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# TRADE COMPLEMENTARITY BETWEEN INDIA AND LATIN AMERICA

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## ABSTRACT

*In 1997, the Government of India announced an Action Plan, the Focus LAC, with the express motive of revitalizing India-Latin America trade and economic relations. This venture enhanced the trade relationships between the two countries. Hundreds of companies from India invested approximately US 12 billion dollars in Latin America in various fields pertaining to agriculture, automobiles, cosmetics, energy, mining, etc. On the other hand Latin American countries too reciprocated by investment of approximately US one billion dollars in automobile parts, electronics, multiplexes, steel, etc. India has signed Preferential Trade Agreements (PTAs) with some of the larger countries of the Latin American region like Colombia, Chile, Brazil and Venezuela. Also, in the offing is the constitution of Joint Working Groups to further explore bilateral mechanisms for enhanced economic and trade linkages with Mexico, Brazil and Colombia.*

*The present study identifies the complementary sectors and commodities which have been focused on the India – MERCOSUR PTA (Preferential Trade Agreement) i.e. trade between Latin America and India. Trade Intensity Index enables the assessment of the trade value in a bilateral context of the two countries with regards to the value of the trade whether increased or decreased. The study used the Intra-Regional Trade Intensity Index developed by Kawai (2004), to explain the significance of intra-regional trade of a RTA to the Global trade. If the index shows more than one then it is indicative of a healthy flourishing trade. The study is based on export and import data on 17 sectors and the entire data are sourced from International Trade Statistics and cover a period from 1995 to 2013. The Product level RCA indices have been calculated for 255 commodities/products using the data provided by UNCTAD using the statistical database of the Harmonised system (HS – 1996) classification for the year 2013.*

**KEYWORDS**: *India, Latin America, MERCOSUR, RCAI, Trade*

## REVIEW OF LITERATURE

International trade thrives on the comparative advantage that economies offer, as proactive players in the world market. While Ricardo laid down the basic tenets of comparative advantage, Balassa (1965) developed the concept of revealed comparative advantage (RCA). The term thus connotes the idea, that countries specialize and export items which they can produce at lower cost in comparison to the world. In Balassa's (1986) view, the comparative advantage that a country enjoys primarily depends on its physical and human capital endowments.

Balassa's results show that while the extent of export diversification tends to increase with the degree of technological development a reversal takes place at higher levels (Balassa 1965, 1977, 1979, 1986). Yeats (1997) uses the index of revealed comparative advantage in conjunction with the changes in the regional orientation of exports to identify any apparent inefficiency in trade patterns for the MERCOSUR group of countries. Li and Bender (2003) however argued that instead of complimenting or substituting exports, the change in comparative advantage of the country, leads to gain as well as loss for the country. FertŐ and Hubbard (2002) used modifications of the RCA index was developed by Vollrath (1991), namely, the Relative Trade Advantage, to analyse the competitiveness of Hungarian agriculture with the EU as its comparator.

A paper prepared by BRICS-TERN (2011) studied the bilateral trade flows between India and 166 trading partners over the 2000-2010 time periods and concluded that a larger GDP and population of India's trading partner have a significant positive impact on bilateral trade flows while greater geographical distance reduces the trade.

## OBJECTIVES

1) To analyse the trade intensity between India and MERCOSUR
2) To assess India's potential for future trade with the MERCOSUR Countries

### Models applied for the Study

To analyse the data, the following methods are used:

(i) Trade Intensity Index
   (a) Export Intensity Index
   (b) Import Intensity Index
(ii) Revealed Comparative Advantage Index

