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Regionalism and South-South cooperation: The case of Mercosur and India

Note by the UNCTAD secretariat

Executive summary

This note provides background information and analysis to aid discussions at the pre-UNCTAD XI Forum on Regionalism and South-South Cooperation: The case of Mercosur and India (Rio de Janeiro, 9 June 2004). The Forum will bring together government officials and private sector representatives from India, Brazil and other Mercosur countries, intergovernmental organizations, representatives from UNCTAD Member States and other experts with a view to drawing lessons from existing experiences.

The President of Brazil recently referred to the emergence of a new trade geography involving greater trade and economic cooperation between developing countries in different regions. This note attempts to examine this unique case in the light of the recent India and Mercosur Preferential Trade Agreement and to look at the potentialities of such inter-regional South-South trade and investment cooperation.

This note briefly describes the recent experience of Mercosur in terms of intra-regional trade and ongoing negotiations with other developing countries and the European Union. Similarly, it describes some aspects of India’s trade policies and negotiations with other developing countries. It then describes aspects of existing India-Mercosur trade relations, ongoing India-Mercosur trade negotiations and some sector-specific issues. A trade flow analysis indicates that there is good potential for increased trade in complementary products. The final section suggests some issues that participants in the Forum may wish to address. The Annex includes statistical information on Mercosur-India trade flows.

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ACRONYMS

ALADI	Latin American Integration Association
ASEAN	Association of South-East Asian Nations (Brunei Darussalam, Cambodia, Indonesia, Lao People’s Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam)
BIMST-EC	Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand
CAN	Andean Community (Bolivia, Colombia, Ecuador, Peru and Venezuela)
CECA	Comprehensive Economic Cooperation Agreement
CET	Common External Tariff (Mercosur)
DFID	Department for International Development (United Kingdom)
DGCIS	Directorate General of Commercial Intelligence and Statistics
EHP	Early Harvest Programme
EU	European Union
FDI	Foreign Direct Investment
ECGC	Export Credit Guarantee Corporation
FTA	Free Trade Agreement
FTAA	Free Trade Agreement of the Americas
GDP	Gross Domestic Product
GMP	Good Manufacturing Practice
GSTP	Global System of Trade Preferences among Developing Countries
HS	Harmonized System
IBSA	India-Brazil-South Africa
ICT	Information and communication technology
IT	Information technology
ITC	International Trade Centre UNCTAD/WTO
JAC	Joint Administration Committee
LAC	Latin American countries
LOC	Line of credit
MERCOSUR	Common Market of the South (Argentina, Brazil, Paraguay, Uruguay)
MFN	Most Favoured Nation
NAFTA	North American Free Trade Agreement (Canada, Mexico, United States)
NCM	Common Mercosur Nomenclature
Nes	Not elsewhere specified
OECD	Organisation for Economic Cooperation and Development
PTA	Preferential Trade Agreement
RCA	Revealed Comparative Advantage
RTA	Regional Trade Agreement
RTIA	ASEAN-India Regional Trade and Investment Area
SAARC	South Asian Agreement on Regional Cooperation
SACU	Southern African Customs Union (Botswana, Lesotho, Namibia, the Republic of South Africa and Swaziland)
SAFTA	South Asia Free Trade Area (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka)
S&D	Special and differential treatment
SMEs	small and medium-sized enterprises
SPS	Sanitary and Phytosanitary (measures)
UNCTAD	United Nations Conference on Trade and Development
TRIPS	Trade-related Intellectual Property Rights
WTO	World Trade Organization

SYNOPSIS OF INDIA–MERCOSUR TRADE AND TRADE NEGOTIATIONS

<table>
<tr><td>Bilateral trade</td><td>According to COMTRADE, the value of bilateral trade between India and Mercosur (exports plus imports) was between 1.3 billion dollars (data reported by India) and 1.8 billion dollars in 2002 (data reported by Mercosur countries). The share of Mercosur in Indian imports was 1.2 per cent (Argentina 0.7 per cent and Brazil 0.5 per cent). The share of India in Mercosur imports was 1.2 per cent. Brazil absorbed 85 per cent of this.</td></tr>
<tr><td>Structure of bilateral trade</td><td>Agricultural products accounted for 72 per cent of the value of Indian imports from Mercosur in 2002. Conversely, 79 per cent of Mercosur imports from India consisted of manufactured products.</td></tr>
<tr><td>Product Concentration</td><td>At 6-digit HS level, India registered imports of at least US$ 100,000 dollars from Mercosur in 275 items (HS contains 5100 items). One item (crude soybean oil) represented 55 per cent of the value of all imports from Mercosur. The 13 most important items represented 80 per cent. India exported more than US$ 100,000 from Mercosur in 208 items. Petroleum oils represented 45 per cent. To arrive at 80 per cent of the value of all exports, 34 items had to be aggregated.</td></tr>
<tr><td>Indian tariffs</td><td>
<table>
<tr><th>Simple average tariff rates</th><th>Bound rate</th><th>Applied rate in 2001-2002</th></tr>
<tr><td>Total</td><td>50.6</td><td>32.3</td></tr>
<tr><td>- Agricultural products</td><td>115.7</td><td>41.7</td></tr>
<tr><td>- Non-agricultural products</td><td>37.7</td><td>30.6</td></tr>
</table>

The simple average applied rate was around 17 per cent in 2004 (DGFT, Ministry of Commerce and Industry, Government of India, 2004).

The trade-weighted average rate applied to all imports from Mercosur was 41.3 per cent in 2002. For manufactured products it was 26.4 per cent (2001 tariffs and 2002 trade weights).
</td></tr>
<tr><td>Mercosur tariffs (CET)
April 2004, unless otherwise indicated</td><td>The CET contains 9400 items (8-digit Common Mercosur Nomenclature, NCM), including around 650 duty-free items. Another 1800 items have rates of 4 per cent or less. Around 6500 items have rates of 10 per cent or more (with very few exceptions the maximum rate is 20 per cent). Each Mercosur member may maintain a list of up to 100 items excluded from CET until 1 January 2006. All rates are ad valorem.
The trade weighted 2001 applied rate to imports from India was 6.9 per cent. For manufactured products it was 11.4 per cent (2002 trade weights).
Tariffs have been further reduced since 2001.</td></tr>
<tr><td>Indian list</td><td>India initially presented a request list of 1700 to 1800 products according to the Indian classification, corresponding to around 1600 NCM items. The average CET on a first list of 548 items was 12.5 per cent.[1] The list focuses on manufactured products (containing only around 70 agricultural products). India will submit an additional list by 28 May 2004.</td></tr>
<tr><td>Mercosur list</td><td>Mercosur initially presented a request list of 1096 NCM items, based on wish lists of Member States, with an average ad valorem tariff of 33.1 per cent in India. It contained 305 agricultural products.[2] Mercosur presented additional lists in March and April 2004. The Mercosur request lists now include more than 2000 items. More products may be added.</td></tr>
<tr><td>Offers</td><td>Mercosur and India exchanged initial offers during negotiations in Buenos Aires (March 2004) covering about 200 items (later increased to 300-400 items). Other items will be added following consultations with the private sector.</td></tr>
</table>

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[1] Argentina, Ministerio de Relaciones Exteriores, Comercio Internacional y Culto, Información para la Prensa Numero 27/04.

[2] Ibid.

INTRODUCTION

Background

1. There has been renewed and growing interest in South-South trade cooperation, including through regional or sub-regional trade agreements and, more recently, also trade agreements between developing countries in different continents. The India-Mercosur Preferential Trade Agreement (PTA), signed in January 2004, is an example of the latter. Interest in such agreements is based on commercial as well as political considerations. Bilateral trade between India and Mercosur roughly doubled between the mid 1990s and 2002, but is still relatively modest, with the sum of exports and imports amounting to between US$ 1.3 and US$ 1.8 billion in 2002 (representing around 1.1 and 1.2 per cent of India's and Mercosur's total trade respectively). Trade between India and Mercosur is concentrated in few products and patterns of trade may change significantly from one year to the other. The agreement could provide an opportunity to consolidate recent growth in bilateral trade and broaden and diversify the product and sectoral basis for further trade expansion.[3]

2. The rest of this section briefly examines the background of South-South trade and trade agreements (RTAs). Section II provides some background information on Mercosur, including its experience in terms of intra-regional trade and cooperation with other regional trade agreements. Section III describes India's trade policy and trade negotiations with other developing countries. Section IV examines bilateral trade between India and Mercosur as well as ongoing India-Mercosur trade negotiations. Some sector-specific issues are addressed in section V. Some preliminary conclusions are presented in Section VI. Section VII lists some issues that participants in the Forum may wish to address in their discussions.

South-South trade and trade agreements

3. South-South trade has increased in terms of significance in the 1990s. First, there has been continued growth in the share of South-South trade in total trade of developing countries, rising from 34 per cent in 1990 to around 40 per cent toward the end of the decade.[4] Second, the number of South-South RTAs has been increasing rapidly in recent years and is expected to increase further. Mercosur, for example, is negotiating agreements with the Andean Community (CAN) and the Southern African Customs Union (SACU). India, in turn, is involved in negotiations concerning, among others, the South Asia Free Trade Area (SAFTA) and the India Regional Trade and Investment Area (RTIA) with ASEAN.

4. The following factors could explain the growth in South-South trade as well as the interest in South-South trade agreements:

- Despite liberalization under GATT/WTO, in a number of sectors, exporters from developing countries continue to face market access barriers and market entry problems in developed countries. These exporters may explore options in the South.

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[3] Brazil-India bilateral trade (exports plus imports) fell 15 per cent in 2003. In the case of Argentina, exports to India increased by 23 per cent and imports from India increased by 55 per cent (total bilateral trade increased by 28 per cent) in 2003.

[4] Preparations for UNCTAD XI, Submission by the Secretary-General of UNCTAD, TD(XI)/PC/1 6 August 2003 (page 38).

