Opportunity Assessment Study for Brazilian Companies in India

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Political Map of India

India is a federal union comprising twenty-nine states and seven union territories. The states and union territories are further subdivided into districts and further into smaller administrative divisions.

List of Abbreviations

Acronym	Description
AIDS	Acquired Immune Deficiency Syndrome
ATMs	Automated Teller Machines
BPR	Bharat Petro Resources
BTP	Bio-technology Park
CDMs	Cash Deposit Machines
DGFT	Directorate General of Foreign Trade
DIPP	Department of Industrial Policy and Promotion
EHTP	Electronic Hardware Technology Park
EOU	Export Oriented Unit
EPCG	Export Promotion Capital Goods Scheme
EXIM	Export Import
FOB	Free on Board
FTP	Foreign Trade Policy
FY	Financial Year/ Fiscal Year
HIV	Human Immunodeficiency Virus
HS	Harmonized System
ICD	Inland Container Depot
INR	Indian National Rupee
IT	Information Technology
JV	Joint Venture
LAC	Latin American and Caribbean
MEIS	Merchandise Exports from India Scheme
MSME	Ministry of Micro Small and Medium Enterprises
ONGC	Oil and Natural Gas Corporation Limited
SEIS	Services Exports from India Scheme
SEIS	Services Exports from India Scheme
STP	Software Technology Park
STUs	State Transport Undertakings
TCS	Tata Consultancy Services
UAE	United Arab Emirates
USA	United States of America
USD	United States Dollar
WOS	Wholly Owned Subsidiary

Currency Conversion Rate: 1 USD= 65 INR

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1.0 Overview of the Indian Economy

1.1 India's foreign trade policy

The Foreign Trade Policy of India (FTP) also known as the EXIM (Export Import Policy) Policy is a set of directives and instructions set forth by the Directorate General of Foreign Trade (DGFT)[1] to regulate matters relating to the import and export of goods in and out of India.

The primary objective of the Foreign Trade (Development and Regulation) Act, which governs the EXIM Policy is to develop the export potential of the country, increase exports, boost foreign trade, improve India's balance of payments, and regulate foreign trade.

The Union Commerce Ministry, Government of India declares the Foreign Trade Policy every five years. On 1st April 2015, the current EXIM Policy for the period 2015-2020 was announced, a year after the 2009-14 EXIM Policy expired on 31st March 2014.

The policy is aimed at augmenting India's share of the global trade and doubling India's overseas sales to USD 900 billion by 2019-20, while integrating foreign trade with the 'Make in India' initiative **(Refer** 3.3 Make in India~~3.3 Make in India~~**)** and the 'Digital India Programme' **(Refer:** 3.2 Digital India~~3.2 Digital India~~**).**

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The salient features of the Foreign Trade Policy 2015-2020 are as follows:

- The Foreign Trade Policy 2015-20 has set out a framework to significantly increase the export of goods and services while creating employment opportunities in step with the 'Make in India' campaign.
- FTP 2015-2020 also introduces two new export promotion initiatives, namely 'Merchandise Exports from India Scheme (MEIS)' for export of specified goods to specified markets and 'Services Exports from India Scheme (SEIS)' for increasing the export of specified services. Under this scheme, a certain percentage of the 'Free on Board' (FOB) value of exports is to be awarded to the exporters as incentives in the form of duty scrips. The incentives under the MEIS would range from 2 percent to 3 percent, depending on the trading partner country. Under SEIS the selected services would be rewarded at the rates of 3 per cent and 5 per cent.

[1] The Directorate General of Foreign Trade (DGFT) is the agency of the Ministry of Commerce and Industry of the Government of India responsible for administering laws regarding foreign trade and foreign investment in India

- The new trade policy provides enhanced support for processed and packaged agricultural and food items under MEIS.
- Measures also provide a fillip to export of defence and hi-tech equipment.
- FTP 2015-20 makes all duty-free scrips freely transferable. These scrips can be used for the payment of custom duty, excise duty and service tax.
- The export of agricultural products is to be incentivized at the rates of 3% and 5% under the 'Merchandise Exports from India Scheme'.
- Measures have been introduced for encouraging manufacturing and export activities under the 100 percent Export Oriented Unit (EOU)/Electronic Hardware Technology Park (EHTP) /Software Technology Park (STP)/ Bio-technology Park (BTP) schemes. The steps include the induction of a fast track clearance facility for these units, and the permission to share infrastructure facilities, carry out inter-unit transfer of goods and services, set up warehouses near the port of export, and use duty free equipment for training purposes.
- 108 MSME (Micro Small and Medium Enterprises clusters) have been earmarked for focused developmental activities in line with the objectives of 'Skill India' to boost exports.
- Measures have been provided to promote the sourcing of capital goods from indigenous manufacturers under the Export Promotion Capital Goods Scheme (EPCG) scheme by reducing specific export obligation to 75 per cent of the normal export obligation. The exporters whose merchandise has a high level of domestic content get higher rewards.
- Provisions have been made to allow manufacturers to self-certify their manufactured goods as originating in India with a view to qualifying for preferential treatment under various forms of bilateral and regional trade agreements. This 'Approved Exporter System' will help manufacturer exporters considerably in getting fast access to international markets.
- Branding campaigns have been planned to promote exports in sectors where India has traditionally been strong.
- Business services, hotel, and restaurants to get rewards scrips under the SEIS at a rate of 3%.
- The Calicut Airport, Kerala and the Arakonam ICD (Inland Container Depot), Tamil Nadu have been inducted as registered ports for import and export.

1.2 India's bilateral trade with top 5 countries

In times of a general slowdown in the global economy, India has been a beacon of high activity and growth. India's international trade plays a vital role in its economic health and expansion. In 2015-16, India accounted for 1.6% of the total global merchandise exports and 2.4% of the global imports. Likewise, India's share of the global service exports was 3.2% and that of imports was 3.0%.

While India has managed to maintain a favourable balance of trade position for services, it has consistently posted a negative balance of trade for merchandise. However, with the push for developing the manufacturing sector in the country, India is making great strides towards increasing its export of goods to the world. In 2015-16, India recorded a trade deficit of USD 118.5 billion, the lowest in 5 years.

