposals coming from developing countries. India, jointly with Argentina, also presented its proposal on project-based formula in June 2007, that would eliminate tariff and service barriers only for trade-related to activities that are certified as projects that contribute to the environment (JETRO 2009).

D. Policy dialogue on cooperation

There is a great need for information exchange on market opportunities and market access, including basic economic indicators, recent trends on bi-regional trade and investment, developments in regional integration, standards, tariffs and non-tariff trade measures, as well as the needs for capacity- and institution-building for bi-regional trade and investment promotion.

The policy dialogue process should also include other issues such as trade-related capacity-building, including several emerging issues such as trade facilitation and the Aid for Trade Initiative; The WTO process, addressing not only the Doha Round of trade talks, but also the development dimension, the issue of convergence or divergence between regionalism and multilateralism and strengthened operational rules on special and differential treatment; and free trade agreements, including bilateral, sub-regional or bi-regional FTAs and the related negotiation, implementation and administration processes.

Policy dialogues should also address one of the Latin American and Caribbean region's main disadvantages in global markets today, the lack of infrastructure, trade-related logistics and efficiency in production and trading processes, which make its products less competitive on global markets, including those of Asia-Pacific.

The countries in both regions face several challenges: the elimination of poverty, a radical improvement in the living standards of their people, and food security, for example, still remains as the highest priority. This is an area conducive to widest consultation and cooperation, including South-South cooperation. The countries in both regions need to not only to tap into the resources of developed countries, but also to usher in the second Green Revolution, harnessing contemporary tools like bio-technology, water conservation and harvesting techniques and other steps which are environmental-friendly and economically sustainable.

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[23] The market for environmental goods and services is growing rapidly, representing US$ 548 billion worldwide in 2007–2008 and expected to reach US$ 640 billion by 2010, on a par with the pharmaceutical or information technology industries. Although the developed countries dominate the market at present, with an 84% share, in the developing countries the market has grown by an annual 8%, compared with only 1.6% per year in the developed countries.

[24] Under this formula, each country would submit a list (request) of environmental goods whose tariffs it wished to have eliminated, and each country receiving the list would answer (offer) items on which it could take action. An item liberalized as a result of a country's offer would be accorded MFN status by all WTO members. Brazil's proposal would not limit environmental goods to industrial goods, but would include agricultural products such as bioethanol in the negotiations as well (JETRO 2009).

V. Conclusions and recommendations

Given the risks the world economy is still facing and its new emerging geography increasingly centred as the BRICs, government authorities in Latin America and the Caribbean should redouble their efforts to identify and capitalize upon the potential complementarities created by greater integration with that group of countries. Among the four BRICs economies, in addition to China, Brazil and India will likely to continue to be the centre of significant changes in the world's economic structure and power balance in the global economy. Brazil and India have high potential in establishing bridge of South-South cooperation between Latin America and the Caribbean and the Asia-Pacific region.

Brazil is expected to resume the domestic growth dynamic —at a 4.6% average annual growth for 2011-2014—, driven by the resumption of labour force expansion, real wages growth and credit expansion in the aftermath of the near financial meltdown of late 2008. Apart from China, India has been one of the few growth poles in the world economy and is also expected to gain its growth momentum, with real GDP growth averaging 7.9% a year between 2011/2012 and 2014/2015.

Brazil and India combined play an important role in world trade. In 2008, the combined exports of both countries comprised 2.4% and 3.5% of the world exports in goods and services, respectively. India is among the world's fifteen leading exporters and importers of services, while Brazil continues to expand its services trade from a relatively small base. Both countries deepen their export specialization in "Other business services", which account for roughly two thirds of total services exports for Brazil and almost 80% for India. These two economies, which are still relatively "closed" to international trade, begin to open. Brazil is already significant recipient and investor of FDI, while India begins to rely more on foreign capital for fixed capital formation.

Trade and investment relations between the two countries, though still in their infancy, are growing rapidly. So far, Latin American exports to India have been dominated by natural-resource-based manufactures, while the region's imports from India have consisted mainly of low-, medium- and high-technology manufactures.