- South-South RTAs offer opportunities for economies of scale and specialisation. It may provide an avenue for smaller developing countries to overcome the constraints of a small domestic market.[5]
- Exploring opportunities for increased trade with other developing countries, in particular those with high growth rates, makes developing countries less vulnerable to movements in demand in developed countries, their traditional markets. Developing countries may also explore new complementarities that are arising in South-South trade.
- A number of developing countries have witnessed major changes in their industrial and market structures that in general have made their industries more competitive vis-à-vis developed countries, including in developing country markets at regional and global levels.
- Market dynamism in the South for both capital goods and consumer goods, combined with demographic factors would indicate that growth in demand for goods and services is expected to come from new growth centres in developing countries.
- Enhanced South-South trade is seen as a way to strengthen capacities of developing countries in dealing with the challenges of globalization and trade liberalization. This could also serve as a basis for coordinating negotiating positions and advance issues of interest to developing countries in multilateral forums such as the WTO.[6]

5. Thus, faced with either saturation of demand or intractable market entry barriers in their premium export markets, developing countries have learned to cultivate and utilise new and additional markets in the South. Positive trends are also visible in South-South investment, transfer of technology, enterprise-level interaction, including through intra-industry trade and increased participation in global production chains.

6. South-South trade offers possibilities for spillovers of knowledge, technology and sharing of experiences and strategies among developing countries. Mercosur and India often face similar domestic challenges and supply side constraints. India, Brazil and other Mercosur countries also share an interest in identifying and implementing pro-poor trade policies. Liberalisation within the South serves the twin purposes of assuring both positive growth among developing countries and facilitating their strategic liberalisation and preparedness for MFN liberalisation. In the case of RTAs, South-South RTAs may lead to a more symmetric distribution of trade gains than North-South RTAs as they may represent a more level-playing field scenario and market entry barriers may be lower.[7] There are promising avenues for technological cooperation and knowledge-sharing, for instance in the case of aerospace engineering between Brazil's Embraer[8] and India's Hindustan Aeronautics Limited (HAL) and complementary learning opportunities (eco-friendly fuel technology ethanol, railways technology, automobile assembling and auto components).

7. A recent UNCTAD study concludes most that South-South RTAs have been trade-creating. The study suggests that regional and sub-regional South-South RTAs could be used as a mechanism for the gradual integration of developing countries into the global economy. Furthermore, beyond

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[5] Bhagwati, J., and A. Panagriya, 1996., "Preferential Trading Areas and Multilateralism- Strangers, Friends or Foes ?", in Bhagwati and Panagriya, eds, The Economics of Preferential Trade Agreements, A.E.I press. Washington, D.C

[6] Cernat, L. and S. Laird, (August 2004). "North, South, East, West: What's best? Modern RTA's and their Implications for the Stability of Trade Policy", Centre for Research in Economic Development and International Trade, University of Nottingham, Nottingham.

[7] Winters A. and M. Schiff, 2003, Regional Integration and Development, published by the World Bank.

[8] The private sector Jet Airways of India had, in July 2002, entered into a "commercial proposal" for 10 Embraer-175 aircraft worth $260 million with an option for an additional 10 aircraft. Embraer agreed to supply five of its aircraft for Indian Governmental use (*The Hindu Business Line*, 16 April 2004). HAL is interested in selling its Advanced Light Helicopters in international markets

these economic effects, RTAs are very much part of a larger framework for regional cooperation aimed at promoting regional stability, sound and coordinated economic policies and a better regional economic infrastructure. Although difficult to quantify, all these improvements may have a number of positive spillover effects that should be taken into account when assessing the overall impact of RTAs.[9] South-South integration could lead to the removal of several invisible trade barriers in areas such as customs formalities, standards and testing.

8. The generally low degree of intra-regional trade shown in the background note for the *Forum on Interface of multilateral agreements and economic integration schemes*[10] indicates that many South-South RTAs are yet to exploit their full potential by effectively implementing their internal liberalization programmes and by encompassing a wider range of economic objectives and deep integration agenda. Protection may be granted not only through tariffs, but also through trade-related policies such as anti-competitive practices, standards and restrictions on capital and labour mobility.[11] These appear to remain significant barriers to regional trade. In this context, the major challenge facing developing countries is to design an appropriate form of regional integration and closer cooperation while ensuring their effective implementation. Private sector, particularly large scale producers and those with high value added, if assisted with market information, can contribute to a quantum jump in the value and volume of South-South trade. Important issues that need to be addressed include the elements impeding the expansion of intra-regional trade, potential of South-South cooperation through GSTP in expanding inter-regional trade, and the potential of RTAs to address supply-side constraints. Models of open regionalism that are inclusive, outward looking and trade-creating need to be explored.[12]

9. Deepening integration among developing countries can provide further opportunities for enhanced South-South trade. Increased attention should be given to the liberalization of services, investment and labour markets; harmonized trade remedy policies; rules of origin, and technical regulations and standards. This requires building trade and financial institutions and strengthening technological and scientific cooperation.[13]

10. While South-South trade remains predominantly intra-regional, particularly in manufactured goods, the inter-regional component is assuming dynamism. In agricultural products, the intra-regional component is 73 per cent, whilst the inter-regional component is 27 per cent. South-South trade in manufactured goods has a smaller inter-regional component of 12 per cent.[14] With respect to all commodities, developing countries absorb 46 per cent of the total exports of other developing countries. These figures suggest that there is scope and potential for intra- and inter-regional South-South trade that needs to be tapped for optimising the development gains from trade.

11. Inter-regional cooperation among developing countries may provide greater opportunities for identifying complementary products. One interesting question, however, is whether the geographical distance factor would outweigh such advantages, if any. It has been argued that countries that are geographically contiguous or proximate are “natural” trading partners because of lower transport costs compared with the rest of the world. South-South transport linkages have proved challenging insofar

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[9] Lucian Cernat, Assessing South-South Regional Integration: Same Issues. Many Metrics. UNCTAD, Policy Issues in International Trade and Commodities Study Series, No. 21. New York and Geneva, 2003.

[10] Rio Trade Week, 8 and 9 June 2004.

[11] Cernat, L. and S. Laird, 2004, op. cit.

[12] Winters, A., and M. Schiff, 2003, op. cit.

[13] Preparations for UNCTAD XI, Submission by the Secretary-General of UNCTAD, TD(XI)/PC/16 August 2003 (page 40).

[14] Source: UNCTAD secretariat calculations, based on COMTRADE.

as the main transport linkages for trade have historically been and continue to largely be, either North-South or North-North. Amjadi and Winters, however, have demonstrated that transportation costs need not be a crucial factor.[15] Also, South-South cooperation may result in virtuous circles where increased trade flows reduce unit costs of transport and insurance. For example, the emergence of China as a major trading partner for several developing countries has shown that given sufficient volumes of trade, viable transportation links can be created among developing countries.

12. South-South trade cooperation through the Global System of Trade Preference among developing countries (GSTP) provides a promising complementary avenue for developing countries to liberalize and expand South-South trade, in particular on an interregional basis. An UNCTAD secretariat study estimates that a 30 per cent reduction in tariffs among GSTP members would result in an increase in GSTP trade by US$ 7.5–8.5 billion (US$ 15–18 billion in case of a 50 per cent reduction).[16]

13. The emerging global political economy provides a conducive atmosphere for South-South cooperation in trade. Developing countries of Africa, Asia and Latin America have in recent times forged a common understanding on the value of global South-South cooperation. Brazil’s president, Lula da Silva, has been talking about a “new trade geography”, whereby he suggested enhanced trade cooperation between developing countries, such as Brazil and India. This would not imply playing down the fundamental importance of trade with developed countries, but rather aims at creating new alternatives, reducing dependence, and uniting developing countries to negotiate global or regional agreements in more equitable conditions. The India-Brazil-Republic of South Africa, (IBSA) Trilateral Ministerial Forum plays an important political role in promoting South-South cooperation. The Ministers of Foreign Affairs adopted a plan of action that spans such areas as trade and transportation, infrastructure, science and technology, information society, health, energy, and education. They also agreed to seek convergence between preferential trade negotiations (Mercosur-SACU, Mercosur-India, SACU-India), increase trade flows and strengthen business links among the three countries.

I. MERCOSUR

Creation and achievements of Mercosur

14. The Mercado Común del Sur (Common Market of the South, Mercosur) was created in March 1991 by Argentina, Brazil, Paraguay and Uruguay with the signing of the Treaty of Asunción. The Treaty contemplated complete liberalization of trade in goods and the creation of a common market in which goods and services, as well as labour and capital, would circulate freely. Relations with the rest of the world would be conducted through a Common External Tariff (CET). In 1996, association agreements were signed with Chile and Bolivia establishing free trade areas with these countries.[17]

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[15] Azita Amjadi and L. Alan Winters, ‘Transport Costs and ‘Natural’ Integration in Mercosur’, *Journal of Economic Integration* 14 (4 December), 1999.

[16] UNCTAD (1998), “The Potential for GSTP Trade Expansion”, UNCTAD/ITCD/TAB/1.

[17] To be achieved in a period of 10 years through progressive tariff reductions, starting 1 October 1996 for Chile and 28 February 1997 for Bolivia. In addition, Mercosur signed a Physical Integration Agreement with Chile and an Economic Integration Agreement with Bolivia aimed at promoting physical integration through improved infrastructure.

15. Tariffs on around 95 per cent of intra-Mercosur trade were eliminated by 1995.[18] Mercosur Members established the CET effective 1 January 1995, with tariffs rates ranging from zero to 20 per cent. The CET covers most trade in goods, with transitional arrangements until 2006 for "sensitive" products, mainly capital goods, computers and telecommunication equipment. Mercosur is to complete the creation of a common market by 1 January 2006.

16. Mercosur has been described as a "new" or "open" regional integration scheme in which apart from reducing and eliminating intra-Mercosur tariffs, MFN tariffs have also been reduced significantly and both intra-Mercosur trade and trade with the rest of the world has increased.[19] In this context it is to be noted that the creation of Mercosur overlapped with unilateral trade policy reforms that had been initiated earlier in all four Mercosur countries. Consequently the CET adopted in 1995 implied a substantial reduction compared to tariff rates existing in the 1980s.[20]

17. The period 1991–1997 brought a substantial increase in trade, both intra-regionally and with the rest of the world. Intra-regional trade nearly quadrupled, while imports from the rest of the world nearly tripled.[21] Since 1998, however, intra-regional trade has fallen significantly due to a worldwide economic slowdown, declines in commodity prices and the crisis in Argentina.[22] The share of intra-regional exports in the sub-region's total exports has fallen from 25 per cent in 1998 to 11.5 per cent in 2002. The decline has been less dramatic in the case of imports: the share of intra-regional imports in total Mercosur imports has fallen from 21 per cent in 1998 to 17 per cent in 2002. Intra-regional trade recovered in 2003, growing 21 per cent in value terms, largely as a result of increased exports from Brazil, Paraguay and Uruguay to Argentina.[23] The share of intra-regional trade as a percentage of total Mercosur trade is, however, still below that of 1998.