### Trade Intensity Index (TII)

The index can be defined as a certain quantity share exports of a country to its partner divided by the quantity share exports of the world to its partner. The formula used is as follows:

$$T_{ij} = (x_{ij}/X_{it}) / (x_{wj}/X_{wt}) \quad (1)$$

Where, $x_{ij}$ = the values of country i's exports to country j

$x_{wj}$ = country i's total exports

$X_{it}$ = the values of world exports to country j

$X_{wt}$ = total world exports

An index value of more (less) than one indicates a bilateral trade flow that is larger (smaller) than expected, given the partner country's importance in World trade. Trade Intensity Index is divided into (a) Export Intensity Index (EII) and (b) Import Intensity Index (III) for understanding the pattern of exports and imports. The trade intensity index as stated by Kojima (1964) and Drysdale (1969) is as follows:

### Export Intensity Index (EII)

EII between India and MERCOSUR =

$$\frac{X_{IM} / X_I}{M_M / (M_W - M_I)} \quad (2)$$

$X_{IM}$ = India's export to MERCOSUR
$X_I$ = India's total export
$M_M$ = MERCOSUR's total import
$M_W$ = World's total import
$M_I$ = India's total import

### Import Intensity Index (III)

III between India and MERCOSUR =

$$\frac{M_{IM} / M_I}{X_M / (X_W - X_I)} \quad (3)$$

$M_{IM}$ = India's import from MERCOSUR
$M_I$ = India's total import
$X_M$ = MERCOSUR's total export
$X_W$ = World's total export
$X_I$ = India's total export

## Trade Intensity Index between India and MERCOSUR

Trade Intensity Index (TII) is computed for MERCOSUR and India from the time period of 1995 to 2013 using the data from the UNCTAD (United Nations Conference on Trade and Development) statistical database. Both EII and III are ascertained for MERCOSUR and India. If the index is equivalent to one, it implies that there is a higher degree of trade intensity between two given nations. Vice-versa, if the calculated index is nearing zero, then it implies that there is a lower trade relation. If the index is numerically greater than one, this would infer over-representation of one nation in the other nation's exports/imports. Then again, if estimation of the index is less than one, then it implies under-representation. Table 1 and Figure 1 demonstrate the Trade Intensity Index between India and MERCOSUR.

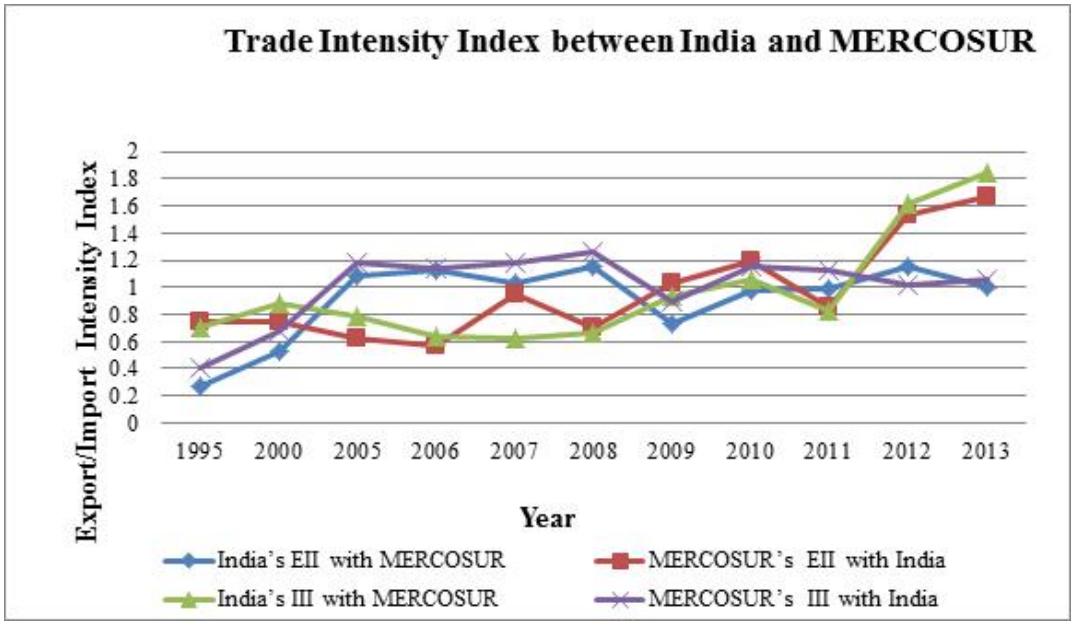
**Table 1: Trade Intensity Index between India and MERCOSUR**