In 2015-16, India exported USD 262 billion worth of merchandise, while its imports added up to USD 381 billion in value. ***The fifteen largest trading partners of India account for around 60% of the total trade of the country.***

India's Top Trading Partners in 2015-16

Rank	Country	Export (in USD million)	Import (in USD million)	Total Trade (in USD million)	Trade Balance (in USD million)
1.	China	9,010.35	61,706.83	70,717.18	-52,696.48
2.	USA	40,335.82	21,781.39	62,117.21	18,554.44
3.	UAE	30,290.01	19,445.68	49,735.69	10,844.33
4.	Saudi Arabia	6,394.23	20,321.33	26,715.56	-13,927.11
5.	Switzerland	977.17	19,299.49	20,276.66	-18,322.32
6.	Germany	7,092.89	12,088.37	19,181.26	-4,995.48
7.	Hong Kong	12,092.21	6,051.66	18,143.87	6,040.56
8.	South Korea	3,522.64	13,047.12	16,569.77	-9,524.48
9.	Indonesia	2,819.54	13,131.93	15,951.48	-10,312.39
10.	Singapore	7,719.81	7,308.38	15,028.20	411.43
	World	**262,290.11**	**381,006.34**	**642,094.55**	**-118,716.23**

Source: Ministry of Commerce and Industry, Government of India

Trade with the UAE (United Arab Emirates)

(China must be first? Why UAE is in first place?)

UAE for a long time has been one of India's biggest trading partners. With time, the trade between the two countries has only broadened in scope and increased in volume. In the 1970s, trade with UAE contributed only USD 180 million annually to India's total international trade. Today the trade between the two countries is worth about USD 50 billion, making UAE India's third biggest trading partner. Furthermore, UAE is also the second biggest importer of Indian goods with about USD 30 billion worth of imports in 2015-16.

India exports a well-diversified basket of goods to the UAE. The major items of export are petroleum products, precious metals, stones, gems and jewellery, minerals, food items (cereals, sugar, fruits and vegetables, tea, meat, and seafood), textiles (finished garments, synthetic fibre, cotton, yarn) and engineering equipment and chemicals.

India's major items of import from the UAE are petroleum and petroleum products, precious metals, stones, gems and jewellery, minerals, chemicals, wood, and wood products. India imported over 14 million tonnes of crude oil from UAE in 2015-16.

Trade with China

With total bilateral trade of over USD 70 billion in 2015-16, China is currently the biggest trading partner for India. It also enjoys the distinction of being the biggest exporter to India with exports (over USD 60 billion) three times in value to that of the second biggest exporter to India, USA.

Major imports to India from China include telecom instruments, computer hardware and peripherals, fertilizers, electronic components, project goods, chemicals, and drug intermediaries.

China also imported over USD 9 billion worth of goods from India in 2015-16 making it the fourth largest export destination for India after USA, UAE and Hong Kong. India's major exports to China include ore, slag/ash, iron and steel, tin, raw hides, leather, plastics, and cotton.

India's merchandise trade with China in 2015-16 was USD 70.7 billion down from USD 72.34 billion in 2014-15. In the same period the India's trade deficit with China rose from USD 48.8 billion to USD 52.68 billion.

Trade with the USA (United States of America)

India's trade relations with the USA have strengthened in the last few decades. From a modest trade value of USD 5.6 billion in 1990, the bilateral trade in merchandise between the two countries rose to a high of USD 66.9 billion in 2014. India's merchandise exports to the U.S. was worth around USD 40 billion in 2015-16, making USA the biggest export destination for Indian goods. With imports of over USD 21 billion USA is also the second biggest exporter to India, after China.

It's important to note that India has had a very favourable balance of trade position with the USA for the last couple of decades. In 2015-16 India had a trade surplus of over USD 18 billion with the USA.

Trade with Switzerland

The bilateral trade between India and Switzerland is primarily comprises import of gold bullions by India. Gold is estimated to account for around 90% of India's total imports from Switzerland.

The trade between India and Switzerland increased threefold from USD 1.6 billion in 2004 to USD 4.5 billion in 2011, not counting the trade in gold, before declining because of adverse currency movements and economic conditions. Likewise, India's merchandise exports to Switzerland more than doubled from 2009 to 2014, before declining to its current level. Indian exports to Switzerland, currently estimated at about USD 970 million in 2015-16, grew from around USD 800 million in 2009 to over USD 1,600 million in 2014.

Major items of export from India to Switzerland include textiles and garments, organic chemicals, precious stones and jewelry, dyes, machinery and parts, leather products, shoes, and parts thereof, cotton, plastics, coffee, tea, and carpets.

Outside of gold bullion, the Swiss exports to India comprise pharmaceuticals, machinery, transport equipment, chemical products, and watches.

Trade with Saudi Arabia

With over USD 26 billion of bilateral trade between Saudi Arabia and India, Saudi Arabia is currently India's 4th largest trade partner. But due to the steep drop in global oil prices, trade between the two countries has been on a downward spiral in recent times. In 2014-15, the total bilateral trade between India and Saudi Arabia declined by over 19% to USD 39.3 billion from USD 48.62 in 2013-14, only to slump further by 32% in the following year to the current level.

The bulk of the exports from Saudi Arabia to India comprises crude oil, with Saudi Arabia being the largest supplier of crude oil to India and meeting 20% of India's total annual crude oil requirements. In aggregate, Saudi Arabia is responsible for over 5% of India's global imports. Major Saudi Arabian exports to India include mineral fuels, mineral oils and its products, organic and inorganic chemicals, plastic and its products, and fertilizers.

Saudi Arabia is the also the 8th largest destination in the world for Indian exports and accounts for around 2.5 % of India's total global exports. Top Indian commodities exported to Saudi Arabia include mineral fuels, mineral oil, and products thereof, agricultural products, electric machines and equipment, iron and steel, organic chemicals, spacecraft parts, and apparel and clothing accessories.

1.3 India's Trade Relations with Latin America

Introduction

Over the last couple of decades, the economies of India and Latin America have witnessed similar trajectories of high growth to become some of the biggest centres of global economic activity. The positive macroeconomic changes have been accompanied by stabilizing political developments.

In-due course, the perception of India and Latin America of each other as trade partners and investment destinations have evolved in a positive direction, leading to the discovery of new synergies and modes of complementarity between the Latin American countries and India.