18. Even considering the historically high share of intra-regional trade in 1998, intra-Mercosur trade remains small compared to the "regionalization" achieved in the European Union (63 per cent) and the North American Free Trade Agreement (NAFTA, 50 per cent). Yet, the share of Mercosur intraregional trade achieved in most of the period 1995-2001 is similar to that of ASEAN and much higher than that of other South-South RTAs. It is interesting to note that items traded among Mercosur Members primarily consist of non-traditional products that have a higher value added and involve a large number of business owners and small and medium-sized enterprises.

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[18] A small number of products, notably cars and sugar, were exempted and subject to transitional arrangements until 2001.

[19] See, for example, Antonio Estevadeordal, Junichi Gato and Raul Saez, The New Regionalism in the Americas: The Case of Mercosur. April 2000, Working paper No. 5. The Institute for the Integration of Latin America and the Caribbean (INTAL) and the Integration, Trade and Hemispheric Division (ITD).

[20] For the four Mercosur countries as a whole, the average applied tariff fell from 27.2 per cent in 1985 to 11.5 per cent 1994. Michael Reid, *Mercosur: A Critical Overview*. Chattam House Mercosur Study Group.

[21] In the same period the value of exports to the rest of the world increased by 55 per cent. During the 1991-1998 expansion phase of Mercosur, exports to and, even more so, imports from the rest of the world increased much more rapidly than Mercosur's Gross Domestic Product (GDP). Ricardo French-Davis, Is Mercosur in Crisis? Americas' Insights, 2001.

[22] In 1998-1999 Mercosur faced serious problems because of trade conflicts that had developed as a result of macroeconomic fragility of the sub-region's largest economies. Brazil's modification of its exchange regime in January 1999, the negative effects of the fall in commodity prices and the severe recessions affecting Argentina and Brazil also were issues of concern. Institute for the Integration of Latin America and the Caribbean IDB-INTAL, Mercosur Report 1999-2000.

[23] ECLAC, *Preliminary Overview of the Economies of Latin America and the Caribbean in 2003*

Mercosur agreements with third countries

19. Mercosur has been active in expanding commercial ties within the Latin American region as well as with other countries.

European Community

20. The European Union (EU) is Mercosur's largest trading partner, accounting for around one quarter of the value of the bloc's exports and imports in 2002 (see Annex, Table 5). Mercosur and the EU are in the process of negotiating an Interregional Association Agreement, which should include liberalization of trade in goods and services aiming at free trade in conformity with WTO rules, as well as enhanced co-operation and a strengthened political dialogue. Negotiations are based on the EU-Mercosur Interregional Framework Co-operation Agreement signed in December 1995 in Madrid. A formal decision to launch negotiations was announced at a Heads of State summit meeting in Rio de Janeiro in June 1999.

21. The negotiations started in November 1999 in Brussels, when Mercosur and EU negotiators presented to their ministers a document on the structure, methodology and calendar for the negotiations. The main forum for negotiations is the EU-Mercosur Bi-regional Negotiations Committee (BNC).

22. Substantive progress has been made in all areas, but outstanding issues remain in all of them.[24] One of the critical issues of bi-regional negotiations is market access for agricultural products. Many observers in the Mercosur countries claim that limited access to the EU market as well as subsidies provided to the EU agricultural sector restrict exports for the Mercosur agro-business sector.[25]

23. During a meeting in Brussels in November 2003, both parties agreed on an ambitious and detailed programme of work (the "Brussels Programme") for the final phase of the bi-regional negotiations.[26] This programme covers market access for goods, services, government procurement, investment as well as rules and disciplines in these areas and other such as sanitary and phytosanitary (SPS) measures, wines and spirits, competition and intellectual property rights.

Andean Community (Comunidad Andina, CAN)

24. The Andean Community (Bolivia, Colombia, Ecuador, Peru and Venezuela) and Mercosur have been working towards the eventual creation of a FTA between the two blocs since 1995. In 1998, the five Andean Community countries and Mercosur signed a Framework Agreement to negotiate the creation of an FTA[27] in two stages (they would first negotiate a PTA and then the FTA itself). In December 2002, it was replaced by a new Framework Agreement that provided CAN members with the option to sign agreements as a bloc or as individual countries. In this context, Mercosur signed an Economic Complementation Agreement with Peru in August 2003 and with Colombia, Ecuador and Venezuela in December 2003 for the creation of an FTA (starting as from 1 July 2004). Mercosur has thus signed trade liberalization agreements with all CAN Members.[28]

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[24] The 14th round of negotiations will take place in Buenos Aires, from 7 to 11 June, and there will be a Ministerial meeting in Guadalajara (Mexico) on 27 May (parallel to the Latin America-EU Summit, on 28 May).

[25] Mercosur/European Business Forum, Brasilia Declaration, October 2003.

[26] http://europa.eu.int/comm/external_relations/mercosur/intro/ip03_1544.htm

[27] http://www.comunidadandina.org/ingles/common/mercosur.htm

[28] Bolivia already had an FTA with Mercosur since 1996.

Mexico

25. Mercosur and Mexico have been negotiating an agreement on reciprocal trade preferences for several years. With the entry into force of NAFTA, Mercosur countries lost certain trade preferences they had negotiated as individual countries under the Latin American Integration Association (ALADI). In July 2002, Mercosur signed a Framework Agreement that provides a mandate to negotiate an Economic Complementation Agreement for the creation of an FTA and serves as an umbrella for existing bilateral agreements. It also encompasses the 2002 Economic Complementation Agreement for the Automobile Sector.

Southern African Customs Union (SACU)

26. Mercosur has been exploring a preferential agreement with the Southern Africa Customs Union (SACU), comprising Botswana, Lesotho, Namibia, the Republic of South Africa and Swaziland. Bi-regional trade between Mercosur and SACU amounted to around US$ 1 billion in 2002, with an important surplus in favour of Mercosur. A Framework Agreement was signed in December 2000 during South Africa's President Mbeki's state visit to Brazil. Progress, however, has been slow. [29] In accordance with 2002 SACU arrangements, negotiations would only be possible with SACU as a whole, implying a need to involve the other SACU Members. In addition, SACU is currently negotiating a trade agreement with the United States imposing a heavy burden on SACU trade negotiators. Attempts are being made to accelerate the negotiations. A work programme was drawn up in a meeting in Montevideo (October 2003) to deal with the pending issues on both sides. A meeting took place in Pretoria, on 15 and 16 April 2004. The parties agreed to sign the main text of the PTA at the Mercosur Summit (Buenos Aires, 8 July 2004) and to complete the annexes until December 2004. Mercosur request lists are currently being transcribed into the SACU classification.

Negotiations under the FTAA

27. The external negotiations agenda of Mercosur countries includes the Free Trade Area of the Americas (FTAA) involving 34 countries with a total population of 800 million and a market of $13 trillion. Negotiations started in 1998, with the goal of concluding an agreement by January 2005.

28. Negotiating areas include market access; agriculture; services; investment; government procurement; intellectual property; competition policy; subsidies, antidumping, and countervailing duties; and dispute settlement, However, at the eighth Ministerial Meeting in Miami, United States, in November 2003, it was recognized that countries may assume different levels of commitments. Ministers thus agreed to a two-tiered framework. All countries agreed to market access negotiations (to be concluded by 30 September 2004), but the Ministerial Declaration allows countries to opt out of certain contentious areas like agriculture subsidies, investment, intellectual property rights, and anti-dumping.[30]

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[29] During the third meeting of the Mercosur-South Africa Negotiating Commission (Pretoria, December 2002) Mercosur presented a request list of 4175 items, whereas the Republic of South Africa presented a list of 1157 items, corresponding to 782 items of the NCM. However, there has been a reduction in the requests from Mercosur and an increase in the requests from SACU.

[30] It was agreed to seek to develop a common and balanced set of rights and obligations applicable to all countries. Negotiations should allow for countries that so choose, within the FTAA, to agree to additional obligations and benefits, for example through plurilateral negotiations.

29. In the negotiations, Brazil[31] and other Mercosur countries have given high priority to market access and agricultural subsidies. However, the United States favours negotiating agriculture subsidies in the WTO.

II. INDIA

Recent developments in India's trade and trade policies

30. From the early 1990s, India has adopted policies of liberalizing trade and capital flows combined with domestic privatization and deregulation. These reforms have been based on a fundamental shift in strategy from state-led import substitution to a market-led approach to development. India has adopted a policy of tariff reduction and rationalization of its tariff structure, notably by reducing the number of tariff bands and by removing a special duty (of 4 per cent) and a surcharge (of 10 per cent). In accordance with its Uruguay Round commitments, India has (with a few exceptions) bound tariffs at a ceiling of 40 percent ad valorem on finished goods and 25 percent on intermediate good, machinery and equipment. The structure of import tariffs is shown below.

India: Structure of import tariffs

	Simple average bound tariff rate	Simple average applied rates	
		1997-1998	2001-2002
Total	50.6	35.3	32.3
- Agricultural products	115.7	33.8	41.7[32]
- Non-agricultural products	37.7	35.6	30.8

Source: WTO secretariat

31. The trade weighted average tariff declined from 87 percent in 1991 to around 30 percent by 2000 (26.4 per cent in 2002, Annex table 4). Following recent tariffs reductions (April 2004) the average applied tariff would be further reduced to around 17 per cent.

32. Exports have been growing rapidly in recent years (18 per cent in value terms in 2002. See Annex, table 6). India's share in world exports has increased slightly to 0.8 per cent. Exports increased from 0.4 per cent of GDP in 1980 and 5.8 per cent in 1991 to 9.4 per cent in 2001-02.[33] Imports have also grown vigorously, indicating industrial revival. The ratio of trade to GDP has increased from 15 per cent in 1990 to over 20 per cent in 2000.

33. The EXIM Policy 2002-07, which came into force from 1 April 2002, provides for easing the procedures applicable for imports and exports. The focus of the EXIM policy is on trade facilitation and export promotion through greater automation in procedures and steps like removal of quantitative restrictions on all products except those notified to the WTO invoking Articles XX or XXI or protected under the Convention on International Trade in Endangered Species (CITES) and the Montreal Protocol on Substances that Deplete the Ozone Layer. A list of sensitive items was prepared, imports of which are monitored on a monthly basis. The new EXIM policy also purports to simplify the complexities of import regulations maintained in India.

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[31] Brazil and the United States were co-chairs during the final phase of the negotiations.