| Year | Export Intensity Index | | Import Intensity Index | |
|---|---|---|---|---|
| | India's EII with MERCOSUR | MERCOSUR's EII with India | India's III with MERCOSUR | MERCOSUR's III with India |
| **1995** | 0.27 (UR) | 0.74 (UR) | 0.71(UR) | 0.41 (UR) |
| **2000** | 0.53 (UR) | 0.74 (UR) | 0.88 (UR) | 0.68 (UR) |
| **2005** | **1.08 (OR)** | 0.63 (UR) | 0.78 (UR) | **1.18 (OR)** |
| **2006** | **1.12 (OR)** | 0.57 (UR) | 0.64 (UR) | **1.14 (OR)** |
| **2007** | **1.03 (OR)** | 0.95 (UR) | 0.62 (UR) | **1.18 (OR)** |
| **2008** | **1.15 (OR)** | 0.70 (UR) | 0.67 (UR) | **1.26 (OR)** |
| **2009** | 0.73 (UR) | **1.03 (OR)** | 0.93 (UR) | 0.90 (UR) |
| **2010** | 0.98 (UR) | **1.20 (OR)** | **1.06 (OR)** | **1.16 (OR)** |
| **2011** | 0.99 (UR) | 0.86 (UR) | 0.83 (UR) | **1.12 (OR)** |
| **2012** | **1.16 (OR)** | **1.54 (OR)** | **1.62 (OR)** | **1.02 (OR)** |
| **2013** | **1.00 (OR)** | **1.67 (OR)** | **1.84 (OR)** | **1.06 (OR)** |

**Note:** (OR) denotes Over Representation and (UR) denotes Under Representation.
**Data Source:** Computed from UNCTAD database

It can be seen from the above Table 1 that the index value of India's export and import intensity for the years 1995-2011 with MERCOSUR maintained less than unity value throughout the period baring 2005-2008 and 2010, subsequently it mirrors that India has been under-represented in MERCOSUR's trade and trade relation appears to be feeble. The trade potential for the years 2012 and 2013 increased reflecting the trade intensity index above one. This reveals that India has strengthened the trade relation with MERCOSUR.

**Figure 1: Trade Intensity Index between India and MERCOSUR**




**Data Source:** Computed from UNCTAD database

MERCOSUR's export intensity with India maintained less than unity value throughout the period baring 2009-2010 and 2012-2013. This implies that exports to India from MERCOSUR are lower than would be expected given India's share of world trade. This situation is the reverse when examining the import intensity values, which was less than unity in 1995, 2000 and 2009. This analysis shows that India, as a source of exports for MERCOSUR is under-represented. Whereas, the import market for MERCOSUR's goods, is over-represented in India's trade. The natural trading partner theory reveals that the countries tend to trade more with neighbours and close proximate partners. Both the index will descend/reduce once it is adjusted for the geographical distance.

Table 2 gives India's Export Intensity with MERCOSUR Countries. Following are the six MERCOSUR countries along with their country codes: ARG – Argentina, BRAZ – Brazil, BOL – Bolivia, PRY – Paraguay, URY – Uruguay and VEN – Venezuela.