It is this progress in trade relations that enables Reliance Industries in India to import crude oil from Brazil, and export diesel back to the country profitably. Also, quite interestingly, Latin America is the leading destination of India's vehicle exports, despite the freight.

While Latin America accounts for under 5% of India's total global trade, India's contribution to Latin America's external trade is around 1.5%. These numbers have fluctuated greatly in recent times due to the recent economic and political turmoil in Latin American countries, and do point to the potential for growth in the trade relations between the two regions.

Latin American countries have demonstrated eagerness to expand their trade exposure to India as part of a strategy to reduce their excessive reliance on trade with China and to diversify their trade portfolios. The inroads made by the Indian information technology (IT) and pharmaceutical sectors in Latin America, have presented a viable alternative to Chinese imports in these areas.

Also, India, being a growing market for processed food products, competes with China for a major share of Latin American food exports. That explains why India tripled its own imports of Argentine soy products to USD 1.8 billion when China abruptly suspended its imports of Argentine soy oil in 2010.

While Latin America plays an ever more significant role in supplying India's energy and food needs, India offers a huge market for Latin American products. Argentina, Mexico, and Colombia are some of the biggest sources of edible oil for India. Also, Chile, Peru and Argentina supply fresh fruits and vegetables to India, notwithstanding the vast geographical distance between the two regions.

To Latin American businesses, India is a more accessible and viable market for their products than China and the other developing countries in Asia. Part of the reason for that is the prevalence of

English as a language of business. Also, at its current rate of growth, the Indian market is projected to surpass China's in the number of working-age consumers.

Although Latin America has not featured prominently in India's trade policies in the past, the significance of the Latin American market to India's trade portfolio is undeniable. India's exports to distant Guatemala (USD 250 million) far exceeds India's total exports to Cambodia (USD 143 million). Likewise, India's exports to Mexico (USD 2.8 billion) is greater than its exports to Myanmar (USD 1 billion), Russia (USD 1.6 billion), Canada (USD 2 billion) and Egypt (USD 2.3 billion). Furthermore, India's current bilateral trade with Brazil (USD 7 billon), despite a precipitous drop of over 40% from more than USD 11 billion in 2014-15 is greater than its trade with Bangladesh (USD 6.4 billion), Sri Lanka (USD 6 billion), Russia (USD 6.1 billion), Canada (USD 6.2 billion) and Spain (USD 4.8 billion).

Biggest Trade Partners for India in Latin America

Mercosur, a regional trade bloc in Latin America, with around USD 16 billion of bilateral trade is India's largest trading partner in Latin America followed by the Pacific Alliance with USD 11 billion of trade and Central America with close to a USD 1 billion of trade.

(Review layout of table)

Partners	Trade Balance in 2015-16 (USD million)	Exports in 2015-16 (USD million)	Imports in 2015-16 (USD million)
LAC[2]	-10,710	10,966	21,677
Brazil	-1,008	3,099	4,107
Mexico	41	2,768	2,726
Colombia	93	963	869
Peru	8	754	746
Chile	-1,492	665	2,158
Argentina	-1,711	516	2,228
Panama	165	240	74
Ecuador	-467	173	641
Venezuela	-6,482	158	6,640
Paraguay	-1,498	112	114
Bolivia	-115	75	190

Source: ITC

[2] LAC- Latin American and Caribbean

India’s trade balance with Latin America has been negative for the better part of the last few decades, as imports from the LAC region increased vis-à-vis exports to the region. However, India briefly posted a trade surplus of USD 0.5 billion in 2005, only to have a deficit of over USD 10 billion in 2016.

India’s Exports to Latin America

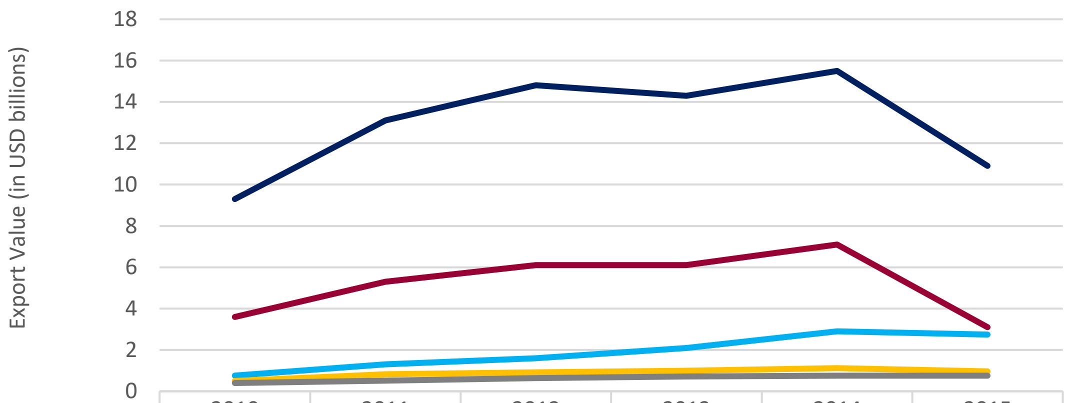
India’s exports to Latin America declined by 27% from over USD 13.5 billion in 2014-15 to a little over USD 10 billion in 2015-16, due to various macroeconomic factors. 10 out of 19 Latin American countries, during the same period have posted a decrease in imports from India.

While Brazil and Mexico remain the biggest importers of Indian products in Latin America, Colombia is the third largest destination for India’s exports, with over USD 800 million of imports from India in 2015-16, followed by Peru (USD 754 million), Chile (USD 665 million) and Argentina (USD 516 million)

Latin America has over the years become the biggest destination for India’s vehicle exports, accounting for around 20% (USD 2.7 billion) of the total exports of over USD 14 billion in 2015-16. Also, around 30% of India’s motor cycle exports can be attributed to the Latin American countries with Colombia, Mexico, Guatemala, Argentina and Peru being the biggest buyers.

India is also currently one of the top exporters of pharmaceutical products to Latin America accounting for USD 1 billion worth of Brazilian pharmaceutical imports. Brazil continues to be the top export destination followed by Mexico, Venezuela, Colombia, Peru, Chile and Argentina.