[32] Following the removal of quantitative restrictions on a number of products in 1998, the average tariff increased.

[33] Ministry of Commerce and Industry web site

Free trade agreements with third countries

34. Until recently, India had a few bilateral trade agreements. India is currently negotiating RTAs with other developing countries, but is not involved in North-South RTAs.

Sri Lanka

35. The India-Sri Lanka FTA, which was signed in December 1998 and started to be implemented in March 2000, envisages gradual phasing out of tariffs on all products, except for certain items included in a negative list. Imports into India of tea and garment are subject to quotas.[34] Two-way trade increased from $ 695 million during 2000-01 to $1088 million during 2002-03. India is one of the largest exporters to Sri Lanka. The balance of trade which favoured India 15 to 1 when the agreement was signed has now come down to about 5 to 1. India and Sri Lanka have recently signed a Comprehensive Economic Partnership Agreement (CEPA) which will include services and facilitate greater investment flows between the two countries.

The South Asia Free Trade Area (SAFTA)

36. In January 2004, the Member States of the South Asian Agreement on Regional Cooperation (SAARC), i.e. Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka, signed the South Asia Free Trade Area (SAFTA) Agreement that will bring down tariffs to 0-5 per cent in next 7-10 years. The FTA will be operational by January 2006. It will also provide for a list of sensitive items to allow member countries to safeguard national interests. Intra-SAFTA trade is relatively small. India has an important surplus in its bilateral trade with other SAFTA Members. Intra-SAFTA trade accounted for 5 per cent of India's exports, but less than 1 per cent of its imports.

The Association of South-East Asian Nations (ASEAN)

37. In October 2003, India and the Association of South-East Asian Nations (ASEAN), comprising Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam, signed a Framework Agreement on Comprehensive Economic Cooperation.[35] The Parties agreed to enter into negotiations in order to establish an ASEAN-India Regional Trade and Investment Area (RTIA), which includes a FTA in goods, services and investment, as well as strengthened economic cooperation covering trade facilitation, agriculture, fisheries; forestry; automobiles; pharmaceuticals; services; transport and infrastructure. The parties agreed inter alia to the progressive elimination of tariffs and non-tariff barriers in substantially all trade in goods as well as progressive liberalization of trade in services, with substantial sectoral coverage. The parties have further agreed to progressively liberalize their investment regimes and improve transparency of investment rules and regulations. With a view to accelerating the implementation of this Agreement, the Parties agreed on an Early Harvest Programme (EHP) for tariff concessions on a common list of products (105 items at 6-digit HS level). The progressive tariff reduction under the EHP should commence from 1 November 2004 and tariff elimination should be completed by 31 October 2007 for ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand) and India, and 31 October 2010 for the New ASEAN Member States.[36] All other products fall in either a "normal track" or a "sensitive track". Negotiations on goods started in early 2004 and are expected to be concluded by 30 June 2005 in order to establish

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[34] Imports should take place through specific ports (Kolkata and Cochin in the case of tea and Mumbai and Chennai in the case of garments).

[35] http://www.asean.or.id/15278.htm

[36] India will extend Special and Differential (S&D) treatment to Cambodia, Lao PDR, Myanmar and Viet Nam by according unilateral tariff concessions on 111 products (at 6-digit HS Level).

the ASEAN-India FTA. For services and investments, the negotiations on the respective agreements shall commence in 2005 and be concluded by 2007. Trade between India and ASEAN has been growing in recent years, representing 9 per cent of the value of India's exports and 8 per cent of its imports in 2002.

SACU

38. India is expected to sign a Framework Agreement with SACU. During a first phase the parties would discuss trade in goods, while services would be dealt with in a second phase.[37] India's bilateral trade with SACU reached US$ 2.5 billion in 2002 (Annex, table 6).

39. India presents South African businesses with opportunities in various areas including mining, infrastructure development, petrochemicals, tourism, fertiliser, steel and wool. On the other hand, the Republic of South Africa presents Indian businesses with opportunities in information communication technology (ICT), space technology, science and technology education, small business development, jewellery manufacturing, chemicals and pharmaceuticals.[38]

40. Investments have also begun to increase in both directions. According to the Reserve Bank of India, South African enterprises have invested US$ 26.1 million in India. More than a dozen major Indian enterprises have invested in South Africa, notably Ranbaxy, UB Group and TATA. There is also substantial Indian investment in the IT sector.[39]

Indo-Thai Agreement

41. The Indo-Thai agreement, signed in October 2003, aims at creating an FTA covering goods, services and investment in 10 years. Areas of economic cooperation cover, for example, trade facilitation, fisheries and aquaculture, ICT, finance and banking, tourism, infrastructure and small and medium-sized enterprises (SMEs). Negotiations on goods have begun and are scheduled to be concluded in March 2005. The FTA (zero-duty imports) should become effective by 2010. Under the EHP, tariffs for a common list of 84 items (at 6-digit level), including, for example, fruits, other food items as well as iron and steel products, will be phased out by March 2006. Similarly, negotiations on services and investment would start in January 2004 and be completed within two years. Currently, discussions are continuing on the framework of rules of origin.

BIMST-EC[40]

42. In February 2004, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand signed a Framework Agreement to facilitate negotiations aimed at establishing a BIMST-EC FTA in goods, services and investment and strengthening economic cooperation (including trade facilitation). Negotiations will be held to progressively eliminate tariff and non-tariff barriers in substantially all trade in goods and liberalise services (with substantial sectoral coverage) and the investment regime, in both cases through a positive list approach. In the case of goods, except for certain items placed on a negative tariff liberalisation would follow two approaches: fast track and normal track. Under the fast track, tariffs will be reduced as from 1 July 2006 and eliminated by 2011. For the normal track,

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[37] Bilateral trade negotiations between India and SACU had been delayed because of formalities related to the negotiating mandates of some SACU Members.

[38] Moneyweb, SACU-India talks still on course. 11 March 2004, http://m1.mny.co.za/WGETrnd.nsf

[39] http://www.meadev.nic.in/news/pressrelease.htm

[40] This grouping was created in 1997, with Bangladesh, India Sri Lanka and Thailand as original members. It obtained the name BIMST-EC when Myanmar joined. Bhutan and Nepal have recently become full members. Bangladesh did not participate in the FTA talks in February 2004.

the period for reducing/eliminating tariffs is 1 July 2007 to 30 June 2017. The tariff liberalisation programme provides for S&D treatment for LDC Members such as early improvements in market access for their exports and longer time schedules for tariff elimination. Negotiations on goods shall commence in July 2004 and be concluded by December 2005. The negotiations in services and investment shall commence in 2005 and be concluded by 2007.

India-Singapore CECA

43. Following recommendations by a Joint Study Group on the benefits of a Comprehensive Economic Cooperation Agreement (CECA), India and Singapore launched FTA negotiations in New Delhi in May 2003. The FTA includes an EHP. The CECA also includes services, investment and economic cooperation. Negotiations are continuing.

III. INDIA-MERCOSUR COOPERATION

India-Mercosur: current and potential of trade and investment

44. A number of factors would indicate a good potential for enhanced India-Mercosur trade. Mercosur is the world's fourth largest integrated market after NAFTA, the European Union and Japan. It had a population of 220 million and GDP of 0.8 trillion dollars in 2001. India's population exceeds 1 billion and the country has achieved 5 to 7 per cent growth rates for several years (see Statistical Annex, Table 1). A statistical analysis shows that there is a certain level of complementarity of Mercosur and Indian trade (see below under trade potential). Growing bilateral cooperation, in particular between India and Brazil, in technology sharing, information technology (IT)[41] and other areas, as well as bilateral contacts between private-sector associations may also contribute to enhanced bilateral trade. Yet there are also certain obstacles, in particular poor air and shipping connections. Competitiveness concerns, lack of understanding of each other's trade potential and policies and perceptions resulting from policies (mostly of the past) aimed at protecting domestic markets in both India and Mercosur countries could be an obstacle to private-sector support for trade concessions and their desire to aggressively seek trading opportunities.

Bilateral trade

45. Basic information on India-Mercosur trade is shown on page 4 and in the Annex. Vegetable oils dominate Indian imports from Mercosur and account for the lion's share of recent growth in bilateral trade.[42] Soybean oil alone represented almost 90 per cent (in value terms) of Indian imports originating in Argentina and more than 40 per cent of imports from Brazil. Further expansion of bilateral trade in vegetable oils may depend more on domestic production and import demand in India than on possible trade preferences, as Mercosur already accounted for 94 per cent of the value of India's total imports of crude soy bean oil and 96 per cent of the value of India's imports of crude sunflower-seed and safflower oil in 2002. Tariff preferences could nevertheless have significant trade implications as edible oils imported from Mercosur may substitute other edible oils. Mercosur shares

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[41] In 2000, the Minister of Science and Technology of Brazil and the Minister of Information Technology of India signed a MoU to set up a Brazil-India Task Force on IT. The Task Force would explore cooperation in the following areas: (a) research and development; (b) exploring third country markets; (c) e-commerce; (d) "Electronic Government"; (e) Human resource development through virtual education; (f) information security and cyber crime and (g) banking automation.

[42] India is the world's largest importer of edible vegetable oil. Vegetable oil constitutes as much as 70 per cent of India's total agricultural imports and about 3 per cent of all Indian imports.

in Indian imports of other agricultural products are much smaller (which would imply a higher potential for trade expansion as a result of trade preferences).

India, 2002: Imports of vegetable oils

HS	Product	Total imports (millions of dollars)	Imports from Mercosur	Share in imports from Mercosur (%)	Share of Mercosur in total imports (%)	Main suppliers (share in total imports, %)
15	Vegetable oils	1861.9	504.1	69.7	27.1	
150710	Crude soy-bean oil	421.5	395.6	54.7	93.9	Argentina (69.2); Brazil (24.6); USA (4.4); South Africa (1.0)
150790	Soy-bean oil (excl. crude) and fractions	118.8	84.9	11.8	71.5	Argentina (45.7); USA (28.4); Brazil (25.8)
151211	Crude sunflower-seed and sunflower oil	20.9	20.1	2.8	96.4	Argentina (96.3); Indonesia (3.6)

46. Petroleum oils played an important role in bilateral trade between India and Brazil in 2002. According to COMTRADE data, petroleum oils (HS 2710) exported by India to Brazil (US$ 251 million) represented 45 per cent of the value of all Indian exports to Mercosur (Annex, Table 7). Bilateral trade in petroleum products increased following the deregulation and privatization of Brazil's oil industry in 1997. [43] In the context of a contract between Reliance Petroleum Ltd. and Petrobrás, crude oils (HS 2709)[44] extracted from the Marlim complex (Bacia de Campos) were exported to India and diesel oil was imported from India for processing in Brazil.

