

India Exports to LAC: An Analysis of Economic and Export History of India for doing Business with Bolivia

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Abstract

The study present export performance of India for doing business with Bolivia. Bolivia is a country in central South America, with a varied terrain spanning Andes Mountains, the Atacama Desert and Amazon Basin rainforest. The country's population, estimated at 10 million, is multiethnic, including Amerindians, Mestizos, Europeans, Asians and Africans. Economic growth in Bolivia averaged 4.9% between 2004 and 2014. In this context, despite the significant expansion of public investment, the country has maintained current account and fiscal surpluses that have enabled it to accumulate important macroeconomic cushions. Oil prices have a delayed effect on natural gas export prices, for which reason Bolivia has only partially felt the decrease in commodity prices. Although growth remains strong as compared with other countries of the region, an economic deceleration has been observed throughout the year. Bolivia has many regional trade events that could be used to promote products or to test market interest. Imports in Bolivia are expected to be 702.12 USD Million by the end of this quarter, according to Trading Economics global macro models and analysts expectations.

Keywords: Latin America, Bolivia, Indian Export, Market Entry Strategy, Export Opportunity, Indian Export Performance, Export Commodity

Introduction

India and the Latin American and Caribbean (LAC) region stand at opposite ends of the globe, yet view each other with friendship and warmth. India shares a common history of colonialism and struggle for independence with the region. In modern times, the two sides have articulated common positions on global issues such as global trade, climate change, and energy (Sonwalkar et. al., 2015).

Imports in Bolivia increased to 736.20 USD Million in May from 716.78 USD Million in April of 2015. Imports in Bolivia averaged 332.34 USD Million from 1994 until 2015, reaching an all time high of 1065.60 USD Million in October of 2014 and a record low of 98.20 USD Million in January of 1996. Imports in Bolivia are reported by the Banco Central de Bolivia. Bolivia main imports are: machinery and transport equipment (38 % of total imports), chemicals and related products (15 %), mineral fuels and lubricants (14 %), iron and steel (7.4 %) and food products and livestock (7 %). Main import partners are: Brazil (18 % of total imports), Argentina (13 %), China (11 %) and United States (11 %). Others include: Japan, Venezuela, Peru and Colombia.

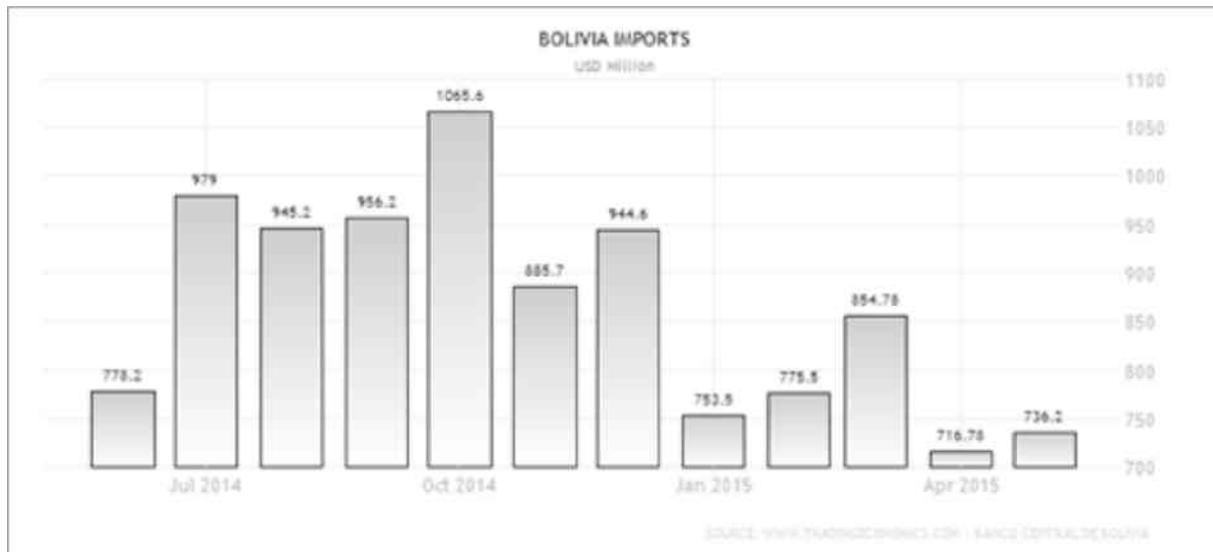


Figure 1: Bolivia Import Statistics in USD Millions
(Source: <http://www.tradingeconomics.com/bolivia/imports>)

