CHAPTER X

CONTEMPORARY PROBLEMS AND TRADING PROSPECTS
A study team was appointed by the Government of India which examined various issues concerning with the development programmes of the Latin American countries. The team recommended that on the basis of various development programmes in the Latin American countries, the Government of India could safely offer technical co-operation in the following fields:

(a) Development of water resources.
(b) Agricultural Development.
(c) Utilisation of mineral resources.
(d) Industrial development including industrial planning and programming consultancy services, transfer of Technology, small scale industries, manpower training, formulation of standards, quality control and inspection.
(e) Power generation and distribution.

(f) Modernisation and expansion of railway network.

The study taken up by the Indian Institute of Foreign Trade suggested that the Government might take up the matter of participation in various economic development programmes of these countries very rigidly and start the programme of active participation among the Latin American region, country-wise. The specific opportunities for various countries are discussed here.

The Government of Argentina is eager to collaborate with the Government of India in the fields of agricultural development and research, management of water and energy resources, food industry, mineral development, agricultural machinery, industrial equipment, railway-expansion and in similar other fields where Indian expertise could establish a sound image in this fast developing country. The Argentina Government has also sent various proposals where schemes of turn-key projects could be successfully completed by the Indian know-how—both through private and public sectors. This has given way to several new opportunities where the Indian exporters could benefit immensely.

There are immense possibilities of active regional and industrial development plans in Brazil and Mexico. On
the basis of surveys completed by the Government Agencies it can be safely concluded that these two countries have the largest possibilities of completing collaboration programmes and joint ventures. The various specific fields in which India could work with great profit, are, in power generation machinery, textile and agricultural machinery, pesticides and raw materials for pharmaceuticals industry. It is also possible that a great majority of Indian requirements in paper and pulp could be met out of Brazil by creating production capacities in joint ventures. On the basis of technology transfer, Indian expertise can be of great help to Brazil-industry particularly in the fields of chemicals, plant and equipment, fertilisers, petro-chemicals, electric-equipment, railways, development of small scale industries, steels and engineering goods of different varieties. The National Financiera S.A. (NAFINSA) programme supported by the Government Development Bank aims at setting up capacities in boilers, smelting and forge work, machine-tools, diesel engines, pumps, valves, etc. Production machinery and equipment for use of specific industries (oil, electricity, mining food, etc.) and development of agro-based industries in the region.

India can very conveniently complete different technical co-operation schemes, particularly in the field
of petroleum sector, swamp water drilling, off-shore exploration and manufacture of petro-chemical and fertilisers. We could borrow lot of technical collaboration projects with Mexico for preparing newsprint by cusi process from Bagasse. This is true in the case of Brazil also. Automotive technology for replacement of petrol by alcohol could also be imported from Brazil. Brazil could help India in the establishment of projects, manufacturing glandular products. India could import oxenglands which is very useful.

The Andean group also offers tremendous opportunities for industrial ventures in the fields of:
(i) metal mechanics (engineering) (ii) electronics, (iii) basic metallics including iron and steel and non-metallic minerals, (iv) chemicals, (v) petroleum, (vi) automobile industry, (vii) fertilisers, (viii) Machine tools, (ix) automotive parts and components, (x) textile machinery, sugar mill machinery (xi) cement, asbestos industry and (xii) antibiotics, chemicals and pharmaceuticals and vegetable oil, paper and alcohol.

There are greater opportunities in the fields of railways, power-generation, both thermal and hydro-electric sources, coal mining and coal based chemical industries. The Andean group countries have planned for
an investment of US $50 billion by 1990 and India should not lag behind to utilise this opportunity. The Andean group countries have liked Indian goods and in so many respects our goods match the exact requirements of these countries. They provide tremendous scope for machinery and capital goods which should be highly labour-intensive as well as based on intermediate technology. Indian goods are worth their present needs and requirements. Presently, the Andean group countries are trying to develop basic industries based on their natural resources. At present, the group has developed their economic development programmes in such a way that Indian entrepreneurs could offer expertise as well as industrial commodities in plenty. The goods and services are popularly accepted by the Andean group and as such this favourable atmosphere, over there, should be properly utilised by the Indian exporters upto a maximum extent.

Chile and Cuba also have similar foreign trade opportunities. A number of industrial development schemes involving huge industrial investment programmes are in practice in both these countries. These countries prefer a liberal import policy and as such are easily accessible. They provide miscellaneous incentives for foreign private investments too. Both the countries have shown great interest in the spheres of computers,
electronics, petroleum, nuclear energy, agro-industry and packaging.

To develop and expand long-term trade and economic relations is such an issue which invites direct and continuous participation by miscellaneous agencies, particularly from both the sides and it is the responsibility of the Ministry of foreign trade to devise a scheme of an integrated trade and promotional measures so that the opportunities that exist in plenty are utilised.

It is discernible from the figures relating to Indo-Latin-American trade that India's adverse trade balance has been on a continuous increasing scale for the last decade. The main factors that have inhibited expansion of Indian exports to these countries relate to the following major reasons: These are the observations of the technical study teams:

1. The dominance of the U.S.A. over these countries is very excessive. The geographical contiguity to U.S.A. which meets most of the important needs, makes it difficult for other countries to compete on commercial terms.