47. Apart from petroleum products, India's exports to Mercosur consist largely of manufactured products. India has achieved a certain level of diversification in its exports of such products to Mercosur, which include chemicals, pharmaceuticals (see also next section), textiles and machinery.

48. Mercosur exports to India largely consist of agricultural products (72 per cent in value terms in 2002). The value of Mercosur exports of manufactured products to India is relatively small (25 per cent of total exports in 2002). Table 8 shows that the value of Brazil's exports of manufactured products has slightly declined since the mid 1980s.

Tariffs

49. As discussed in sections III and IV, Indian tariffs are, in general, higher than in Mercosur. It is estimated that the trade-weighted average Indian tariff facing Mercosur products was 41.3 per cent ad valorem in 2001 (see Table 4), whereas the trade-weighted average Mercosur tariff facing India was 6.9 per cent (Table 3). However, the difference is less pronounced if vegetable oils (which face high rates) are excluded from Indian imports and minerals (which face low rates) are excluded from Mercosur imports. India's trade-weighted tariff for manufactured products imported from Mercosur was 26.4 per cent. The corresponding average Mercosur tariff facing imports from Indian was 11.4 per cent. It should be taken into account that since 2001 both India and Mercosur have further reduced tariffs (see earlier sections).

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[43] Following the loss of its monopoly, Petrobrás increased sales of crude oils extracted from the Marlim complex to generate resources needed for investments to increase competitiveness. These oils are less adequate for Brazilian refineries that operate lighter oils originally coming from the Persian Gulf.

[44] According to Brazilian trade statistics, crude oil (HS 2709) represented more than 50 per cent of the value of Brazil's exports to India in 2002.

Trade potential

50. Several statistical methods can be used to identify products with a potential for increased South-South trade.[45] One approach is to compare Revealed Comparative Advantage (RCA) indices.[46] Under certain assumptions,[47] a comparison of unit values of imports from different origins may provide an indication of products with trade potential based on differences in competitiveness. India has a high RCA in textiles and garments, pharmaceuticals, organic chemicals, leather handbags, carpets and floor coverings, tea and spices. For 27 items (at 6-digit HS level) with a RCA of 2.5 or more, the unit value of Brazil's imports from India tends to be significantly lower than the average unit value of imports from the rest of the world thus indicating a potential for increasing imports from India. In 2001, the value of Brazil's imports of these products from India was only US$ 24 million, whereas imports from the rest of the world were US$ 505 million (see Annex, table 11). This suggests that bilateral trade in these products can increase several times (up to 21 times) the current value.[48] Brazil on the other hand has a comparative advantage in meat products; fish products; lentils; oil seeds; grapes; soy beans; whole milled wheat; peppermint and other such products, indicating a potential to import from Brazil.

51. Another method is a trade flow analysis to identify complementary products between countries, i.e. products that are exported by one country (or region) towards the rest of the world, and for which there is significant import demand in the other country (or region). This method is applied in a recent ITC study,[49] following both a static and dynamic approach.[50] Based on the ITC methodology, it is estimated that the most important complementary products indicating potential for Mercosur exports to India are: petroleum oils; transmission apparatus for radio telephony; gold in semi-manufactured form; copper ores; soy bean oils; cotton and motor vehicle parts (see Annex, table 9). Using average 2000-2002 trade flows, it is estimated that the "indicative trade potential"[51] of Mercosur exports to India, i.e. the value of Mercosur exports[52] to the world in products for which there is import demand (from the world) in India, would be up to US$ 13.6 billion (almost 16 times the actual trade of US$ 840 million in 2000-2002).[53] Similarly, complementary products representing

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[45] In Argentina, the Centro de Economía Internacional at the Ministry of Foreign Affairs has examined the possible implications of the PTA for Argentina's trade. Mercosur request lists were evaluated on the basis of Argentina's export potential, whereas the Indian request lists were assessed considering possible implications for (a) Argentina's imports and (b) possible displacement of (current and potential) Argentinean exports to Brazil. In most cases the risk that Argentinean exports to Brazil could be displaced was considered small, in particular because tariffs were 10 per cent or less. Mariana Fuchs, *El Acuerdo Preferencial de Comercio entre el Mercosur a la India: un análisis estilizado de sus potencialidades desde la perspectiva de la Argentina* (May 2004).

[46] A measure of relative export performance by country and industry, defined as a country's share of world exports of a good divided by its share of total world exports. Balassa, Bela. 1965. "Trade Liberalization and 'Revealed' Comparative Advantage," Manchester School 33, pp. 99-123.

[47] For example with regard to aggregation and quality issues.

[48] Tables compiled from DGCIS data by the Government of India. This does not take account of differences in transportation, insurance and similar costs and differences in RCAs between countries exporting to Brazil.

[49] International trade Centre UNCTAD/WTO (ITC), The Andean Community, Mercosur and Chile, Sub-regional trade opportunities, August 2003. Project No. INT/W2/09.

[50] The same approach is implicitly followed in a press report emphasizing that for 20 agricultural products that Argentina is interested in exporting to India, the value of total Indian imports amounted to US$ 4.9 billion, whereas imports from Argentina represented only US$ 272 million, i.e. 5 per cent. http://www.elpais.com.uy/04/03/03/ultmo_82948.asp

[51] Defined (at the 6-digit HS level) as the lower value of exports to the world by one country and imports from the world by the other.

[52] Excluding intra-Mercosur trade.

[53] The fact that India and Mercosur data are compared at the (relatively aggregated) 6-digit HS level (including many 'basket" items) implies that trade in complementary products is overestimated because other products may be included.

potential for Indian exports to Mercosur include preparations of petroleum products; pharmaceuticals (both finished and bulk); antibiotics; motor vehicle parts; parts and accessories for data processing; and new pneumatic and rubber tyres used for buses and lorries (see Annex, table 10). The total indicative trade potential would be up to US$ 12.7 billion.[54] The indicative trade potential includes items not currently traded between India and Mercosur in 2000-2002.[55]

Trade promotion

52. Trade promotion plays an important role in strengthening South-South trade. The "Focus-LAC" (Latin American Countries) programme is a joint effort of the Government of India, Indian Trade Promotion Organizations, Export Promotion Councils, Chambers of Commerce and Industry, and Institutions such as the Export-Import Bank of India (Exim India) and the Export Credit Guarantee Corporation of India (ECGC) to promote trade between India and the Latin American region. The Programme would focus on the following major product groups: (a) textile including ready-made garments, carpets and handicrafts; (b) engineering products including computer software; and (c) chemical products including drugs/pharmaceuticals. Among the Mercosur countries, the programme concentrates on Brazil and Argentina.[56]

53. According the recent Exim Bank of India study titled "Strategy for Quantum Jump in Exports", which supplements its LAC initiatives, India could achieve exports worth US$ 1.8 billion to the LAC region by 2007 in an identified set of 100 products, from the current level of US 0.6 billion, provided appropriate strategies are adopted. This, in turn, would give an added edge in achieving the overall export target set by the Medium Term Export Strategy of the Government of India.

Negotiations

54. The India-Mercosur Framework Agreement was signed in June 2003. On 25 January 2004, during the state visit of Brazil's president Lula to India,[57] Mercosur and India signed a PTA to be followed by negotiations for the creation of an FTA. Tariff preferences will be included in Annex I (preferences granted by Mercosur) and Annex II (preferences granted by India). The parties would also negotiate Rules of Origin (Annex III), Safeguard Measures (Annex IV) and Dispute Settlement (Annex V). The Agreement also provides for cooperation on technical standards and regulations and SPS measures. The Parties agreed to create a Joint Administration Committee (JAC) composed by the Mercosur Common Market Group and by India's Secretary of Commerce (or their representatives). One of the functions of the JAC is to encourage the active participation of the private sectors in areas covered by the Agreement.

55. The PTA would endeavour to reduce or eliminate tariffs on a series of items (see page 4) by July 2004. During negotiations in Buenos Aires in March 2004, Mercosur and India made initial offers covering only around 200 products. However, a press release qualified the results as significant

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[54] Figures are given for illustrative purposes only. They should not be interpreted as estimated trade gains as a result of the PTA.

[55] In 2000-2003, Mercosur exported around 800 items (at least US$ 1,000) to India. The indicative trade potential for these items was US$ 9.9 billion. India exported around 1600 items to Mercosur with an indicative trade potential of US$ 10.1 billion.

[56] Exim India signed an Agreement for a Line of Credit (LOC) of US$ 10 million with Banco Bradesco S. A., Brazil

[57] India and Brazil also signed five agreements that include bilateral cooperation in peaceful uses of outer space, tourism, culture and other diversified areas. The two were also keen on cooperation in the areas of information technology, railways, pharmaceuticals and biotechnology.

considering that these lists constituted only a starting point and taking into account the "lack of understanding of each other's economic and trade potential".[58] The lists have subsequently been expanded to cover between 300 and 400 products. Considerable progress has been made on Statistical Annex tables 3–5.

IV. SELECTED ISSUES

56. Apart from trade in goods, there is also interest in enhanced Mercosur-India cooperation in the areas of technology sharing, services and investment.

Ethanol

57. There has been strong interest in enhanced cooperation between India and Brazil in the area of ethanol. In April 2002, India and Brazil signed a Memorandum of Understanding (MoU) for technology sharing in blending of petrol and diesel with ethanol.[59] The MoU has been particularly relevant in light of a decision by the Government of India to require blending of petrol with 5 per cent of ethanol, starting in nine sugarcane growing states. There are also plans to (a) eventually increase the ethanol content in petrol to 10 per cent; (b) require blending with ethanol throughout the country and (c) test blending of diesel with ethanol.[60] According to the Ministry of Petroleum and Natural Gas 5 per cent ethanol blends on an all-India basis would require 500 million litres of ethanol.