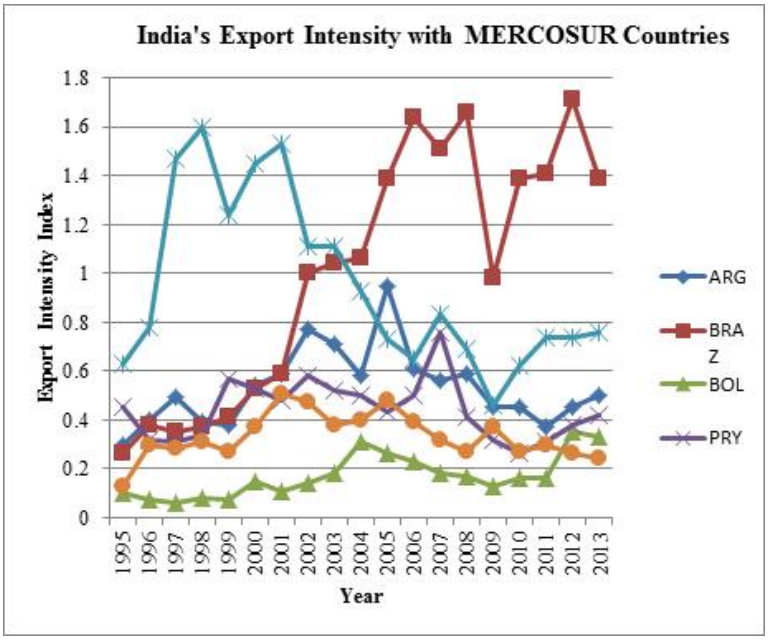
**Table 2: India's Export Intensity with MERCOSUR Countries**

| Year | MERCOSUR Countries | | | | | |
|---|---|---|---|---|---|---|
| | ARG | BRAZ | BOL | PRY | URY | VEN |
| 1995 | 0.30 | 0.26 | 0.10 | 0.45 | 0.63 | 0.13 |
| 2000 | 0.54 | 0.53 | 0.15 | 0.53 | 1.45 | 0.37 |
| 2005 | 0.95 | 1.39 | 0.26 | 0.43 | 0.73 | 0.48 |
| 2006 | 0.61 | 1.64 | 0.23 | 0.50 | 0.65 | 0.39 |
| 2007 | 0.56 | 1.51 | 0.18 | 0.76 | 0.83 | 0.32 |
| 2008 | 0.59 | 1.66 | 0.17 | 0.41 | 0.69 | 0.27 |
| 2009 | 0.45 | 0.98 | 0.13 | 0.32 | 0.46 | 0.37 |
| 2010 | 0.45 | 1.39 | 0.16 | 0.26 | 0.62 | 0.27 |
| 2011 | 0.37 | 1.41 | 0.16 | 0.31 | 0.74 | 0.30 |
| 2012 | 0.45 | 1.71 | 0.35 | 0.38 | 0.74 | 0.26 |
| 2013 | 0.50 | 1.39 | 0.33 | 0.42 | 0.76 | 0.24 |

**Data Source:** Computed from UNCTAD database

The trade intensity among the MERCOSURs' countries depicts that India's export intensity is above one only for Brazil. Except for the year 2000, where India got high import intensity with Uruguay. India yields a high trade potential for Argentina, Bolivia, Paraguay, Uruguay and Venezuela. Out of the total exports of 4.85 percent to Latin America, India exports around 2.55 percent of the commodities to Brazil. Figure 2 gives the country wise export intensity of India and MERCOSUR countries.

**Figure 2: India's Export Intensity with MERCOSUR Countries**




**Data Source:** Computed from UNCTAD database

The small quantum of imports that India has with Bolivia, Paraguay and Uruguay reflect its low import intensity. India's import intensity was small with Venezuela for many years but improved strongly after signing the bilateral trade agreement. India is having high import intensity with Venezuela as the values are above one.