2. The members of multinationals have a great influence on most of the Latin American countries and at times
it is very difficult to break this influence which is pretty age-old.

3. Most of countries believe in trading based on tied foreign loans and credits.

4. The Indian exporters do not possess up to date market informations, about the trends in economic development, trade opportunities, mainly arising out of information gap and lack of contacts.

5. It is a general complaint that low priority is accorded by the business community and the Governments of the two countries to the mutual trade promotion and economic co-operation.

6. Inability to match attractive credit terms, delivery schedules, service facilities and commission offered by the different established traders both for imports and exports have curtailed India’s export prospects.

7. Sophisticated technology from the U.S.A., Canada and Japan dominated these markets and in that respect technological lag affects Indian traders adversely.

8. Long distance and inadequate shipping services create a lot of obstacles in the way and hence the Indian goods are sold at a higher price in these markets.
9. At so many Latin American countries, there is a lack of commercial representative in the Indian embassy which creates a gap between the trading relations.

10. The language of most of the countries create a problem and on account of this communication problem most of the traders avoid entering into trade-relations.

11. As discussed, trade practices in Latin America are developed on C.I.F. basis. The payment terms are generally (leaving the large-size contracts) in the form of letters of credit which is popularly operated in US dollars. The study teams that have made a survey of these markets keenly endorse that the Latin American buyers/importers are eager to establish sustained relationship with the Indian firms. In several cases they are keen to function as regular agent/distributor for the Indian firms. This has not been promoted so far.

Some of the Latin American countries are progressing well on account of new petroleum and gas discoveries. Due to discovery of these resources, a number of capital goods and petro-chemical industries are being established in this region. This region is bestowed with large hydro-electric potential as well as crude oil resources.
On account of large scale inflationary price trends there had been great upheavels in the area and the rates of annual inflation in certain areas had been from 6 to 160 per cent. During 1979-80 Brazil, Colombia, Jamaica, Peru and Uruguay suffered from acute inflation. The countries in Latin American region have now realised that prompt and adequate efforts are very necessary to be taken otherwise their programmes of economic development will be adversely affected to. In Argentina, Brazil and Mexico, several attractive schemes of industrialisation are under way. These three countries are trying to reshape the industrial economy of Latin America. The recent energy crisis has, however, affected the programmes in this region adversely. The more developed countries of this region are concentrating their attention on petro-chemical industries, automobiles, petroleum and natural gas recoveries, and on establishment of capital goods industries. Several advanced and experienced producers of automobiles have established joint ventures in Latin American region from all over the world.

During the last two decades, tremendous work has been done in these countries to establish and restructure the industrial base of this region. On account of this diversion towards domestic production and utilisation in
internal markets, the exportable surplus from this region was not of an appreciable extent. This has necessarily widened the balance of trade gap for this region. This gap has gradually increased in the recent years on account of increased import prices, higher cost of external financing and ultimately goods and services and last but not the least inadequate increase in exports. Though the average expansion in exports from Latin America was around 19.1% during the period 1970-78, yet it has been adversely affected by a slightly higher increase in imports, which accounted for 19.3% for the same period. In Latin America's foreign trade the share of imports in 1976 was around $59.45 billion, which reached to $72.45 billion in 1978, while the same figure for exports in 1976 was $51.40 billion which increased to $63.27 billion in 1978.

On an analysis of country-wise trade performance, it can be noticed that the exports from Argentina during the last three years have increased by about 50%. The export figures from Argentina which was 7.62 per cent in the total Latin American export is now around 10.12 per cent in the year 1978. Argentina imports have also slightly increased and this is a favourable feature. Imports in Argentina among the total imports in Latin American countries were sheerly 5.10 per cent in 1976.
which has reached to 5.29 per cent in 1978. This is a welcome feature. The second important country which has shown favourable increment in exports from the Latin American Group is Mexico. The percentage for exports from this country was 7.06 in 1976, which has now reached to 9.07 per cent in 1978. There had been practically no change in exports from Brazil which shows a stagnant condition. It's percentage in total exports was 20.46 in 1976, which has come down to 19.80 in 1978. However, the performance of Brazil on import front also reveals an identical position. From 22.76 per cent in 1976, it has attained a percentage of 20.07 in 1978. The third place in appreciable performance in exports is occupied by LAFTA group countries. It enjoyed a percentage of 67.03 in exports in 1976 which has now reached to 70.00 percent in 1978. However, the import performance is not very encouraging. The share of total imports by LAFTA Group was 62.49 per cent in 1976 which was 66.50 per cent in 1978. The performance of the remaining other countries had been all-in-all stagnant on export fronts while imports for several countries have shown an increasing trend. Exports from Chile, Andean Group, Paraguay and Uruguay and other Carribbean countries have been reduced considerably during these three years period. The import figure for Chile in 1976 was 2.76 per cent which increased to 3.58 per cent in 1978; for Andean Group the import figure for the said period was
24.43 per cent which increased to 25.20 per cent in 1978. Only Caribbean countries importés have reduced by about 5 per cent during the same period bringing the import figure on a level of 26.93 per cent in 1978.