| Table 1: Country Profile | |
|--------------------------|-----------------------------------|
| Capital | Sucre |
| Population | 10,556,102 |
| Nationality | Bolivian |
| Official Language | Spanish, Quechua, Aymara, Guaraní |
| Currency | Boliviano (BOB) |
| GDP (PPP) | Per Capita \$ 6,222 |

The Country

Bolivia is a country in central South America, with a varied terrain spanning Andes Mountains, the Atacama Desert and Amazon Basin rainforest. At more than 3,500m, its administrative capital, La Paz, sits on the Andes' Altiplano plateau with snow-capped Mt. Illimani in the background. Nearby is glass-smooth Lake Titicaca, the continent's largest lake, straddling the border with Peru.

Bolivia is a landlocked country located in western-central South America. It is bordered to the north and east by Brazil, to the southeast by Paraguay, to the south by Argentina, to the southwest by Chile, and to the northwest by Peru. Although only one-third of the country is located in the Andean mountain range, its largest city and principal economic centres are in the Altiplano.

Before Spanish colonization, the Andean region of Bolivia was a part of the Inca Empire, while the northern and eastern lowlands were inhabited by independent tribes. The Spanish *conquistadors* arriving from Cuzco and Asunción took control of the region in the 16th century. During most of the

Spanish colonial period, Bolivia was known as *Upper Peru* and administered by the Royal Court of Charkas. Spain built its empire in great part upon the silver that was extracted from Bolivia's mines. After the first call for independence in 1809, 16 years of war, followed before the establishment of the Republic, named for Simon Bolívar, on 6 August 1825. Since independence, Bolivia has endured periods of political and economic instability, including the loss of various peripheral territories to its neighbours such as Acre and parts of the Gran Chaco. It has been landlocked since it lost its Pacific coast territory to Chile in the War of the Pacific (1879–84), but agreements with neighboring countries have granted it indirect access to the Pacific and Atlantic oceans.

The country's population, estimated at 10 million, is , including Amerindians, Mestizos, Europeans, Asians and Africans. The racial and social segregation that arose from Spanish colonialism has continued to the modern era. Before the revolution of 1952, native Bolivians were not permitted even to enter the principal plaza of La Paz, which contains the presidential palace and the congress. Many

indigenous Bolivians today still seek to “pass” as mixed-race mestizos, whose social status is regarded as somewhat higher. The main language spoken is Spanish, although the Guarani, Aymara and Quechua languages are also common, and all four, as well as 34 other indigenous languages, are official.

Market Overview

As **World Bank Reported**, High commodity prices, increased mineral and natural gas exports and a prudent macroeconomic policy, economic growth in Bolivia averaged 4.9% between 2004 and 2014. In this context, despite the significant expansion of public investment, the country has maintained current account and fiscal surpluses that have enabled it to accumulate important macroeconomic cushions. International reserves equal 46% of GDP and public sector deposits in the Central Bank have reached 27% of GDP. Public debt has remained below 40% of GDP after the implementation of multilateral debt relief programs, which reduced the debt from 94% of GDP in 2003.

The positive economic context reduced moderate poverty, from 63% in 2002 to 45% in 2011, whereas the Gini Index fell from 0.60 to 0.49 between 2002 and 2013. These impressive results reflect the fact that citizens living in poverty were the population segment that most benefitted from the economic bonanza, especially through an increase in earnings.

Market Challenges

Following the decline in international oil prices, Bolivia faces the challenge of maintaining these positive economic and social results in a less favourable global environment. Oil prices have a delayed effect on natural gas export prices, for which reason Bolivia has only partially felt the decrease in commodity prices. Nevertheless, external accounts have experienced a decline that has triggered a decrease in

international reserves, from US\$15.1 billion in late 2014 to US\$14.3 billion in August 2015. The fiscal balance will experience a deficit this year – as it did in 2014 – following continuous surpluses between 2006 and 2013. Although growth remains strong as compared with other countries of the region, an economic deceleration has been observed throughout the year.