However, there are some intra-industrial bi-regional trade flows between India and Brazil and these, albeit incipient, are increasing. In short, bilateral trade and investment between the two countries seem to present greater possibilities for breaking away from a purely inter-industrial to a more intra-industrial type structure. Increased intra-industry trade between India, on the one hand, and South America, which has its proper intra-industry capacities, on the other, would provide the subregion with new access routes to the Indian and other Asian markets, encourage the adoption of new technologies and introduce new business opportunities in manufactures and services.

Like China, India has become a major destination for exports from other Asian countries, which have gradually attained a higher degree of specialization, and now produce not only natural-resource-based manufactures but also more complex inputs. For a Latin American country like Brazil, which has a solid industrial base, is encouraged to integrate into the complex "Asian Factory" supply chain network that has been created around China.

Given the inter-industrial nature of trade between India and Latin America, the region should seek to create partnerships between its firms and successful Indian companies, in order to gain access to supply chains that produce more complex, technologically sophisticated inputs and services for production units. The best approach may be to build partnerships around chains, in order to increase the sophistication of the natural-resource-based manufactures the region exports to India. Latin America should make optimal use of its natural resources, promoting long-term contracts, investment agreements and technological partnerships in the natural resources sector, as well as strategic production clusters among countries, firms and specific geographic areas in Asia including India. Strategic partnerships should also be created to increase value added throughout the production and marketing chain, and mutually beneficial technological partnerships should be developed (to apply advances in biotechnology to agro-industry, mining, forestry and fishery, for example). With respect to India, value-chain creations in services will be a high priority.

Notwithstanding the significant role played by some Latin American countries as leading suppliers of primary products, competition in that sector between Asia and South America is likely to intensify, leading to significant diversion of trade for the region, unless proactive policies are pursued with regard to the adoption of bilateral or subregional trade agreements. Such agreements would have a positive impact on the region, given their effect on international flows of foreign direct investment, as well as the business they would generate for products currently facing sharp competition on the Indian and other Asian markets from the economies of Asia, North America and Europe.

It is also imperative that the countries of the region take advantage of the economic buoyancy of China and India, as well as the new ties being forged with those countries, in order to foster innovation and competitiveness within the region. Those assets tend to be one of the weaker links in the Latin American regional experience. This will require stronger ties between trade and investment, and between the various components of production and technology. China and India offer investments (particularly in areas such as infrastructure, information and communication technologies and energy) that can supplement the funding of important projects in these sectors.

An interesting challenge in this regard is to determine which infrastructure, energy and research and development initiatives are in greatest need of this Chinese or Indian investment, with a view to speeding their completion. This would not only strengthen the region's ties with India and the Asia-Pacific region, facilitating trade and investment, but would also generate external inputs that might strengthen the subregional integration process, be it in South America or in Mexico-Central America. Thus, the region's strategic partnership with China and India would supplement regional integration through unified markets, increasingly standardized norms and greater legal certainty. Given the proper policies and political will of Brazil and India, dynamic complementarities can be built between both strategic possibilities.

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Annexes

TABLE A.1
PRESENCE OF INDIAN COMPANIES IN LATIN AMERICA AND THE CARIBBEAN: MAJOR OPERATIONS AND FUTURE PROJECTS, BY SECTOR