The Latin American countries mainly import manufactured goods from all over the world. About 34 per cent of total imports originate from the U.S.A., 21 per cent from European Economic Community, 8 per cent from Japan, 9 per cent from middle east countries and the rest from Canada, inter-Latin American countries and other countries. It is rather very interesting to note that the extent of exports from Latin American countries also account for the same proportion as for imports from the similar countries discussed earlier. When we judge the structure of foreign trade, we notice that roughly 26 per cent of the total imports in Latin America account for fuels, 54.5% of manufactured goods, 10% for food items and the remaining 10% relate to agricultural raw materials, ores and metals and other various items of imports.

The position of exports from Latin American countries gives an interesting distribution of commodities. The place of fuels in total exports from the Latin American Countries is around 36 per cent, whereas the manufactured goods occupy a third place of 19 per cent;
just after food items which is 35 per cent of the total exports.

As is discussed earlier, the United States of America and the European Economic Community are two important regions where roughly more than half of the exports from Latin America are sent. The remaining countries which buy an enormous amount of exports from Latin American Countries are Japan, Canada, the Middle East countries and the other Latin American countries. It is an important feature of Indo-Latin American trade that India during the last ten years period (1968-69 to 1978-79) always remained on an adverse balance of trade with Latin America. The adverse balance of trade for India reached on an all-time high record of Rs. 1586.8 million. Indian trade relations are, these days, maintained with Argentina, Venezuela, Brazil, Trinidad and Tobago, Netherlands, Antilles, Guiyana, Peru and Uruguay. These countries possess enormous trade expansion potential for a country like India. They are both our importers as well as good exporters for our supplies. In particular, Brazil, Mexico and Argentina have very important sources of our imports. More recently, countries like Nicaragua, Guatemala and Paraguay have been good trading partners for India. Bolivia and Netherland Antills now supply us tungston
and petroleum products.

When we analyse our recent trade trends with Latin American countries, we find that exports amounting to Rs. 83.7 million go from India to CARICOM group countries and thus this market predominantly occupies a paramount position. Next to this come other Carribbean countries where exports worth Rs. 56.2 million were sent in 1978-79. The Andean group countries, more or less, occupy a third position where Indian exports worth Rs. 29.5 million were sent in 1978-79. The performance in Brazilian market is not very encouraging. In 1977-78 our exports to this country amounted to only Rs. 13.5 million, whereas in 1978-79 it has remarkably been increased upto Rs. 48.1 million. Every year exports worth Rs. 15.1 million are sent to Mexico and also of the same order to Paraguay, Uruguay and Argentina. The exports to Argentina had been of the order of Rs. 25.00 million in 1977-78, which have been just brought to half in the succeeding year. Chile is not a very important market, also too CACM.

On an analysis of commodity pattern of India's exports to Latin American countries, it is seen that mainly the following commodities are exported from India to these countries: viz., jute products, lac, shellac, natural gums, tea, spices, handicrafts and some manufactured goods. Very recently special attention is being
paid to this region in sending new items of exports. The new items that figure prominently in the export list comprise of a number of non-traditional commodities like dyes and intermediates, cotton textiles and garments and engineering products like automobile parts and components, diesel engines and parts, bicycles and bicycle parts, hand tools, small and cutting tools, telephone equipment, office machinery, electric motors and various new engineering products.

The major items of imports into India from Latin American group relate to cereals, soyabean oil, tung oil, diamonds (uncut), non-ferrous metals, quebracho extracts, cotton, emeralds, ores and concentrates of tungstons, phosphoric-acids, citric acids, paper, fishing-trawlers, industrial machines, wax, iodine, etc. Some less important items also from part of the import list, the extent of which is fluctuating every year.

PROSPECTS:

The conditions are now changing gradually and the image of Indian products occupies a remarkable place in most of the sophisticated technical goods. Some of the buyers in Latin American countries show extra-keenness to purchase Indian goods. Our few products can meet specific technical specifications and quality standards
and in some respects they are fairly competitive in terms of price. To mention about the technical potentialities of exports from India to Argentina, Chile and Peru, there exists a great demand for jute products, textiles, woollen carpets and handicrafts. Since synthetics are not very popular in these countries, India can export these products up to a substantial extent. There is great demand of Indian tea in Chile. Consumers in Chile have a fancy for tea-bags, which may realise higher unit values. In addition to this, large opportunities exist for the supply of railway equipment in Argentina, Chile, Peru and Ecuador. The plan for modernisation and renovation is in great progress in Argentina and Chile. Similarly in Peru and Ecuador a coastal railway arrangement is to be made which will connect the two countries. It is proposed to invest an enormous amount in this project and if India bags an order in this respect it may benefit her greatly.

In the Andean region, which, comprises of Peru, Venezuela, Colombia, Ecuador, and Bolivia, there exist immense possibilities for expansion of our exports.