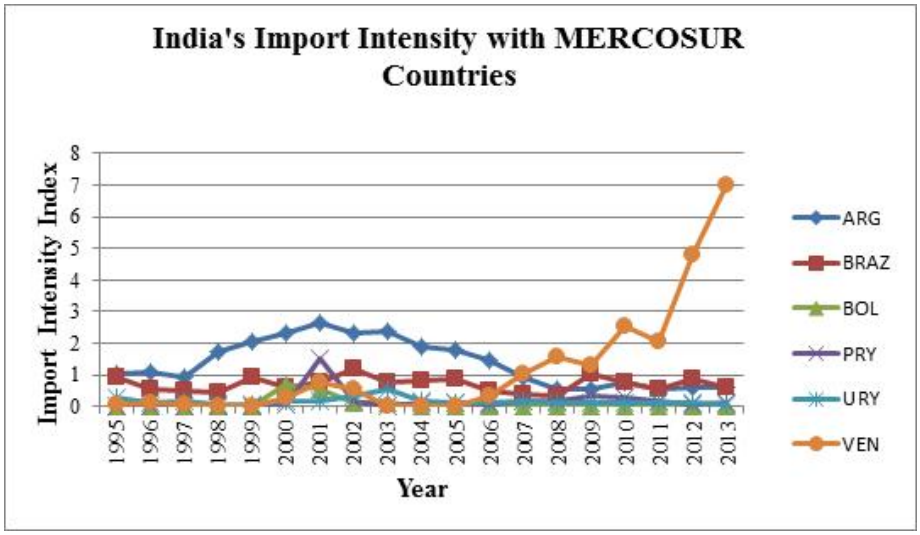
Venezuela is an important source for India's global imports of crude petroleum and also a major source of iron and steel, inorganic chemicals, lead and articles and aluminium and articles. Table 3 and Figure 3 give the import intensity of India and MERCOSUR countries.

**Table 3: India's Import Intensity with MERCOSUR Countries**

| Year | MERCOSUR Countries | | | | | |
|---|---|---|---|---|---|---|
| | ARG | BRAZ | BOL | PRY | URY | VEN |
| 1995 | 1.01 | 0.91 | 0.03 | 0.02 | 0.30 | 0.06 |
| 2000 | 2.33 | 0.61 | 0.73 | 0.05 | 0.20 | 0.26 |
| 2005 | 1.76 | 0.85 | 0.03 | 0.11 | 0.12 | 0.03 |
| 2006 | 1.49 | 0.52 | 0.04 | 0.07 | 0.11 | 0.36 |
| 2007 | 0.95 | 0.37 | 0.04 | 0.20 | 0.15 | 1.04 |
| 2008 | 0.56 | 0.31 | 0.04 | 0.20 | 0.11 | 1.59 |
| 2009 | 0.55 | 1.01 | 0.03 | 0.32 | 0.12 | 1.29 |
| 2010 | 0.77 | 0.76 | 0.04 | 0.27 | 0.11 | 2.53 |
| 2011 | 0.53 | 0.57 | 0.04 | 0.15 | 0.14 | 2.06 |
| 2012 | 0.58 | 0.89 | 0.01 | 0.08 | 0.11 | 4.81 |
| 2013 | 0.61 | 0.60 | 0.01 | 0.11 | 0.09 | 6.98 |

**Data Source:** Computed from UNCTAD database

**Figure 3: India's Import Intensity with MERCOSUR Countries**




**Data Source: Computed from UNCTAD database**

The above analysis indicate that, India can potentially attain ten times or more the level of the actual trade. In fact, most of the MERCOSUR countries reveal possibilities of expanding trade with India. For the region as a whole, however, the estimates show that India has not surpassed its trade potential and has scope for future trade.

## Revealed Comparative Advantage of HS-3 Digits Categorization

Revealed Comparative Advantage is computed for India and the six MERCOSUR nations specifically Argentina, Bolivia, Brazil, Paraguay, Uruguay and Venezuela for the year 2013 to analyse the trade complementarity at the HS-3 digits commodity.

The commodity with the highest RCA for India in the HS-3 digits is Rice (RCA= 16.93) with an export share of 2.43 percent, ranking at the fifth position among the top five commodities with the highest export share (Table 4). The second highest commodity with a high RCA is Cotton with a strong RCA of 11.91 and an export share of 1.39 percent.

Pearls, precious and semi-precious stones rank at the third position with a strong RCA of 9.72 and ranking at the second position with an export share of 8.97 percent. Spices rank at the fourth position with an RCA of 8.50 and Synthetic organic colouring matter and colouring lakes rank at the fifth position with an RCA of 8.41 and an export share of 0.58 percent.