	Information Technology
Mahindra Satyam (Satyam Computer Service Ltd.)	This software development company set up its first design center in Sao Paulo in May 2007. Second planned for Londrina in the State of Parana. Has employed 900 Brazilian employees.
Patni Computers	Opens first Delivery Center in Latin America in June 2009 to augment its global delivery capabilities and serve the North American and Latin American markets. Acquires a Brazilian company in Campinas in the State of Sao Paulo. This company has operations in Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, and Uruguay. Employs 7500 software professionals in these countries.
Tata Consultancy Services (TCS)	Has signed a USD 200 million contract with ABN Amro Bank in Brazil to be implemented in five years. Has signed a USD 140 million contract with a private bank in Ecuador to be implemented in five years. Has established a Global Delivery Centre and a separate Regional Training Centre at Montevideo in Uruguay. Has set up a Global Delivery centre in Guadalajara in Mexico in May 2007. It is expected to set up operations in Peru.
Infosys Technologies Ltd.	Sets up its first development centre in Belo Horizonte in December 2009, which will offer a complete set of services to Brazilian clients and Brazilian subsidiaries. It will also provide language support in English, Portuguese and Spanish. One of its major clients is Philips Latin America. Has two other centers in Mexico which serves 32 clients and employs 357 professionals.
HCL Technologies	Opened centers in Buenos Aires, Sao Paulo and Port Alegre in June 2009 to service local and global clients. Identifies Latin America as an integral growth market for its expansion strategy
Polaris	Opened centre in Santiago, Chile in May 2009. The centre has hired 100 people for Regional Innovation and Development Centre.
Sasken Communications	Has set up a subsidiary company for IT development and support in Nuevo Leon in Mexico.
Wipro	Set up operations in 2007 in Monterrey, Mexico, to serve North America and Latin America and has a payroll of approximately 1,000 employees. Has a BPO centre in Curitiba that provides shared services to AmBev, a leading brewery company and has recently inaugurated it's new global delivery center in the city.
Aptech	Enters into a 51:49 joint venture with Falgo Group to set up IT training centers in Brazil. At present, the company has centers in Mexico, El Salvador and Peru.
ICICI	Has a BPO in Argentina with 350 employees.
CRISIL	CRISL's IREVNA sets up a KPO unit in Buenos Aires for equity research.
E-Valueserve	This market research firm started operations in Chile in 2007. It is located in Valparaiso and it currently generates 10% of the global sales of the firm and hires 6% of its labour force.
Iflex	Has bagged contracts for banking solutions worth 40 million dollars in Chile, Panama, Mexico, Venezuela, etc.
Flatworld Solutions	Opens a centre in Buenos Aires in January 2010 Has other operation centers in Peru, Colombia, Paraguay and Bolivia.
24/7 Costumer	Opened operations in Guatemala in 2008.
	Pharmaceuticals
Ranbaxy Laboratories Limited	Started up operations in Brazil in 2000. Currently, it is the sixth largest company of generic drugs in Brazil and it directly hires 130 employees.
Cellofarm	Has two factories in Vitoria, Espirito Santo, and in Campos, Rio de Janeiro
Glenmark	Has invested in a new facility near Sao Paulo and has a plant for the production of oncological medicines in Buenos Aires
Torrent	Has a Brazilian subsidiary, which employs 300 Brazilian professionals.
Bilcare, Pune	Setting up a plant in Brazil for the manufacture of pharma packaging materials.
Zydus Cadila	Has acquired Brazilian company Nikkho
Manish Pharma	Has acquired companies in States of Sao Paulo and Santa Catarina, which are already under production
Dr.Reddy's Labs	Acquired a pharmaceutical plant for USD 60 million in Mexico in 2006
Strides Arcolab	Enters into an agreement with Aspen to acquire its facility in Brazil for USD75 million. Aspen is a based in South Africa.

(continues)

Table A.1 (conclusion)