Indian Exports to LAC



	2010	2011	2012	2013	2014	2015
LAC	9.3	13.1	14.8	14.3	15.5	10.9
Brazil	3.6	5.3	6.1	6.1	7.1	3.1
Mexico	0.76	1.3	1.6	2.1	2.9	2.75
Colombia	0.5	0.82	0.92	1	1.12	0.96
Peru	0.4	0.52	0.634	0.71	0.754	0.754

LAC Brazil Mexico Colombia Peru

Source: ITC

India's Imports from Latin America

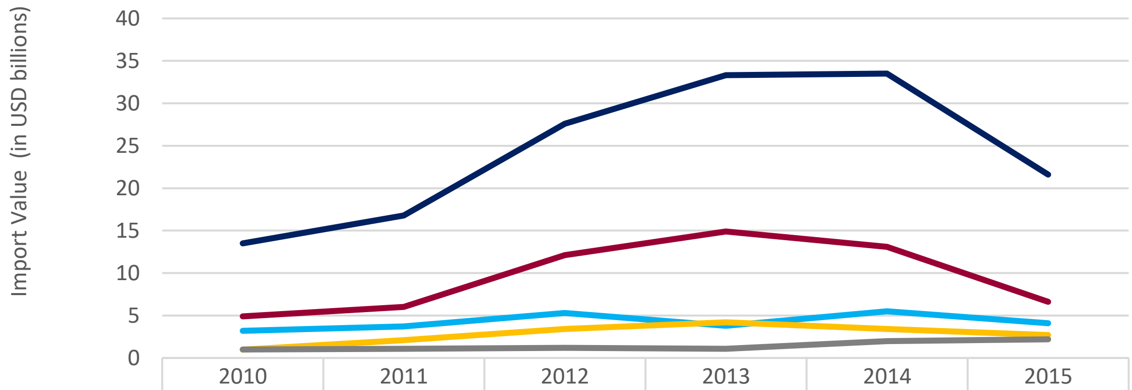
Venezuela is the biggest exporter to India from Latin America with over USD 6.6 billion of exports in 2015-16 followed by Brazil (USD 4.1 billion), Mexico (USD 2.7 billion), Argentina (USD 2.2 billion), Chile (USD 2.1 billion), Colombia (USD 870 million), Peru (USD 746 million), Ecuador (USD 640 million), Bolivia (USD 190 million) and Paraguay (USD 114 million).

The sudden drop in India's imports can be ascribed to the fall in global oil prices, considering that crude oil has traditionally constituted over 40% of India's total imports from the region. Crude oil imports from Latin America were around USD 9.1 billion in 2015-16 down from around 20 billion in in 2014-15.

Latin America, quite interestingly, is responsible for over 98% of India's soy oil imports. Argentina is the biggest supplier, with over USD 2.2 billion worth of soy oil exports to India, with Brazil accounting for over USD 570 million of soy exports and Paraguay over USD 104 million.

The region is also fast emerging a major source of metals for India, with Latin America contributing over USD 2.1 billion of copper out of India's total copper imports of USD 4 billion in 2015-16. Latin America also accounts for USD 1.77 billion of India's gold imports.

Indian Imports from LAC



	2010	2011	2012	2013	2014	2015
LAC	13.5	16.8	27.6	33.3	33.5	21.6
Venezuela	4.9	6	12.1	14.9	13.1	6.6
Brazil	3.2	3.7	5.3	3.8	5.5	4.1
Mexico	0.98	2.1	3.4	4.2	3.4	2.7
Argentina	1	1.1	1.2	1.1	2	2.2

LAC Venezuela Brazil Mexico Argentina

Source: ITC

Outlook for the future

India has over the years actively sought to forge strong trade relations with the United States, the European Union, the Middle East, China, Southeast Asia and even Africa, with varying degrees of success. And yet, Latin America as a trade partner until recently had not managed to find a prominent place in New Delhi's scheme of things.

But in the last couple of decades, with Latin America emerging as one of the biggest trade partners of India, the governments on both sides have recognized the potential for bilateral trade and investments between the two regions and taken some concrete steps to promote the same. At a recent bilateral meeting between the Indian Prime Minister Mr. Narendra Modi and the Brazilian President Mr. Michel Temer, India pushed for the expansion of the India-MERCOSUR[3] Preferential Trade Agreement. The two sides are exploring ways to diversify the trade basket to increase bilateral trade flows.

[3] Mercosur is a sub-regional trade bloc. Its full members are Argentina, Brazil, Paraguay and Uruguay. Its associate countries are Bolivia, Chile, Peru, Colombia, Ecuador, and Suriname.

Additionally, India is also considering a Free Trade Agreement (Free trade or preferential trade agreement?)with Peru.

Latin America and India are at similar stages of social and economic development, and face identical opportunities and challenges, which makes it possible to develop market and product synergies between the two regions.

Although the outlook for trade and investments between the two regions remains positive in the long term, the prevailing macroeconomic conditions in South America have temporarily stalled the progress of bilateral trade between the two regions. The economic slowdown in South America is the biggest contributory factor in the decline of the overall bilateral trade in 2015-16. It has only been compounded by the steep fall in global oil prices, as crude oil accounts for a significant proportion of the bilateral trade between India and Latin America.

Although some of the economies in Latin America are expected to shrink further in near future, the region overall, is likely to be on a path to gradual recovery. As per most projections, the trade between India and Latin America is likely to pull through this phase of decline and recover over the long run.