**Table 4: India's Top Five Commodities as per HS-3 Digit Classification, 2013**

| Top five commodities with highest RCA | | | | |
|---|---|---|---|---|
| **Rank** | **HS Code** | **Commodity Description** | **RCA** | **Share in India's Exports, %** |
| 1 | 042 | Rice | 16.93 | 2.43 |
| 2 | 263 | Cotton | 11.91 | 1.39 |
| 3 | 667 | Pearls, precious & semi-precious stones | 9.72 | 8.97 |
| 4 | 075 | Spices | 8.50 | 0.38 |
| 5 | 531 | Synth. organic colouring matter & colouring lakes | 8.41 | 0.58 |
| **Top five commodities with highest export share** | | | | |
| **Rank** | **HS Code** | **Commodity Description** | **Share in India's Exports, %** | **RCA** |
| 1 | 334 | Petroleum | 19.93 | 3.60 |
| 2 | 667 | Pearls, precious & semi-precious stones | 8.97 | 9.72 |
| 3 | 897 | Jewellery & articles of precious material | 3.28 | 4.42 |
| 4 | 542 | Medicaments (incl. veterinary medicaments) | 3.22 | 1.78 |
| 5 | 042 | Rice | 2.43 | 16.93 |

**Data Source:** UNCTAD database

The commodity with the highest export share of 19.93 percent is Petroleum has a RCA of 3.60. Followed by Jewellery which ranks at the third position with an export share of 3.28 percent (RCA=4.42). While, Medicaments (inclusive of veterinary medicaments) rank at the fourth place with an export share of 3.22 percent along with a high comparative advantage of 1.78.

The commodity with the highest RCA for Argentina in the HS-3 digits is Maize (not including sweetcorn), unmilled (RCA=40.42) with an export share of 7.63 percent, ranking at the second position among the top five commodities with the highest export share (Table 5).

**Table 5: Argentina's Top Five Commodities as per HS-3 Digit Classification, 2013**

| Top five commodities with highest RCA | | | | |
|---|---|---|---|---|
| **Rank** | **HS Code** | **Commodity Description** | **RCA** | **Share in Argentina's Exports, %** |
| 1 | 044 | Maize (excluding sweet corn) | 40.42 | 7.63 |
| 2 | 081 | Feeding material for animals | 34.87 | 15.71 |
| 3 | 045 | Cereals | 33.76 | 0.69 |
| 4 | 421 | Fixed vegetable fats & oils | 30.14 | 6.26 |
| 5 | 043 | Barley | 25.58 | 1.19 |
| **Top five commodities with highest export share** | | | | |
| **Rank** | **HS Code** | **Commodity Description** | **Share in Argentina's Exports, %** | **RCA** |
| 1 | 081 | Feeding material for animals | 15.71 | 34.87 |
| 2 | 044 | Maize (excluding sweet corn) | 7.63 | 40.42 |
| 3 | 421 | Fixed vegetable fats & oils | 6.26 | 30.14 |
| 4 | 222 | Oleaginous fruits & oil seeds | 5.92 | 13.88 |
| 5 | 782 | Motor vehicle for transportation of goods | 5.38 | 7.41 |

**Data Source:** UNCTAD database

Feeding material for animals (no unmilled cereals) ranks at the second place with an RCA of 34.87 and ranks at the first place with an export share of 15.71 percent of Argentine global exports. The commodity which ranks at the third position is Cereals that are unmilled which excludes rice, maize, wheat and barley with an RCA of 33.76 followed by Fixed vegetable fats and oils of a superior quality with an RCA of 30.14 and an export share of 6.26 percent which ranks at the third place in terms of export share. Barley (unmilled) takes the fifth position with an RCA of 25.58 and an export share of 1.19 percent. Oil seeds and oleaginous fruits (excluding flour) rank at the fourth position with an export share of 5.92 percent having a strong RCA of 13.88. Followed by Motor vehicle for transportation of goods at the fifth place with an export share of 5.38 percent having a strong comparative advantage of 7.41.