58. India is the largest producer of sugar in the world. The production of molasses, the basic raw material for the production of ethanol from sugarcane, has grown rapidly. In light of the above-mentioned decisions, many sugar factories in India are creating capacity for the production of anhydrous alcohol. The Brazilian engineering firm Dedini, which is the world's largest supplier of alcohol distillation plants, has transferred technology that has led to the construction of alcohol distilleries. Dedini has linked up with the Indian Uttam Group to offer domestic sugar mills "flexible technologies and complete turnkey solutions" for manufacture of fuel alcohol[61]

Pharmaceuticals

59. Pharmaceuticals (HS Chapter 30) represented 8 per cent of the value of Mercosur imports from India in 2002, with India's share in total Mercosur imports amounting to 2.8 per cent. Brazil is by far the most important Mercosur market for Indian pharmaceuticals. The CET (April 2004) ranges from 0 to 14 per cent, but certain items of interest to the Brazilian Ministry of Health are temporarily excluded from the CET and may be imported duty-free into Brazil until 30 June 2004.[62]

60. Brazil is the 11th largest pharmaceutical market in the world.[63] Annual sales reached US$ 5.6 billion in 2003.[64] In the period 1999-2003, Brazil imported US$ 1.5 billion annually in pharmaceutical

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[58] http://www.mrecic.gov.ar/ministerio/prensa/8604.html

[59] http://www.indiacar.net/news/n3577.htm

[60] http://www.ethanolindia.net/ethanol_govt.html

[61] http://www.thehindubusinessline.com/bline/2003/03/27/stories/2003032701980200.htm

[62] Resolution CAMEX 09 of 30 March 2004.

[63] In terms of units.

[64] In 2003, the number of units sold increased by 7 per cent compared to 2002, but was still 17 per cent below the number sold in 1998. Statistics from the Federação Brasileira da Indústria Farmacêutica (Febrafarma). http://www.febrafarma.org.br/areas/economia/economia.asp?area=co

products. The value of imports of finished products (HS 3004) was US$ 897 million (60 per cent of total pharmaceutical products) in 2003. In the same year Brazil exported US$ 280 million, of which 28 per cent went to other Mercosur countries. In 2002, Brazil imported US$ 50.5 million in pharmaceutical products from India, of which US$ 33.1 million were finished products.

61. Recent changes in Brazilian legislation, in particular in the area of generic drugs, have important implications for India-Mercosur trade and investment cooperation. In May 1996, Brazil enacted legislation (Law 9279 which took effect in May 1997) to amend its patent laws and bring them into compliance with the standards of the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS).[65] The Law allowed for the patentability of chemical products, a change that could result in higher pharmaceutical prices. Brazil adopted a Generic Drug Law (Law 9787) in 1999 which facilitates the entry of generic drugs into the marketplace.[66]

62. The government of Brazil encourages generics in order to improve access to medicines, which is particularly important for poorer segments of the population. Generics accounted for six per cent of the total market of pharmaceuticals in 2002 and this segment is growing rapidly.[67]

63. Following the adoption of generic drug legislation Ranbaxy, one of India's most important pharmaceutical companies that exports generic low-cost anti-aids drugs, set up a manufacturing unit in Brazil (Ranbaxy SP Medicamentos) with 55 per cent participation in the company's capital.[68] Generic drugs can also be imported from other developing countries, such as India. In order to be able to export to the Brazilian market, manufacturers need to be registered after the inspection of plant at the country of origin. Good Manufacturing Practice (GMP) is a pre-requisite for registration.

Creative Industries

64. The creative industries – from music and films to broadcasting, publishing and software production – are among the most dynamic sectors of world trade, with a high skill and value-added content and strong employment linkages, particularly in smaller and medium-size enterprises.

65. The Indian entertainment industry is expected to double in size in the next five years from the current level of $ 4.3 billion to $ 9.4 billion in 2008.[69] Similarly, the overall size of the Indian software industry is expected to increase from $ 20 billion in 2003-04 to $ 67.5 billion in 2008, with average annual export growth of 27 per cent.[70] IT development opens possibilities for India-Mercosur cooperation. In mid 2002, Tata Consultancy Services' (TCS), India's largest software exporter (and Asia's largest software and consultancy services organization) established a Software Development Centre in Montevideo, Uruguay. The centre focuses on systems development, maintenance and

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[65] A significant aspect of the law is the patentability of chemical products – chemical processes were already patentable. The Law provides a higher level of protection for pharmaceutical patents than in most other developing countries.

[66] Jillian Clare Cohen and Kristina M. Lybecker, Aids Policy and Pharmaceutical Patents: Brazil's Strategy to safeguard Public Health. November 13, 2002.

[67] According to the Economist Intelligence Unit (EIU), generics in Brazil will be boosted by the expiration in 2004 of patents on 75 top-selling drugs. To take advantage of this trend, Apotex (Canada) has invested US$ 25 million to build a generics production plant in São Paulo state, while Cinfa (Spain) invested US$ 40 million to open one in 2005. Latin America: healthcare and pharmaceuticals forecast, 5 April 2004. Available on: http://www.aigonline.com/content/0,1109,17073-694-ceo,00.html

[68] The laboratories Hetero International and Aurobindo Pharma are the major Indian suppliers of organic chemical products (HS 29).

[69] The Indian Entertainment Industry: Emerging Trend and Opportunities – Ernst and Young, and FICCI March, 2004.

[70] *Id.*

outsourcing, plus testing and certification of third-party software. The service area of the centre includes Argentina, Brazil and various other Latin American countries.

66. Recent figures of culture sector's contribution to GDP and employment illustrate the economic and job-creation potential of cultural industries. In OECD countries, the culture sector accounts for 4 per cent of GDP, while it accounts for 1 to 3 per cent in developing countries (i.e. 1 per cent in Brazil).[71]

67. The coverage of cultural industries goes beyond the audiovisual sector. Creative industries emerge not necessarily from the use of new technologies, but from creativity, skills or traditional materials. Creative Industries for instance could be inclusive of handicrafts, handlooms, unique cultural and traditional products – clothes, artefacts, furniture, sculptures, jewellery; intangible products such as entertainment and music, design services (architecture, interior design), person embodied services (traditional health therapists – traditional medicine practitioners, traditional fine arts performers – dancers, musicians etc.). Certain products and services from creative industries, such as crafts, are available largely in local niche markets. In such cases, tourism can be an important vehicle for international trade. These areas provide a good opportunity to strengthen the pro-poor dimension in India-Mercosur cooperation.

68. India's trade in creative industries is largely with countries with substantial concentrations of people of Indian origin. Increasing trade to other areas is of great relevance to India in its effort to prevent excessive concentration of trade in particular markets. It may therefore be useful to examine how India and Mercosur could strengthen cooperation in the area of creative industries.

Foreign direct investment

69. According to an Exim Bank of India Occasional Paper on "Mercosur: A Gateway to Latin American countries", India's presence in the Mercosur region through FDI or through joint ventures had been concentrated mainly in the pharmaceutical sector. Other engineering firms were also exploring investment or partnerships. The study argued that infrastructure projects such as electricity transmission; telecom, oil and gas also present significant opportunities for major Indian companies and that e-commerce was another area in which Indian companies could establish their presence in the Mercosur region.

70. India with its vast and significantly advanced railway network may offer potential in terms of creating rail infrastructure in Mercosur countries. Other possible areas of co-operation could include joint ventures in mineral and oil exploration / extraction activities in third countries.

V. PRELIMINARY CONCLUSIONS

71. Some preliminary conclusions can be drawn as follows:

- There is scope and potential for intra- and inter-regional South-South trade that needs to be tapped for optimising the development gains from trade.

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[71] UNESCO, 'Culture, trade and globalisation' available at http://www.unesco.org/culture/industries/trade/html_eng/question4.shtml#4

- Lack of understanding of each other’s trade potential and policies may currently be an important obstacle to private-sector support for tariff concessions.
- Large companies may play a key role in enhancing bilateral trade cooperation. This has been illustrated by trade in petroleum products, which has taken place in the context of arrangements between Petrobrás and Reliance Petroleum Ltd.
- There is a need to explore the role of SMEs on both sides to contribute to trade expansion, especially in dynamic new sectors of international trade, taking into account their potential to have beneficial impacts on the poor.
- The recent expansion of India-Mercosur trade can be explained largely by trade in vegetable oils and petroleum products. One important goal of the India-Mercosur PTA may therefore be to consolidate bilateral trade flows and enlarge the product base for diversification and continued trade expansion.
- India will be looking for consolidating a certain level of diversification achieved in its manufactured products. There seems to be good prospects for trade and investment cooperation, for example in the area of pharmaceutical products. Mercosur will also be looking for opportunities to consolidate and diversify exports of agricultural products.
- Apart from trade in goods, India and Mercosur should take advantage of opportunities for enhanced trade and cooperation in services. Creative industries - from music and films to publishing and software production – provide promising opportunities for trade in both goods and services.
- India-Mercosur cooperation in areas such as science and technology and information technology, as exist already between Brazil and India, could be used to strengthen opportunities for broader economic cooperation.

VI. ISSUES TO BE ADDRESSED

72. RTAs, including between developing countries, raise a number of issues, including:

- Do the industrial structures of the different regions lead to differences in RCAs and hence complementarities in products which can be traded?
- What are the dynamic growth industries and sectors in South-South RTAs?
- What is the scope for technology and knowledge sharing as well as other forms of partnerships between developing countries?
- What measures of trade facilitation and other invisible trade barriers need to be improved to reduce transaction costs for trade between developing countries?
- How can PTAs/RTAs be used as an effective tool to liberalize trade?
- Are bilateral and regional trade agreements between developing countries building blocks for a revitalized GSTP?
- What could be the impact of North-South Agreements (e.g. Mercosur-EU) on South-South trade and cooperation?
- How can South-South cooperation contribute to poverty alleviation?

73. With regard to the specific India-Mercosur trade agreement, the Forum could address questions such as:

- What are the tariff and non-tariff barriers to trade between India and Mercosur?
- How can mutual understanding among Indian and Mercosur partners of each other’s economic and economic potential be enhanced? Are there unfounded concerns about competitiveness issues and, if so, how could these be addressed?
- What are the private-sector expectations in different sectors?

- What is the scope for enhanced India-Mercosur trade in products and services of knowledge-based industries (e.g. information technology education) and creative industries (particularly entertainment and handicrafts)?
- How can cooperation in the areas of standards and regulations, SPS measures and conformity assessment be promoted?
- What is the scope for enhanced India-Mercosur cooperation in infrastructure-related projects?