2.0 Overview of India -Brazil trade relations

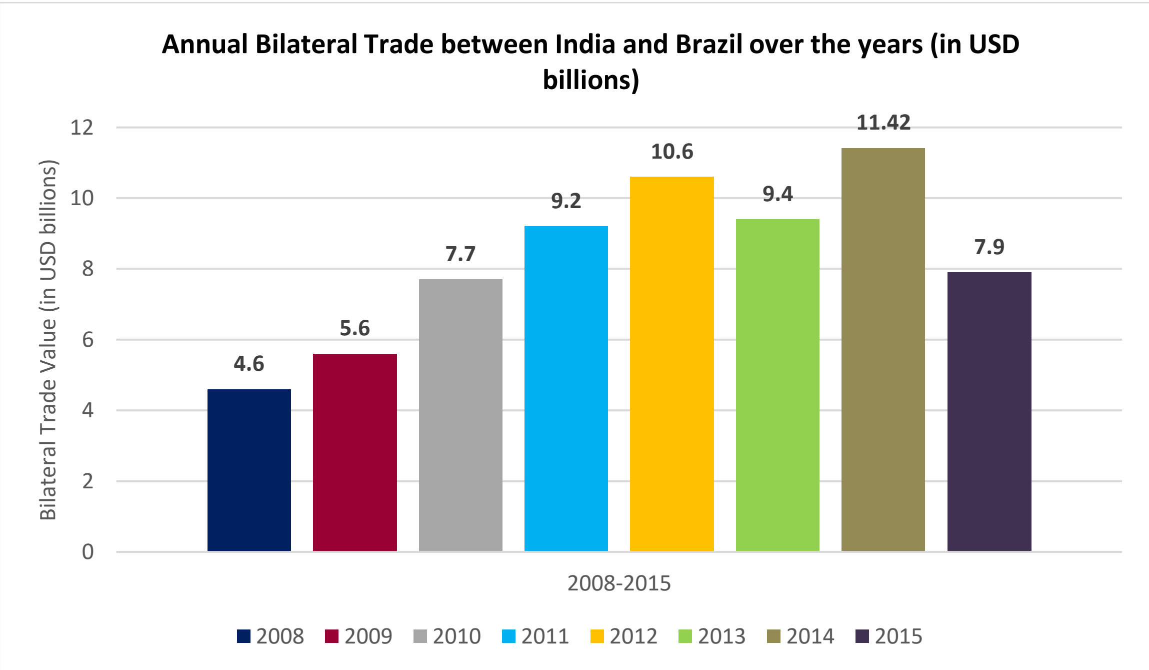
2.1. Import & Export with Brazil

Brazil is the biggest trade partner for India in the Latin America and Caribbean (LAC) region, registering USD 6.7 billion of bilateral trade in 2015-16. Until very recently, Brazil also enjoyed the distinction of being the biggest export destination for India in Latin America only to be supplanted by Mexico for the top spot in 2016. Furthermore, with over USD 4 billion of exports to India, Brazil is also the second largest exporter to India from the LAC region.

The bilateral trade between India and Brazil has evolved greatly over the last two decades, mostly in a positive direction, peaking in 2014 with over USD 11 billion of trade between the two countries.

However, the recent stagnation of the Brazilian economy, coupled with a steep drop in the global commodity prices has taken a toll on the hitherto burgeoning trade relations between the two countries. Thus, the record high in bilateral trade of USD 11 billion achieved in 2014 was followed by a steep decline of over 30% YOY (no acronym here) bringing the trade down to USD 7.9 in 2015-16.

The recent trade statistics point towards the inconsistency of the trade volume between the two countries. Indian exports to Brazil were worth USD 4.29 Billion in 2015, compared to USD 6.63 billion in 2014 and USD 6.36 billion in 2013. Likewise, the Indian imports from Brazil stood at over USD 3.60 Billion in 2015, compared to USD 4.78 billion in 2014 and USD 3.13 billion in 2013.

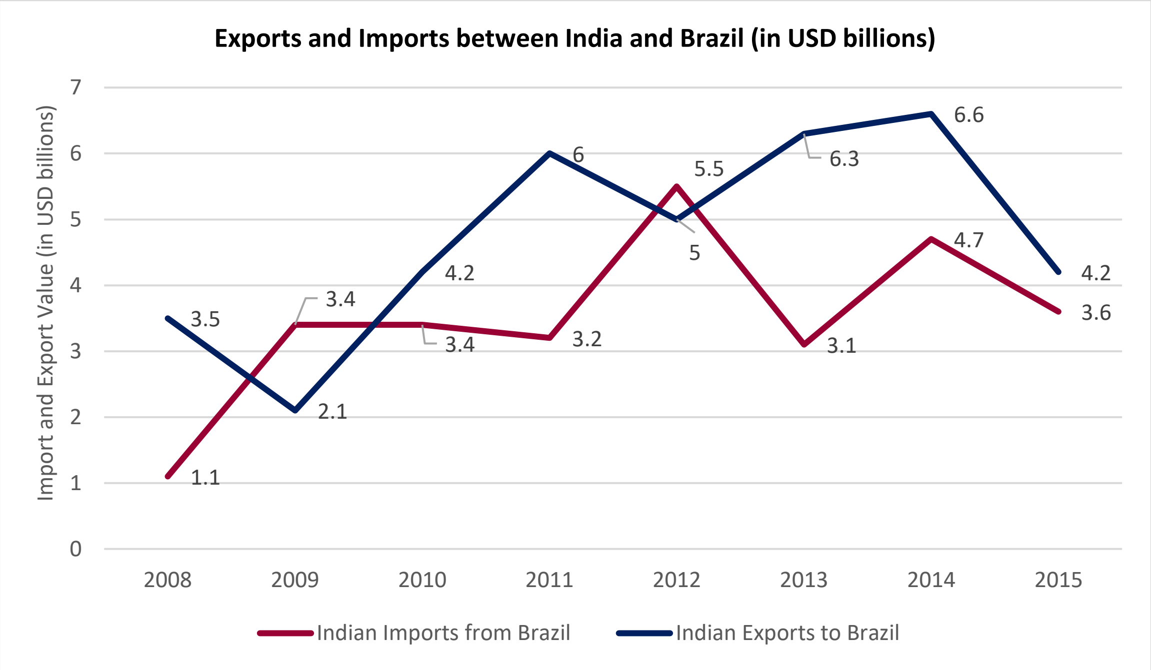


Source: Ministry of External Affairs, Government of India

The balance of trade between the two countries has been in favour of India for the better part of the last couple of decades. However parallel to the decline in bilateral trade, the balance of trade has narrowed as well. In 2015, the balance of trade between the countries stood at USD 672.13 million down from USD 1.846 billion in 2014.

A significant proportion of Indian exports to Brazil have over the years been value added petroleum products such as diesel. Other prominent export items from India include organic chemicals and pharmaceutical products, boilers, mechanical appliances and machinery, and textile products.

The Brazilian exports to India are also heavily skewed in favour of petroleum products, mainly crude oil. India also imports soya oil worth over USD 40 million, sugar worth over USD 350 million, copper ore worth USD 250 million and gold worth over USD 250 million from Brazil.



Source: Ministry of External Affairs, Government of India

While the bilateral trade between the two countries has run into some headwinds, because of the recent economic and political instability in Brazil, the outlook is still positive for the trade relations between India and Brazil.