	Minerals and metals
Videocon Industries Ltd. and Bharat Petroresources	Were awarded an exploration contract in Brazil for US$ 283 million. Both acquired all of the shares of Encana Brasil Petróleo Limitada that belongs, in turn, to the company Encana and Alberta from Canada
Jindal Steel and Power Limited	Signed a mining agreement with the government of Bolivia for exporting 10 million tons of iron ore per year from the El Mutun bed. It is estimated that approximately US$ 2.1 million will be invested from 2007 through 2011.
Reliance Industries Ltd.	Joined efforts with China National Petroleum Corporation and Pluspetrol Energy in order to be awarded block 155 in Puno. Additionally, in June 2008, it acquired 10% of block 39. Signed a technical evaluation agreement which has turned into a production and exploration agreement with the National Hydrocarbon Agency (ANH for its Spanish acronym) of Colombia.
Burligton Resources Inc	Set up an alliance with Woodside Petroleum to acquire 50% of block 108 from Pluspetrol Energy, the company that had acquired 90% of block 141 from Pan Andean Resources Plc. in April 2008.
GAIL (India)	Announced its plans to build a petrochemical complex in Colombia, along with a gas pipeline network. The announcement was made in September 2008.
The Indian Ispat Industries Ltd.	will start operations for iron extraction in Brazil and carbon exploitation in Colombia. The mine in Brazil has reserves for approximately 300 to 500 million tons, while the Colombian mine ranges between 60 and 70 million.
JSW Steel	Obtained the licence for exploring and extracting magnetite in the Northern Chile, specifically in the region of Atacama. The amount of the transaction for obtaining the licence of the 1,200 hectares was US$ 53 million. This licence was awarded in 2008, and mention has been made of future plans for continuing expanding its operations in the region
Arcelor Mittal	Acquired Acindar in Argentina for an amount equivalent to US$ 543 million Essar Steel Ltd. is building 2.5-million-tonnes steel plant in Trinidad and Tobago. This is part of the group's plan to have a capacity of 25 million tons by 2012 from the present level of 8 million tons. The company was awarded a mining concession in Amapa, located in the North of Brazil, and the material of Amapa will be processed in the plant in Trinidad and Tobago.
Essar group	Has signed a mineral concession in, which will cater to its steel plant in Trinidad and Tobago. The area of the concession in Amapa, North Brazil is 7,851.69 hectares. It is 150 km from the Santana Public Port in Macapa, on the banks of the Amazon river and close to Essar's proposed steel plant in Trinidad and Tobago. This would be Essar Steel's second international raw material deposit. In 2007, Essar Steel acquired Minnesota Steel, which has more than 1.4 billion tonnes of iron ore resources in the Mesabi range.
Indo- Borax Ltd	Acquires a Borax mine in Argentina
	Energy
Oil and Natural Gas Corporation Ltd. (ONGC)	Oil fields have been awarded by Cuban and Venezuelan governments. Has acquired oil fields in Brazil, Trinidad and Tobago and Colombia. OVL is expected to invest over a billion dollars in these projects. ONGC signed an agreement to explore Cuban waters in the Gulf of Mexico looking for oil. This area covers a surface of 4,300 square kilometres. In 2008, this company invested USD 356 million to acquire 40% of a joint development with PDVSA in the fields of San Cristóbal and Junín, both belonging to the Orinoco Oil Belt. ONGC – together with Sinopec – acquired Colombian oil company Omimex in 2006. This company has proven reserves accounting for more than 300 million barrels and an approximately daily production of 20,000 barrels. Additionally, in 2007, the company was awarded a deep water block and a shallow water block in the ninth round of the bidding process opened by the Agencia Nacional do Petroleo de Brasil.17 ONGC – along with the Indian Oil Corporation, Oil India, and Reliance Industries – is thinking about a joint investment in the Orinoco Oil Belt, which has the potential to produce 200,000 barrels of light crude oil per day. The investments for this project would account for USD 16 to 18 billion.
Bharat Petro Resources (BPR)	BPR, along with Videocon International, acquires ten blocs in Brazil from Encana of Canada valued at USD 280 million. BPR and Videocon discover more than 90 feet of high-quality oil in their Wahoo-2 well block, also identified as BM-C-30.
Reliance	Acquires the Borojo off-shore oil bloc in the Tumaco basin on the Pacific coast of Colombia • In Peru, Reliance Industries signs an agreement with Pan Andean Resources for the joint exploitation of the hydrocarbons Block 141, consisting of 1.2 million acres located in the Titicaca basin in Puno province.
Jindal Steel and Power Ltd., Enigma Oil and Gas Exploration Ltd	To be awarded blocks 147, 159 and 153 in the round of bids opened for oil and gas in Peru during 2008. Jindal Group acquired gas blocks in Bolivia

(continues)

Table A.1 (conclusion)