**Table 6: Bolivia's Top Five Commodities as per HS-3 Digit Classification, 2013**

| Top five commodities with highest RCA | | | | |
|---|---|---|---|---|
| **Rank** | **HS Code** | **Commodity Description** | **RCA** | **Share in Bolivia's Exports, %** |
| 1 | 687 | Tin | 86.27 | 3.21 |
| 2 | 045 | Cereals | 61.04 | 1.24 |
| 3 | 289 | Ores of precious metals | 56.64 | 4.68 |
| 4 | 287 | Ores of base metals | 55.19 | 8.74 |
| 5 | 223 | Oleaginous fruits & oil seeds | 33.69 | 0.78 |
| **Top five commodities with highest export share** | | | | |
| **Rank** | **HS Code** | **Commodity Description** | **Share in Bolivia's Exports, %** | **RCA** |
| 1 | 343 | Natural gas | 50.19 | 23.74 |
| 2 | 287 | Ores of base metals | 8.74 | 55.19 |
| 3 | 081 | Feeding material for animals | 5.31 | 11.78 |
| 4 | 971 | Gold | 5.08 | 3.18 |
| 5 | 289 | Ores of precious metals | 4.68 | 56.64 |

**Data Source:** UNCTAD database

The commodity with the highest RCA for Bolivia in the HS-3 digits is Tin with a very strong comparative advantage of 86.27 and an export share of 3.21 percent (Table 6). Cereals, unmilled (excluding wheat, rice, barley and maize) rank at the second position with an RCA of 61.04 and an export share of 1.24 percent. Followed by Ores of precious metals ranking at the third place with an RCA of 56.64 and it ranks at the fifth place with an export share of 4.68 percent. The fourth highest commodity with a strong RCA is Ores and concentrates of base metals (RCA=55.19) with an export share of 8.74 percent which ranks at the second place in terms of the commodity with the highest export share. While, Oil seeds and oleaginous fruits (inclusive of flour) ranks at the fifth position with an RCA of 33.69 and an export share of 0.78 percent.

Of the total Bolivian global exports, Natural gas, whether or not liquefied ranks at the first place with an export share of 50.19 percent and a strong RCA of 23.74. The third ranking commodity is Feeding stuff for animals (no unmilled cereals) with an export share of 5.31 percent and a high RCA of 11.78. Followed by Gold, (which excludes gold ores and concentrates) with an export share of 5.08 percent along with a high comparative advantage of 3.18 on the fourth rank.

The commodity with the highest RCA for Brazil in the HS-3 digits is Oil seeds and oleaginous fruits (excluding flour) (RCA=22.21) with an export share of 9.47 percent closely followed by sugar molasses and honey at the second place with an RCA of 22.01 along with an export share of 4.92 percent which ranks at the fourth place in the global export share (Table 7). Tobacco, unmanufactured ranks at the third position with an RCA of 18.31 and an export share of 1.32 percent. Iron ore and concentrates ranks at the fourth place with an RCA of 18.03 and ranks at the first place with an export share of 13.42 percent of Brazilian global exports.

**Table 7: Brazil's Top Five Commodities as per HS-3 Digit Classification, 2013**

| Top five commodities with highest RCA | | | | |
|---|---|---|---|---|
| **Rank** | **HS Code** | **Commodity Description** | **RCA** | **Share in Brazil's Exports, %** |
| 1 | 222 | Oleaginous fruits and oil seeds | 22.21 | 9.47 |
| 2 | 061 | Sugar, molasses and honey | 22.01 | 4.92 |
| 3 | 121 | Tobacco, unmanufactured | 18.31 | 1.32 |
| 4 | 281 | Iron ore and concentrates | 18.03 | 13.42 |
| 5 | 044 | Maize (not including sweet corn), unmilled | 13.80 | 2.60 |
| **Top five commodities with highest export share** | | | | |
| **Rank** | **HS Code** | **Commodity Description** | **Share in Brazil's Exports, %** | **RCA** |
| 1 | 281 | Iron ore and concentrates | 13.42 | 18.03 |
| 2 | 222 | Oleaginous fruits and oil seeds | 9.47 | 22.21 |
| 3 | 333 | Petroleum oils | 5.35 | 0.60 |
| 4 | 061 | Sugar, molasses and honey | 4.92 | 22.01 |
| 5 | 012 | Other meat and edible meat | 3.67 | 9,05 |