As per Mr. Michel Temer, the President of Brazil, the trade between Brazil and India can triple in a few years. A concerted effort is being made on both sides to achieve a trade target of USD 15 billion by 2020.

2.2 Major items of Import

India's chief imports from Brazil are crude oil, copper sulphates, soya oil, raw sugar, denatured alcohol, other minerals of copper and its concentrates, asbestos, valves, motor pumps, airplanes, wheat, precious and semi-precious stones.

Biggest Imports to India from Brazil (in USD million)	2013	2014	2015
All products	3,831	5,544	4,107
Mineral fuels and mineral oils	1,788	3,051	1,334
Animal or vegetable fats and oils	162	373	533
Sugars and sugar confectionery	552	541	497
Ores, slag and ash	530	394	431
Iron and steel	149	187	263
Natural or cultured pearls, precious or semi-precious stones and precious metals	16	271	246
Organic chemicals	76	105	133
Wood and articles of wood	27	28	67
Pharmaceutical products	36	59	62
Machinery, Mechanical Appliances	75	67	62
Electrical machinery and equipment	26	39	59
Miscellaneous chemical products	26	34	44
Edible vegetables	7	19	44
Salt, Sulphur, earth and stone, plastering materials, cement	42	54	43
Plastics	10	17	34
Raw hides, skins, and leather	15	22	27
Beverages, spirits, and vinegar	17	0	25
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	27	26	22
Articles of iron or steel	13	12	18
Rubber and articles thereof	14	22	17
Inorganic chemicals; organic or inorganic compounds of precious metals, or rare-earth metals	8	7	16

Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical equipment	15	16	13
Ships, boats and floating structures	26	11	12
Tanning or dyeing extracts	11	11	11

Source: ITC

2.3 Major Items of Export

The chief Indian exports to Brazil are diesel, coke of coal, lignite or peat, wind energy equipment, engineering and electrical equipment, automobile ancillary products, cotton and polyester yarns, naphtha, pigments, medicines, and chemicals.

Biggest Exports to Brazil from India (in USD million)	2013	2014	2015
All products	6,111	7,140	3,099
Mineral fuels, mineral oils, and products of their distillation	3,009	4,296	793
Organic chemicals	358	358	334
Miscellaneous chemical products	355	333	253
Pharmaceutical products	170	212	218
Machinery, mechanical appliances, nuclear reactors, boilers, and parts thereof	221	220	203
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	243	235	197
Man-made filaments	295	224	136
Articles of apparel and clothing accessories, not knitted or crocheted	157	148	121
Tanning or dyeing extracts	114	138	95
Rubber and articles thereof	103	98	66
Articles of iron or steel	103	86	64
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	164	93	62
Aluminum and articles thereof	33	36	59
Iron and steel	104	95	55
Ceramic products	2	34	52
Plastics and articles thereof	127	88	45
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical equipment	43	46	34
Articles of apparel and clothing accessories, knitted or crocheted	35	36	29
Cotton	64	46	18

Glass and glassware	33	27	18
Tools, implements, cutlery, spoons, and forks, of base metal, and parts thereof of base metal	21	20	18
Commodities not elsewhere specified	0.67	4	17
Coffee, tea, and spices	18	14	17
Man-made staple fibers	37	33	16

Source: ITC

2.4 Major investments by Indian companies in Brazil

There is a long history of two-way investments between India and Brazil. On his recent trip to India in October 2016, the President of Brazil, Mr. Michel Temer signed a bilateral investment agreement with India to promote and facilitate Indian investments in Brazil.

There is currently about USD 5 billion of Indian investments in Brazil across multifarious sectors such as information technology, energy, pharmaceuticals, agribusiness, mining, engineering, and the automotive industry.

Over 50 companies have made direct investments in Brazil over the years. Some of the biggest Indian companies with business interests in Brazil include:

TCS (Tata Consultancy Services)	Infosys	United Phosphorus
Wipro	Mahindra	Renuka Sugars
Cadilla	Godrej Consumers	Vijai electricals
L&T	Tata Motors	Manthan Systems
Maneesh Pharma	Stride Arco Labs	Apollo Tyres
Glenmark	Elgi Equipments	Suzlon
TVS	NMDC Limited	Polaris
Pidilite	Claris Lifesciences	Bharat Petro Resources (BPR)
Patni Computer	Minergy Resources	Cellofarm Ltd
Essar Group	Ranbaxy Laboratories	Hindalco Industries,
Glenmark	Rallis India	Bajaj Auto

Source: Media Release- Economic Times

Several Indian companies have developed sizeable exposures to the Brazilian market through their investments in the country. For instance, United Phosphorous and Torrent Pharma, attribute 14% and 13% of their revenues respectively to the Brazilian market. Whereas, Indian companies like Genmark, KEC International, Rallis India, Cadilla, Tata Motors, Havells India and TCS derive 4-5% of their revenues from Brazil.

Indian Company	% of FY 15[4] Revenues from Brazil
UPL	14%
Torrent Pharma	13%
Glenmark Pharma	5%
KEC International	6%
Rallis India	4%
Cadilla	4%
JLR (Tata Motors)	4%
Havells India	4%
TCS	3%

The other companies with significant exposures to the Brazilian market include Lupin, Sun Pharma (through Ranbaxy), Godrej Consumers, Bajaj Auto, MM Forgings, Praj Industries and ONGC (Oil and Natural Gas Corporation Limited), which generate 2-3% of their total revenues in Brazil.

[4] *FY- Financial Year or Fiscal year is the period starting from 1st April 20xx? to 31st March 20xx?*

2.5 Investments by Brazilian companies in India

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As per the Department of Industrial Policy and Promotion (DIPP), Government of India, the cumulative equity investments by Brazilian companies in India totalled USD 23 million in the period from April 2000 to September 2014. To put things into perspective, during the same period over USD 230 billion of total equity inflows and over USD 345 billion of overall FDI investments into India were recorded. Thus, the Brazilian investments accounted for only 0.01% of the total equity inflows into India during the said period.