STATISTICAL ANNEX

Table 1
Key indicators

	India	Mercosur					Bolivia	Chile
		Total	Argentina	Brazil	Paraguay	Uruguay		
Population (millions)	1 033.4	220.5	37.5	174.0	5.6	3.4	8.5	15.4
Area (1000km^2)	3 287.3	11 909.6	2 780.4	8 547.4	406.8	175.0	1 098.6	756.6
GDP in 2001 (billions of dollars)	477.3	797.0	268.6	502.5	7.2	18.7	8.0	66.5
GDP per capita (dollars)	462	3 615	7158	2 888	1 286	5 545	940	4 310
GDP growth (2000/1) (%)	5.4		-4.5	1.5	2.7	-3.1	1.2	2.8
Exports 2001*	44 307	87 881	26 610	58 223	990	2 058	1 351	18 745
All food items*	5 804	29 362	11 762	16 011	681	908	395	4 892
Manufactured goods*	33 097	41 052	8 701	31 208	161	982	280	3 187
Imports 2001*	51 909	84 074	20 321	58 510	2 182	3 061	1 707	16 136
Exports of services**	18 331	13 865	2 945	9 606	539	775	235	3 960
FDI 2002*	3 449	23 523	1 003	22 457	-22	85	553	1 603

* Millions of dollars
** In 2002, except India (2000)
Source: UNCTAD Handbook of Statistics 2003.

Table 2
Mercosur: total trade and intra-regional trade

Period	Exports			Imports		
	Total	Intra-Mercosur	Intra-Mercosur trade as a share of total trade (%)	Total	Intra-Mercosur	Intra-Mercosur trade as a share of total trade (%)
1991	45 908	5 102	11.1	34 264	4 247	15.3
1992	50 488	7 216	14.3	40 640	7 487	18.4
1993	54 150	10 026	18.5	48 094	9 429	19.6
1994	62 128	12 049	19.4	62 223	12 390	19.9
1995	70 493	14 451	20.5	79 860	14 440	18.1
1996	74 997	17 115	22.8	86 924	17 532	20.2
1997	83 287	29 584	24.7	102 543	21 096	20.6
1998	81 337	20 362	25.0	98 874	20 914	21.2
1999	74 322	15 163	20.4	82 518	15 760	19.1
2000	84 863	17 741	21.0	88 441	17 713	20.3
2001	87 880	15 170	17.3	84 073	15 820	18.8
2002	88 883	10 182	11.5	62 360	10 666	17.1

Source: UNCTAD, based on Comtrade.

Table 3
Mercosur, 2002: Imports from India, values and trade-weighted average 2001 tariffs

	HS	Imports (US $ millions)			Share India in total imports (%)	MFN applied rates	
		Total imports	Intra-Mercosur	India		Range	Trade weighted (India)
Total	1-99	62 360.9	10 660.3	727.2	1.2	0-55.0	6.9
Agricultural products	1-24	4 509.4	2 757.5	8.5	0.2	0-55.0	10.9
Minerals	25-27	9 289.3	1 745.9	301.1	3.2	0-29.0	0.1
Manufactured products	28-99	48 562.2	6 162.9	417.6	0.9	0-36.5	11.6
Pharmaceutical products	30	2 080.6	186.8	58.0	2.8	2.5-16.5	9.4
Other chemical products	28,29, 31-38	9 766.2	1 252.4	223.1	2.3	0-36.5	9.2
Leather	40-41	1 401.4	352.8	14.0	1.0	2.5-18.5	13.7
Textiles	50-63	1 490.1	357.5	34.9	2.3	4.5-22.5	19.7
Machinery	84	10 085.3	550.6	20.5	0.2	0-28.0	13.6
Electrical appliances	85	8 181.5	279.7	17.0	0.2	0-28.0	16.3
Automobile parts	87.08	1 957.5	358.3	0.9	0.0	0-20.5	11.7

Applied in 2001; trade weights correspond to 2002.
Source: UNCTAD, based on Comtrade.

Table 4
India, 2002: Imports from Mercosur, values and trade-weighed average tariffs

	HS	Imports (US $ millions)		Share Mercosur in total imports (%)	MFN applied rates (2001)		
		Total imports	Mercosur		Range	Trade weighted (total)	Trade weighted (Mercosur)
Total	1-99	61 118.2	722.9	1.2	0-210	26.4	41.3
Agricultural products	1-24	3 303.9	520.5	15.8	0-210	64.1	47.5
Vegetable oils	15	1 861.9	504.1	27.1	35-100	82.1	47.5
Minerals	25-27	20 460.3	17.9	0.1	5-35	17.3	14.2
Manufactured products	28-99	37 353.4	184.1	0.5	0-170	28.1	26.4
Pharmaceutical products	30	237.0	1.3	0.6	0-35	34.8	35.0
Other chemical products	28,29, 31-38	4 969.3	23.3	0.5	0-170	30.2	24.0
Leather	40-41	542.3	27.8	5.1	0-35	28.3	28.1
Textiles	50-63	1 633.7	16.9	1.0	5-35	23.1	13.4
Machinery	84	5 106.9	28.4	0.6	0-35	23.0	30.2
Electrical appliances	85	5 043.9	7.2	0.1	0-35	22.4	26.9
Automobile parts	87.08	220.4	15.3	6.9	0-35	35.0	35.0

Source: UNCTAD, based on Comtrade.

Table 5
Mercosur, 2000–2002: Exports and Imports

	Exports (X) (Millions of dollars)			Imports (M) (Millions of dollars)			Structure in 2002 (%)	
	2000	2001	2002	2000	2001	2002	X	M
Total	84 862.7	87 880.5	88 882.8	88 441.6	84 073.8	62 360.9	100.0	100.0
Developed countries	42 346.0	42 023.0	44 334.9	47 880.5	46 449.5	35 032.6	49.9	56.2
United States	16 930.8	17 485.3	18 671.7	18 693.2	17 779.7	12 934.2	21.0	20.7
European Union	20 025.4	19 969.3	20 811.7	21 070.7	20 757.0	16 203.8	23.4	26.0
Japan	909.5	845.8	1 002.4	1 507.0	1 238.3	893.2	1.1	1.4
Other	4 480.3	3 722.6	3 849.1	6 609.6	66 674.4	5 001.4	4.3	8.0
Central and Eastern Europe	1 194.6	2 047.8	2 157.4	1 626.0	1 525.3	1 227.8	2.4	2.0
Developing countries	39 757.6	42 360.5	41 164.9	38 114.9	35 478.7	25 732.9	46.3	41.3
Latin America/Caribbean	28 461.3	27 568.2	23 869.8	23 770.8	20 866.6	14 284.2	26.9	22.9
Mercosur	17 740.9	15 170.3	10 180.7	17 713.0	15 820.4	10 660.3	11.5	17.1
Andean Community	3 176.4	3 839.3	4 012.5	2 675.8	2 058.6	1 640.7	4.5	2.6
Developing Asia	7 196.8	9 561.1	11 335.1	10 142.3	9 843.0	7 717.4	12.8	12.4
India	664.5	756.0	1 104.1	455.9	775.7	727.2	1.2	1.2
Developing Africa	2 306.6	3 088.9	3 425.6	3 463.0	3 556.0	2 782.4	3.9	4.5
SACU	573.3	775.7	787.2	333.8	438.3	237.9	0.9	0.4
Other countries (areas NES)	1 564.6	1 449.3	1 225.7	820.1	620.4	367.6	1.4	0.6

Source: UNCTAD, based on Comtrade.

Table 6
India, 2000–2002: Exports and Imports

	Exports (X) (Millions of dollars)			Imports (M) (Millions of dollars)			Structure in 2002 (%)	
	2000	2001	2002	2000	2001	2002	X	M
Total	45 249.7	44 306.6	52 471.5	51 377.3	51 908.5	61 118.5	100.0	100.0
Developed countries	24 009.9	22 107.0	26 579.6	20 894.7	21 222.7	23 747.8	50.7	38.9
United States	9 456.4	8 617.4	10 852.7	3 065.9	3 184.4	4 435.4	20.7	7.3
European Union	10 585.4	9 966.8	11 482.0	10 668.3	10 547.1	12 484.2	21.9	20.4
Japan	666.6	591.2	695.0	403.8	535.0	563.7	1.3	0.9
Other developed countries	3 301.4	2 931.6	3 549.8	6 736.6	6 956.2	5 264.5	6.8	8.8
Central and Eastern Europe	1 239.0	1 180.8	1 131.5	823.7	883.4	1 077.0	2.6	1.8
Developing countries	18 142.8	18 895.8	24 555.4	13 712.8	15 579.0	18 592.2	46.8	30.4
Latin America/Caribbean	1 072.6	1 009.9	1 340.3	721.9	1 012.3	1 031.0	2.6	1.7
Mercosur	374.2	320.2	560.4	538.3	773.8	722.9	1.1	1.3
- Argentina	100.0	65.3	60.0	387.2	440.6	402.3	0.1	0.7
- Brazil	229.5	221.4	476.8	147.6	311.4	315.3	0.9	0.5
- Paraguay	8.4	7.2	6.8	0.6	18.2	0.6	..	..
- Uruguay	36.3	26.2	16.8	2.9	3.6	4.6	..	..
Bolivia	2.1	1.2	2.1	14.6	2.7	1.0	..	..
Chile	110.1	84.2	71.8	58.1	95.8	166.5	0.1	0.3
Developing Asia	12 328.1	12 545.1	16 528.1	10 096.7	11 013.1	13 304.8	31.5	21.8
SAFTA	1 958.4	2 048.2	2 711.2	473.8	577.5	509.6	5.2	0.8
ASEAN	2 965.0	3 496.1	4 596.8	4 217.5	4 433.5	5 126.5	8.8	8.4
Developing Africa	2 336.2	2 819.4	2 973.3	2 076.1	2 608.8	3 381.7	5.7	5.5
SACU	326.1	373.1	507.3	1 040.6	1 456.5	2 087.6	1.0	3.4
Other countries (areas NES)	1 858.0	2 123.0	205.1	15 946.2	14 223.4	17 701.3	0.4	29.0

Source: UNCTAD, based on Comtrade.