Adapting to the new international context – which many analysts believe will be permanent – is essential for maintaining growth and continuing to reduce poverty, which still affects 45% of Bolivians. The country should continue its prudent macroeconomic management, which makes use of the cushions available to ensure a smooth transition to the new equilibrium while consolidating public confidence. It is crucial to strengthen the efficiency and progressive increase of public spending to preserve macroeconomic balances without threatening the social advances achieved over the past decade. From a broader perspective, Bolivia needs to increase investment in exploration, which is important for ensuring the sustainability of its critical natural gas exports. Moreover, it is essential to promote increased private investment by strengthening the investment environment and investment in key infrastructure and by improving education quality in the long term. Increased private investment that complements public investment will create more jobs and increase diversity and productivity in non-extractive sectors.

India Exports to Bolivia

Table 2 is showing the export of India to Bolivia during the financial year 2013-2014 and 2014-2015 in million USD. Vehicles, Organic Chemicals, Electronics, Iron and Steel, Dyes and Paints, Apparels and Clothing Accessories, Pharmaceutical Products, Plastics and Rubber, and Cotton are commodities recorded higher export performance India's export to Argentina.

Values in US Million \$

| S.No | HSCode | Commodity | 2013-2014 | 2014-2015 | %Growth |
|------|--------|---|-----------|-----------|----------|
| 1 | 87 | Vehicles Other Than Railway or Tramway Rolling Stock, And Parts and Accessories Thereof. | 29.03 | 29.92 | 3.05 |
| 2 | 84 | Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof. | 2.77 | 15.79 | 470.24 |
| 3 | 30 | Pharmaceutical Products | 10.11 | 11.35 | 12.34 |
| 4 | 40 | Rubber And Articles Thereof. | 1.33 | 1.94 | 45.75 |
| 5 | 72 | Iron And Steel | 1.77 | 1.59 | -9.99 |
| 6 | 48 | Paper and Paperboard; Articles of Paper Pulp, of Paper or of Paperboard. | 0.07 | 1.49 | 2,042.67 |
| 7 | 39 | Plastic and Articles Thereof. | 0.92 | 1.47 | 60.28 |
| 8 | 90 | Optical, Photographic Cinematographic Measuring, Checking Precision, Medical or Surgical Inst. and Apparatus Parts and Accessories Thereof; | 0.88 | 1.16 | 31.98 |