Some of the major Brazilian investments in India are as follows:

Company	Sector	Type of Presence/Investment	Indian Partner
Sunley Fashion	Footwear	JV (Joint Venture)	-
Weg	Electrical motors and generators	WOS (Wholly Owned Subsidiary)	-
Dedini	Ethanol	Strategic Tie-up for technology transfer and supply of equipment.	Uttam Group, Walchand Group
Marco Polo	Automobiles	JV	Tata Motors
Stefanini	IT (Information Technology)	WOS	-
Vale	Mining	WOS	-
Perto	ATMs (Automated Teller Machine) and CDMs (Cash Deposit Machines)	WOS	-
COFAP	Shock Absorbers	JV	Samvardhana Motherson International Ltd
Gerdau	Steel	JV	Kalyani Steel

One of the most successful of the Brazilian investments in India has been in the form of a JV between Tata Motors, an Indian automobile company and Marcopolo S.A., a globally-renowned bus body builder. The JV, formed in 2006, has quickly become one of the biggest players in the bus body industry in India. Since the commencement of its operations in 2008, the Tata-Marcopolo JV has delivered over 70,000 buses both in India and globally, and counts among its clients multiple State Transport Undertakings (STUs) and private fleet operators.

In recent news, the Brazilian steel company Gerdau Steel has announced its plans to invest up to USD 150 million in India to augment the capacity of its existing plant in the Indian state of Andhra Pradesh. Gerdau Steel, which entered India as a JV with Kalyani Steel in 2007, will add another 200,000 tonne to its existing capacity with this investment.

Brazil has also shown some interest in exploring opportunities for joint production of essential drugs for fighting HIV AIDS, Malaria, and other diseases with Indian companies. There has been a push on both sides to promote bilateral investments between the two countries at multiple levels.

3.0 Annexure

3.1 Start Up India

Start-up India campaign is based on an action plan aimed to promote financing for start-up ventures and to boost start-up entrepreneurship. The government is expected to earmark around INR 20 Billion for the initiative.

Campaign Launch

Prime Minister Narendra Modi with Finance Minister Arun Jaitley and Commerce and Industry Minister Nirmala Sitharaman launched the “Start-up India” action plan in New Delhi on 16 January 2016.

Action Plans

Prime Minister Narendra Modi announced an action plan in the Campaign launch to boost start-up ventures which are seen as key to employment generation and wealth creation.

1. Compliance regime based on Self Certification

The objective of compliance regime based on Self Certification is to reduce the regulatory burden on start-ups. This self-certification will apply to laws like payment of gratuity, contract labour, employees provident fund, water and air pollution acts.

2. Start-up India hub

A start-up India hub will be created as a single point of contact for the entire start-up ecosystem to enable knowledge exchange and access to funding.

3. Simplifying the start-up process

A start-up will be able to set up by just filling up a short form through a mobile app and online portal. A mobile app will be launched on April 1 through which start-ups can be registered in a day. There will also be a portal for clearances, approvals and registrations

4. Patent protection

The government is also working on a legal support for fast-tracking patent examination at lower costs. It will promote awareness and adoption of Intellectual Property Rights (IPRs) by startups and help them protect and commercialise IPRs.

5. Funds with a corpus of INR 100 Billion

In order to provide funding support to start-ups, the government will set up a fund with an initial corpus of INR 25 Billion and a total corpus of INR 100 Billion over four years. The fund would be managed by private professionals drawn from the industry while LIC will be a co-investor in the fund. The credit guarantee fund for start-ups would help flow of venture debt from the banking system to start-ups by standing guarantee against risks.

6. Credit Guarantee Fund

A National Credit Guarantee Trust Company is being envisaged with a budgetary allocation of INR 5 Billion per year for the next four years.

7. Exemption from Capital Gains Tax

Currently, investments by venture capital funds in start-ups are exempt from this law. Now, the same is being extended to investments made by incubators in start-ups.

8. Tax exemption for start-ups

Income tax exemption to start-ups announced for three years. Tax exemption on investments above Fair Market Value is on the pipeline.

10. Start-up fests

Innovation core programs for students in 500,000 schools. There will also be an annual incubator grand challenge to create world class incubators

11. Launch of Atal Innovation Mission

Atal Innovation Mission started to give an impetus to innovation and encourage the talent among the people

12. Setting up of 35 new incubators in institutions

PPP model being considered for 35 new incubators, 31 innovation centres at national institutes

13. Setting up of 7 new research parks

Government shall set up seven new research parks - six in IITs, one in IISc with an initial investment of INR 1 Billion each.

14. Promote entrepreneurship in biotechnology

Five new bio clusters, 50 new bio incubators, 150 technology transfer offices and 20 bio connect offices will be established.

15. Innovation focused programmes for students

There will be innovation core programs for students in 500,000 schools.

16. Facilitators Panel

Panel of facilitators to provide legal support and assist in filing of patent application

17. Patent Application

80 per cent rebate on filing patent applications by start-ups

18. Procurement

Relaxed norms of public procurement for start-ups

3.2 Digital India

Digital India is an initiative by the Government of India that seeks to lay emphasis on e-governance with a vision to transform India into a digitally empowered society and knowledge economy.

Campaign Launch

Digital India Campaign was launched on 1 July 2015 by Prime Minister Narendra Modi. Digital India has three core components

1. **Infrastructure:** The Digital India initiative has a vision to provide high speed internet services to its citizens in all gram panchayats. Bank accounts will be given priority at individual level. People will be provided with safe and secure cyber space in the country.
2. **Governance and services:** Government services will be available online where citizens will be ensured easy access to it. Transactions will be made easy through electronic medium.
3. **Digital empowerment of citizens**: This is one of the most important factor of the Digital India initiative to provide universal digital literacy and make digital sources easily accessible. The services are also provided in Indian languages for active participation.

Major projects under the initiative

1. **Manufacturing of electronics:**

   The government is focusing on zero imports of electronics. In order to achieve this, the government aims to put up smart energy meters, micro ATMs, mobile, consumer and medical electronics.
2. **Provide public access to internet:**

   The government aims to provide internet services to 250,000 villages which comprises of one in every panchayat by March 2017 and 150,000 post offices in the next two years. These post offices will become Multi-Service centres for the people.
3. **Highways to have broadband services:**

   Government aims to lay national optical fibre network in all 250,000 gram panchayats. Broadband for the rural will be laid by December 2016 and broadband for all urban will mandate communication infrastructure in new urban development and buildings. By March 2017, the government aims to provide nationwide information infrastructure.
4. **Easy access to mobile connectivity:**

   The government is taking steps to ensure that by 2018 all villages are covered through mobile connectivity. The aim is to increase network penetration and cover gaps in all 44,000 villages.
5. **e-Governance:**

The government aims to improve processes and delivery of services through e-Governance with UIDAI, payment gateway, EDI and mobile platforms. School certificates, voter ID cards will be provided online. This aims for a faster examination of data.