Suzlon Energy Ltd	In 2006, Suzlon secured a wind energy project in north east Brazil. This project has a capacity of 225 MW, comprising 107 units of the Suzlon S88 – 2.1 MW turbines for installations in six projects.
Indian Oil Ltd	Is currently exploring the possibility of setting up an ethanol refinery in Brazil
	Construction
Larsen and Toubro	Was awarded a project for supplying equipment to Petrobras in 2008. Additionally, early this year, the company started operations in Brazil, where it is planning to set up its oil and gas, cement and paper divisions.
DS Construction	Together with Israd Corp. from Israel – acquired assets for power generation in Brazil
	Agribusiness
Shree Renuka Sugar Ltd.	The country's major sugar producer, signed with Brazilian conglomerate, at $329 million for a 51 % in Brazil's Equipav SA Acucar e Alcool in February 2010. In November 2009, Renuka had acquired sugar and ethanol producer Vale Do Ivai S.A. Acucar E Alcool for $240 million. With these Brazilian acquisitions, Renuka becomes the third biggest sugar company in the world, the number one sugar firm in India and among the top five in Brazil.
Bajaj Hindustan	Has set up a subsidiary in Brazil and earmarked USD 500 million for investment.
Sterling Group	Has bought a 2000 hectare olive farm in Argentina
	Other sectors
Tata Motors	Their cars are being sold in several Latin American and Caribbean countries. The company has also forged an agreement for joint production with Fiat to refloat the Fiat's plant that operates in Córdoba, Argentina.
Bajaj Auto	This motorcycle producer entered an association agreement with the Guerrero Group in order to assemble motorcycles in Argentina.
Mahindra & Mahindra Ltd	Manufacturer of all-terrain vehicles and tractors – joined efforts with the company Bramont, and they have set up an assembly plant in Manaus, Brazil. They have also foreseen to additionally manufacture tractors together with the Venezuelan company Corporación Elice 2222 on Margarita Island.
United Phosphorous Ltd.	Has set up two operating plants in Argentina, one in Reposo and the other one in Icona. Additionally, it started operations in Brazil back in 2003
Besco	Entered into a joint venture in the southern Brazil for manufacture of railway wagons
BEML •	Has set up an assembly plant in Espirito de Santo province of Brasil to manufacture mining, earthmoving and railway equipments.
Aditya Birla Group	Group company Hindalco Industries acquires the US based aluminum sheet maker Novelis Inc in a deal worth around USD 6 billion. Novelis has assets in Brazil in the States of Minas Gerais and Sao Paulo in the cities of Ouro Preto, Pindamonhangaba, Utinga and Petrocoque.
Punjab Chemicals and Crop Protection Ltd (PCCPL)	Acquired an Argentine company Sintesis Quimica, which has two factories in Argentina.
IFFCO	India's largest fertilizer maker and the world largest in the cooperative sector, will be setting up a new ammonia plant in Argentina for USD$ 800 million.
Pidilite	Acquired a Brazilian adhesive company.
Havells	Acquired the assets and business of Sylvania in Latin America worth USD 200 million.
• Birlas	Is setting up a carbon black plant in Mexico.
Videocon •	Acquired a TV manufacturing plant, owned by Thomson, in Mexico.
Vijay Electricals, Hyderabad	• Acquired a Transformers plant in Joao Pessoa in the northeast of Brazil for over a million dollars. They will invest more to expand capacity and reach a turnover of over USD 50 million.
Elgi Equipments	Launches a subsidiary at Sao Paolo in Brazil to directly market its products.

Source: News articles, SELA (2009) and Deloitte and FICCI (2010).

TABLE 2
PRESENCE OF LATIN AMERICAN COMPANIES IN INDIA: MAJOR OPERATIONS AND FUTURE PROJECTS

Company	Country of origin, Brazil
Marcopolo	has a joint venture with Tata Motors for production of buses in India
Petrobras	has got three offshore blocks for exploration in collaboration with OVL
CVRD	has set up an office in India and is looking for investment opportunities
	A Brazilian shoe company has a joint venture in Chennai
Weg	has a subsidiary operation in India. They supply heavy electrical motors and generators
Stefanini	has set up IT design centres in Bangalore and Hyderabad
Gerdau	has invested USD 71 million in joint venture with Kalyani Steel
Dedini	has entered into an MOU with The Walchand Group for supply of equipments for ethanol production in India
	Argentina
IMPSA	has set up an office in Gurgaon seeking opportunities in hydroelectric power sector
Biosidus	has shown interest in establishing a plant in India to produce biotech products
	Mexico
•	Mexican companies have entered India in food processing, multiplex theatres and low-cost housing sectors
Cinepolis	Will invest USD 160 million in India for setting up multiplexes across four states, making India their largest market outside Mexico
	Chile
CSAV	Shipping company has offices in major cities of India
	Colombia
FANALCA	has got a contract for garbage collection and processing in one-third of the city of Chennai employing 2600 Indian workers

Source: News articles, SELA (2009) and Deloitte and FICCI (2010).

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