| | | | | | |
|----|----|---|------|------|----------|
| 9 | 29 | Organic Chemicals | 1.1 | 0.94 | -14.21 |
| 10 | 24 | Tobacco and Manufactured Tobacco Substitutes. | | 0.83 | |
| 11 | 85 | Electrical Machinery and Equipment And Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts. | 1.37 | 0.77 | -44.18 |
| 12 | 55 | Man-Made Staple Fibres. | 0.77 | 0.62 | -19.97 |
| 13 | 73 | Articles of Iron or Steel | 0.37 | 0.62 | 68.74 |
| 14 | 76 | Aluminium and Articles Thereof. | 0.02 | 0.46 | 2,821.52 |
| 15 | 28 | Inorganic Chemicals; Organic Or Inorganic Compounds Of Precious Metals, of Rare-Earth Metals, or Radi. Elem. or of Isotopes. | 0.33 | 0.3 | -9.35 |
| 16 | 13 | Lac; Gums, Resins and Other Vegetable Saps and Extracts. | 0.14 | 0.22 | 60.17 |
| 17 | 52 | Cotton. | 0.59 | 0.21 | -64.78 |
| 18 | 54 | Man-Made Filaments. | 0.26 | 0.2 | -24.36 |
| 19 | 9 | Coffee, Tea, Mate and Spices. | 0.15 | 0.17 | 13.23 |
| 20 | 94 | Furniture; Bedding, Mattresses, Mattress Supports, Cushions and Similar Stuffed Furnishing; Lamps and Lighting Fittings Not Elsewhere Specified | 0.01 | 0.15 | 1,961.33 |
| 21 | 32 | Tanning Or Dyeing Extracts; Tannins and Their Deri. Dyes, Pigments and other Colouring Matter; Paints and Ver; Putty and Other Mastics; Inks. | 0.14 | 0.12 | -9.14 |
| 22 | 68 | Articles of Stone, Plaster, Cement, Asbestos, Mic a or Similar Materials. | 0.1 | 0.11 | 5.2 |
| 23 | 63 | Other Made Up Textile Articles; Sets; Worn Clothing And Worn Textile Articles; Rags | 0.05 | 0.04 | -23.63 |
| 24 | 36 | Explosives; Pyrotechnic Products; Matches; Pyrophoric Alloys; Certain Combustible Preparations. | 0.03 | 0.03 | -2.66 |
| 25 | 42 | Articles of Leather, Saddlery and Harness; Travel Goods, Handbags and Similar Cont. Articles of Animal Gut(Other than Silk-Warm) Gut. | 0.09 | 0.03 | -69.03 |
| 26 | 61 | Articles of Apparel and Clothing Accessories, Knitted or Corched. | 0.02 | 0.03 | 68.93 |
| 27 | 62 | Articles of Apparel and Clothing Accessories, Not Knitted or Crocheted. | 0.04 | 0.03 | -21.84 |
| 28 | 27 | Mineral Fuels, Mineral Oils And Products of Their Distillation; Bituminous Substances; Mineral Waxes. | | 0.02 | |
| 29 | 34 | Soap, Organic Surface-Active Agents, Washing Preparations, Lubricating Preparations, Artificial Waxes, Prepared Waxes, Polishing or Scouring Prep. | | 0.02 | |
| 30 | 35 | Albuminoidal Substances; Modified Starches; Glucs; Enzymes. | 0 | 0.02 | 405.13 |
| 31 | 49 | Printed Books, Newspapers, Pictures and Other Products of The Printing Industry; Manuscripts, Typescripts and Plans. | 0 | 0.02 | 295.65 |
| 32 | 64 | Footwear, Gaiters And The Like; Parts of Such Articles. | 0.18 | 0.02 | -91.4 |
| 33 | 69 | Ceramic Products. | 0.01 | 0.02 | 38.58 |
| 34 | 70 | Glass and Glassware. | 0.02 | 0.02 | -0.43 |
| 35 | 83 | Miscellaneous Articles of Base Metal. | 0.02 | 0.02 | 38.89 |
| 36 | 12 | Oil Seeds and Olea. Fruits; Misc. Grains, Seeds and Fruit; Industrial or Medicinal Plants; Straw and Fodder. | 0.01 | 0.01 | -23.08 |

| | | | | | |
|----|----|---|------|------|----------|
| 37 | 38 | Miscellaneous Chemical Products. | 0.28 | 0.01 | -97.77 |
| 38 | 57 | Carpets And Other Textile Floor Coverings. | 0.02 | 0.01 | -35.06 |
| 39 | 71 | Natural or Cultured Pearls, Precious or Semiprecious Stones, Pre. Metals, Clad with Pre. Metal and Articles Thereof; Imit. Jewellery; Coin. | 0.01 | 0.01 | 1.37 |
| 40 | 74 | Copper And Articles Thereof. | 0 | 0.01 | 471.43 |
| 41 | 82 | Tools Implements, Cutlery, Spoons And Forks, of Base Metal; Parts Thereof of Base Metal. | 0.02 | 0.01 | -74.37 |
| 42 | 15 | Animal or Vegetable Fats and Oils and Their Cleavage Products; Pre. Edible Fats; Animal or Vegetable Waxex. | 0 | 0 | 200 |
| 43 | 25 | Salt; Sulphur; Earths and Stone; Plastering Materials, Lime and Cement. | 0 | 0 | 1,100.00 |

Data Accessed from – Import-Export Data Bank, Ministry of Commerce, Govt. of India

Market Opportunities

According to the Bolivian National Statistics Institute, prospects for exports of non-agricultural products to Bolivia include the following sectors:

1. Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or, containing by weight 70 percent or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations; waste oils.
2. Motor cars and other motor vehicles principally designed for the transport of persons including station wagons and racing cars (other than those under the category 8702, defined as motor vehicles for the transport of 10 or more persons including the driver).
3. Motor vehicles for the transport of goods.
4. Bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling.
5. Self-propelled devices, angle-dozers, graders, levellers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines, and road rollers.
6. Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants, and similar products.
7. Packing material for retail sale or as preparations or articles (for example, sulphur-treated bands, wicks and candles, and flypaper).
8. Tractors (other than tractors of heading 8709, defined as: work trucks, self propelled, not fitted with lifting or handling equipment, of the types used in factories, warehouses, dock areas or airports for short distance transport of goods; tractors of the type used on railway station platforms, etc.).
9. Turbojets, turbo propellers, and other gas turbines.