6. **IT Training for Jobs:**

   The government aims to train around 1 crore students from small towns and villages for IT sector by 2020. Setting up of BPO sectors in North eastern states is also part of the agenda.

7. **e-Kranti:**

   This service aims to deliver electronic services to people which deals with health, education, farmers, justice, security and financial inclusion.

8. **Global Information:**

   Hosting data online and engaging social media platforms for governance is the aim of the government. Information is also easily available for the citizens.

   MyGov.in is a website launched by the government for a 2-way communication between citizens and the government. People can send in their suggestions and comment on various issues raised by the government, like net neutrality.

9. **Early harvest programs:**

   Government plans to set up Wi-fi facilities in all universities across the country. Email will be made the primary mode of communication. Aadhar Enabled Biometric Attendance System will be deployed in all central government offices where recording of attendance will be made online.

3.3 Make in India

The 'Make in India' is an initiative launched to encourage companies to increase manufacturing in India. This not only includes attracting overseas companies to set up shop in India, but also encouraging domestic companies to increase production within the country.

- *The government has received **INR 110 Trillion worth of proposals** (as on Sep, 2015) from various companies that are interested in manufacturing electronics in India.*
- *Companies like **Xiaomi, Huawei** have already set up manufacturing units in India, while iPhone, iPad manufacturer **Foxconn** is expected to open a manufacturing unit soon.*
- *Japan has set up a 'Make in India' fund of about **INR 830 Billion** to devise a special package for attracting investments in 'Japan Industrial Townships'. This initiative aims to promote direct investment from Japan to India to support their business activities and counterparts in India including development of necessary infrastructure, and to help materialise 'Make-in-India'.*

Campaign Launch

The 'Make in India' initiative was launched on September 2014by Prime Mr. Narendra Modi and is aimed at making India a global manufacturing hub.

Focus Sectors of Make in India

1. Automobiles	2. Media and Entertainment
3. Automobile Components	4. Mining
5. Aviation	6. Oil and Gas
7. Biotechnology	8. Pharmaceuticals
9. Chemicals	10. Ports and Shipping
11. Construction	12. Railways
13. Defence manufacturing	14. Renewable Energy
15. Electrical Machinery	16. Roads and Highways
17. Electronic systems	18. Space
19. Food Processing	20. Textiles and Garments
21. IT and BPM	22. Thermal Power
23. Leather	24. Tourism and Hospitality
25. Wellness	

The Government has allowed 100% FDI in all focus sectors except Space (74%), Defence (49%) and News Media (26%)

New Initiatives for Ease of Doing Business:

Under the Make in India Campaign, new initiatives that has been undertaken to improve the ease of doing business in India, which includes increasing the speed with which protocols are met with, and increasing transparency are listed below.

- Environment clearances can be sought online.
- All income tax returns can be filed online.
- Validity of industrial licence is extended to three years.
- States asked to introduce self-certification and third party certification under Boilers Act.
- For all non-risk, non-hazardous businesses a system of self-certification to be introduced.
- Paper registers are to be replaced by electronic registers by businessmen.
- Approval of the head of the department is necessary to undertake an inspection.

Major Companies that have Proposed to/ Setup manufacturing in India

1. Xiaomi: Xiaomi has launched two smartphones wholly manufactured in India by Foxconn. The company launched 'Made in India' Redmi Note Prime which is the second smartphone after Redmi 2 Prime in 2015.

2.Micromax: Handset maker Micromax is scheduled to invest INR 3 Billion over the next few months to set up three manufacturing units in India. The move is to ramp up domestic production and reduce dependence in imports from China.The three factories will be set up in Rajasthan, Telangana and Andhra Pradesh providing employment to some 3,000-3,5000 people in each factory

3. Maruti Suzuki: Japan for the first time will import cars from India and Maruti Suzuki will manufacture it. This move comes as a part of the 'Make in India' initiative.

4. Volkswagen: German carmaker Volkswagen has invested INR 7.2 Billion to roll out an India-specific compact sedan from its Pune plant.

The investment is made towards development, setting up new equipment and ramping up the production of the new compact sedan which is scheduled to commence in the first half of 2016.

5. General Electrics: US company General Electric Co will supply 1,000 diesel locomotives by investing Rs 1,328 crore. The company will build a manufacturing facility in Bihar and two maintenance sheds elsewhere in the country to service the locomotives over an 11-year period.

6. Acer: Acer started to manufacture its 2015 launched smartphones Liquid Z350 and Z630s at its new Podicherry facility.

7. OnePlus: Chinese handset company OnePlus will manufacture its newly launched OnePlus X Onyx smartphones in India. The company had announced its partnership with electronics major Foxconn to begin local assembling operations in Andhra Pradesh.

8. Lava: Domestic handset vendor Lava will invest INR 5 Billion to set up a manufacturing plant in Tirupati, Andhra Pradesh.The plant which will be operational in 2017 has a target of producing five million phones a month once it starts functioning.

9. Sony: Electronics major Sony India will manufacture more domestically made products, beginning with flat TV panels.

10. Gionee: Chinese smartphone maker Gionee has partnered with global manufacturers Foxconn and Dixon to invest INR 3.3 Billion to make handsets in India.

11. Siemens: German engineering company Siemens will invest about INR 74 Billion in India adding up to 4,000 jobs under 'Make in India' initiative.

12. Intel India: To accelerate 'Make in India' initiative, the company in August 2015 unveiled the Intel India Maker lab and the Intel India Maker showcase in its Bengaluru campus.

13. Meizu: Alibaba-backed Meizu said it will manufacture smartphones in India.

14. Foxconn: Taiwan-based Foxconn is working with Adani Group, Micromax and Snapdeal and other Indian firms to set up manufacturing factories in India.The company is looking to manufacture LED TVs, batteries and other electronic products in India.

15. Swipe: Mobile manufacturer Swipe is investing about INR 200-250 Million to set up a manufacturing plant in Maharashtra to assemble handsets and tablets in India