Table 7
India, 2002: Trade with Mercosur by product groups (millions of dollars)

HS	Sector/product	Exports					Imports				
		Total	Arg	Bra	Par	Uru	Total	Arg	Bra	Par	Uru
1-99	Total	560.4	60.0	476.8	6.8	16.8	722.9	402.3	315.4	0.6	4.6
1-24	Agricultural products	6.0	0.9	4.8	0.2	0.1	520.5	367.2	153.3	..	..
25-27	Minerals	255.5	..	255.5	..		17.9	1.4	16.6	..	..
28-99	Manufactured products	299.0	59.1	216.5	6.6	16.7	184.4	33.7	145.5	0.6	4.6
30	Pharmaceuticals	46.0	2.6	41.1	0.3	2.1	1.3	1.2	0.1	-	-
28-29 31-38	Other chemical products	144.8	44.8	83.3	5.6	11.1	23.3	3.4	19.8	0.2	..
40-41	Leather	9.1	0.7	7.4	0.1	0.9	27.8	13.7	13.4	-	0.7
50-63	Textiles	33.5	3.3	29.0	0.1	1.1	16.9	4.1	8.7	0.5	3.6
84	Machinery	14.7	1.1	13.0	0.1	0.5	26.4	1.4	27.0	-	..
85	Electrical appliances	7.0	0.2	6.7	..	..	7.2	0.1	7.1	-	-
87.01	Automobile parts	1.3	0.2	0.7	0.1	0.2	15.5	0.6	14.8	-	-

Source: UNCTAD, based on Comtrade.

Table 8
Bilateral trade between Brazil and India, 1984–2003
(Millions of dollars)

	Total	Imports from India		Exports to India					
				Total		Commodities	Industrial products		
		Value	Part %	Value	Part %		Total	Semi-Manufactured	Manufactured
1984	405.5	1.1	0.01	404.4	1.50	5.2	399.2	264.4	134.9
1985	334.9	1.1	0.01	332.9	1.30	5.8	327.1	147.1	180.1
1986	210.3	2.0	0.02	207.5	0.93	7.5	200.0	51.1	148.9
1987	220.5	2.7	0.02	217.8	0.83	8.8	208.9	87.1	121.8
1988	194.9	9.6	0.07	185.3	0.55	11.9	173.5	12.7	160.8
1989	233.9	34.2	0.19	199.7	0.58	14.7	185.0	66.9	118.0
1990	184.0	16.3	0.08	167.7	0.53	12.7	155.0	36.7	122.5
1991	198.3	32.6	0.16	165.7	0.52	12.6	153.0	30.5	100.7
1992	177.0	28.3	0.14	148.7	0.42	14.8	133.9	33.2	77.6
1993	215,9	91.1	0.36	124.8	0.32	14.9	109.9	32.3	146.3
1994	709.2	88.0	0.27	621.2	1.43	40.7	580.4	434.1	104.2
1995	487.8	167.8	0.34	320.0	0.69	43.7	276.2	171.9	113.5
1996	370.7	185.8	0.35	184.9	0.39	50.7	134.1	20.6	102.6
1997	382.5	216.2	0.36	166.3	0.31	30.4	135.8	33.2	79.8
1998	356.6	211.7	0.37	144.9	0.28	27.8	117.0	37.2	202.5
1999	483.9	170.0	0.34	313.9	0.65	27.7	286.1	83.7	109.6
2000	488.7	271.3	0.49	217.4	0.39	27.1	190.2	80.6	99.1
2001	828.1	542.8	0.98	285.3	0.49	55.0	230.1	131.0	102.3
2002	1226.8	573.2	1.21	653.6	1.08	363.5	290.0	187.7	102.3
2003	1039.1	485.9	1.01	553.1	0.76	278.1	274.9	147.8	127.1

Source: Ministry of Development, Industry and External Trade, Secretary of External Trade (SECEX).

Table 9
Mercosur exports to India, 2000–2002: “Indicative trade potential”
Most important complementary products*
Millions of dollars

HS	Description	Mercosur exports to the world (excl intra-Mercosur trade) (1)	Indian imports from the world (2)	Trade potential minimum of (1) and (2) (3)	Current Mercosur exports to India (4)	Untapped potential	
						Total (3)-(4) (5)	Excluding items with 2001 tariffs of 5 per cent or less (6)
270900	Petroleum oils , crude	2 676.5	14 574.8	2 676.5	111.1	2 565.4	2 565.4
271000	Petroleum oils, preparations	1 793.4	1 298.7	1 298.7	0.4	1 298.3	1 298.3
852520	Transmission apparatus for radiotelephony	934.7	434.5	434.5	1.6	432.9	432.9
710813	Gold in other semi-manufactured forms, non monetary	353.5	409.7	353.5	0.0	353.5	353.5
260300	Copper ores and concentrates	434.9	311.4	311.4	15.6	295.8	0.0
150710	Crude soy bean oils	1 500.6	296.0	296.0	279.8	16.2	16.2
870899	Motor vehicle parts not elsewhere specified	405.8	195.5	195.5	14.0	181.6	181.6
880230	Airplanes and other aircrafts (not exceeding 15000 kg)	2 669.6	179.4	179.4	0.0	179.4	0.0
520100	Cotton, not carded or combed	146.8	316.0	146.8	30.4	116.4	0.0
710812	Gold in unwrought forms, non-monetary	123.1	3 683.7	123.1	0.0	123.1	123.1
852990	Parts (excluding aerials) for radio, TV, radar and similar apparatus	121.9	173.7	121.9	0.5	121.5	121.5
880330	Aircraft parts nes	118.8	176.6	118.8	0.1	118.7	118.7
150790	Soy bean oil (excl. crude) and fractions	131.7	111.7	111.7	89.9	21.8	21.8
880240	Airplanes and other aircrafts (exceeding 15000 kg)	645.2	88.4	88.4	0.0	88.4	0.0
	Sub-total	*12 057.0*	*22 250.0*	*13 630.1*			
	Other items	56 179.2	31 602.9	7 173.9			
	Total	68 236.2	53 852.9	13 630.1	840.3	12 957.4	11 862.4

* Products exported by Mercosur and imported by India.
Based on average trade flows 2000-2002.

Table 10
India: “Indicative trade potential” for exports to Mercosur
Most important complementary products*
Millions of dollars

HS	Description	Tariff rate (2001)	India's exports to the world (1)	Mercosur imports from the world (2)	Trade potential minimum of (1) and (2) (3)	Mercosur imports from India (4)	Untapped potential	
							Total (3)-(4) (5)	Excluding items with 2001 tariffs of 5% or less (6)
271000	Petroleum oils, preparations	0.8	2 170.9	2 964.0	2 170.9	212.3	1 958.7	0.0
300490	Other medicaments, for retail sale	13.2	551.6	907.4	551.6	8.4	543.2	543.2
870899	Motor vehicle parts	11.5	217.3	711.6	217.3	0.4	216.9	216.9
847330	Parts and accessories of automatic data processing machines	9.3	172.7	951.7	172.7	1.1	171.7	171.7
401120	New pneumatic tyres	18.5	173.2	124.6	124.6	1,4	123.3	123.3
300420	Medicaments or other antibiotics	10.3	122.2	110.9	110.9	7.7	103.3	103.3
740311	Copper cathodes	8.5	101.1	265.0	101.1	0.0	101.1	101.1
380810	Insecticides	13.3	257.8	97.8	97.8	0.7	97.1	97.1
300390	Other medicaments, not for retail sales	13.1	165.3	95.9	95.9	4.0	91.9	91.9
294190	Other antibiotics, nes	6.2	82.2	122.8	82.2	10.0	72.2	72.2
291736	Terephthalic acid	14.5	80.2	92.7	80.2	0.0	80.2	80.2
540752	Dyed woven fabrics	20.5	84.1	77.1	77.1	0.1	77.1	77.1
	Sub-total		*4 178.6*	*6 521.5*	*3 882.4*	*245.9*	*3 636.6*	*1 677.9*
	Other items		41 890.9	56 843.3	8 845.6	407.0	8 438.3	7 883.5
	Total		46 069.5	63 364.8	12 727.8	652.9	12 074.9	9 561.4

* Products exported by India and imported by Mercosur.
Based on average trade flows 2000-2002.

Table 11
India: products (exported to Brazil) with a revealed comparative advantage (RCA) of more than 2.5

HS	Description	RCA (in descending order)	Brazil's imports in 2001 (US$ 000)		Share of India in total imports
			From the world	From India	
620630	Women's or girls' blouses, shirts, etc, of cotton	17.8	1 193.6	494.2	41.4
620520	Men's or boys' shirts of cotton	10.1	5 458.5	680.7	12.5
619510	Men's or boys' shirts of cotton, knitted or crocheted	9.1	2 310.0	34.3	1.5
410620	Goat or kid skin leather, prepared after tanning	8.5	2 015.0	634.9	31.5
570210	Kelem and other similar hand-woven rugs	7.3	604.1	272.7	45.1
420221	Leather handbags	6.7	2 008.9	72.9	3.6
570239	Pile floor coverings of other textiles	6.3	34.2	7.5	21.9
293090	Other organo-sulphur compounds, nes	6.2	136 344.4	3 008.9	2.2
130232	Mucilages and thickeners of locust beans	5.7	4 499.0	811.8	18.0
570110	Carpets and other textile floor coverings	5.6	1 706.8	370.3	21.7
630419	Bedspreads (excl. knitted or crocheted)	5.6	1 356.5	79.3	5.8
320417	Pigments and preparations based thereon	5.5	44 368.0	1 765.3	4.0
732393	Table, kitchen or other household articles and parts thereof, of stainless steel	5.4	4 614.4	106.0	2.3
630251	Table linen of cotton (excl. knitted or crocheted)	5.0	470.9	143.9	30.6
621490	Shawls, scarves, of other textiles, nes	4.6	187.9	37.8	20.1
293500	Sulphonamides	4.2	68 493.0	3 764.9	5.5
294190	Other antibiotics, nes	4.1	90 983.0	6 490.2	7.1
300390	Other medicaments, not for retail sale, nes	3.8	73 634.6	3 456.0	4.7
630790	Made up articles (incl. dress patterns), nes	3.6	5 115.4	60.4	1.2
060499	Parts of plants, for ornamental purposes	3.3	37.2	2.8	7.5
090230	Black tea (fermented) in immediate packing	3.2	213.1	18.5	8.7
570310	Tufted floor coverings of wool or fine animal hair	3.1	167.3	11.4	6.8
293359	Compounds with pyrimidine or piperazine ring	3.1	58 939.6	1 975.8	3.4
621310	Handkerchiefs of silk or silk waste	3.1	45.8	0.5	1.1
090411	Dried pepper (excl. crushed or ground)	2.9	216.2	58.0	26.8
251320	Emery, corundum, and other natural abrasives	2.9	131.5	12.4	9.4
581099	Embroidery of other textiles	2.9	189.4	70.2	37.1
	Total (27 items)		505 338.5	24 441.6	4.8