Reasons to Doing Business with Argentina

1. Bolivia also found a resource-rich country with huge potential.
2. Its population is highly literate and well-educated. There are strong associates of professionals in medicine, business, law, accounting engineering, architecture, etc.
3. The country is digitally capable, with high internet and smart phone penetration.

Market Entry Strategies

Bolivia has many regional trade events that could be used to promote products or to test market interest. The largest of these is Exposure, an international multi-sector trade show that takes place yearly in Santa Cruz. As Univision and Expocruz organizers reported last year, the U.S. Pavilion is one of the most sought-after pavilions for exhibitors. It is a good opportunity to enter the Bolivian market, contact Bolivian importers and representatives, and market products. Over 19 countries participated in 2011's fair, and business transactions totalled approximately \$157.4 million. The second most attended trade fair in Bolivia is the "Feria Internacional de Cochabamba," a multi-sector trade show that takes place yearly in Cochabamba. Over 20 countries participated in the 2011 fair, and business transactions totalled approximately \$53.2 million.

It is advisable to appoint local representatives to investigate market opportunities and to establish sales networks. Retention of local legal counsel is often required to successfully navigate Bolivia's informal business practices and bureaucracy.

Bolivia Imports Forecast

Imports in Bolivia are expected to be 702.12 USD Million by the end of this quarter, according to Trading Economics global macro models and analysts' expectations. Looking forward, we estimate Imports in Bolivia to stand at 683.69 in 12 months. In the long-term, the Bolivia Imports are projected to trend around 741.63 in 2020, 741.63 in 2030 and 741.63 USD Million in 2050, according to our econometric models.

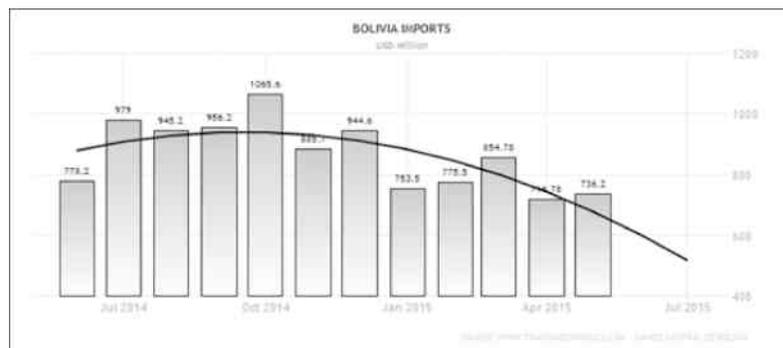


Figure 2: India Export Performance against Bolivia
(Source: <http://www.tradingeconomics.com/bolivia/imports/forecast>)

Conclusion

Bolivia is a country in central South America, with a varied terrain spanning Andes Mountains, the Atacama Desert and Amazon Basin rainforest. At more than 3,500m, its administrative capital, La Paz, sits on the Andes' Altiplano plateau with snow-capped Mt. Illimani in the background. Imports in Bolivia are expected to be 702.12 USD Million by the end of this quarter, according to Trading Economics global macro models and analysts' expectations. Looking forward, we estimate Imports in Bolivia to stand at 683.69 in 12 months.

During the financial year 2012-2013 and 2013-2014 (in million USD) Vehicles and Automobiles, Nuclear, Pharmaceuticals, Rubbers and Plastic, Electrical Machinery and Equipment parts, Articles of Iron and Steel, Copper and Article, Aluminium and Article, Vegetable saps and Extracts, Furniture and Furnishing and Iron and Steel are commodities recorded higher export to Bolivia. On the basis of the recent performance of India's Export to Bolivia, including Optical and Photographic Accessories, Tobacco, Paper and Articles of Paper, Pharmaceuticals, Nuclear, Rubber and Plastic, paper, organic and Vehicles are major commodities exported during the current financial year 2015-2016. India's Export is followed the market entry strategies and Bolivia Import forecast discussed in the present study.

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