**Data Source:** UNCTAD database

The fifth ranking commodity with a strong RCA is (RCA=13.80) with a 2.60 percent export share. Petroleum oils rank at the third position with an export share of 5.35 percent and a low RCA of 0.60. Followed by, Other meat and edible meat offal at the fifth position with an export share of 3.67 percent and a strong comparative advantage of 9.05.

The commodity with the highest RCA for Paraguay in the HS-3digits is Electric current (RCA=84.52) along with an export share of 15.25 percent, ranking at the second position among the top five commodities with the highest export share (Table 8).

**Table 8: Paraguay's Top Five Commodities as per HS-3 Digit Classification, 2013**

| Top five commodities with highest RCA | | | | |
|---|---|---|---|---|
| **Rank** | **HS Code** | **Commodity Description** | **RCA** | **Share in Paraguay's Exports, %** |
| 1 | 351 | Electric current | 84.52 | 15.25 |
| 2 | 222 | Oleaginous fruits and oil seeds | 71.33 | 30.40 |
| 3 | 245 | Fuel wood | 63.78 | 0.48 |
| 4 | 011 | Meat of bovine animals | 51.18 | 11.93 |
| 5 | 044 | Maize | 31.32 | 5.91 |
| **Top five commodities with highest export share** | | | | |
| **Rank** | **HS Code** | **Commodity Description** | **Share in Paraguay's Exports, %** | **RCA** |
| 1 | 222 | Oleaginous fruits and oil seeds | 30.40 | 71.33 |
| 2 | 351 | Electric current | 15.25 | 84.52 |
| 3 | 011 | Meat of bovine animals | 11.93 | 51.18 |
| 4 | 081 | Feeding material for animals | 10.63 | 23.59 |
| 5 | 044 | Maize | 5.91 | 31.32 |

**Data Source:** UNCTAD database

The second highest commodity with a high RCA is Oleaginous fruits and oil seeds with a RCA of 71.33 and ranks at the first place with an export share of 30.40 percent of Paraguay's total global exports. Fuel wood rank at the third position with a strong RCA of 63.78 with an export share of 0.48 percent. Meat of bovine animals, either frozen or chilled or fresh ranks at the fourth place with a strong RCA of 31.32 and ranks at the third position with an export share of 11.93 percent. The commodity which ranks at the fourth position in terms of the highest export share is Feeding stuff for animals (no unmilled cereals) with an export share of 10.63 percent and an RCA of 23.59 followed by Maize (not including sweet corn), unmilled which ranks at the fifth

position in both the cases with an RCA of 31.32 and an export share of 5.91 percent.

**Table 9: Uruguay's Top Five Commodities as per HS-3 Digit Classification, 2013**

| Top five commodities with highest RCA | | | | |
|---|---|---|---|---|
| **Rank** | **HS Code** | **Commodity Description** | **RCA** | **Share in Uruguay's Exports, %** |
| 1 | 268 | Wool and animal fur | 78.11 | 2.81 |
| 2 | 011 | Meat of bovine animals | 61.58 | 14.35 |
| 3 | 222 | Oleaginous fruits and oil seeds | 48.52 | 20.68 |
| 4 | 042 | Rice | 39.09 | 5.60 |
| 5 | 247 | Wood | 36.41 | 3.29 |
| **Top five commodities with highest export share** | | | | |
| **Rank** | **HS Code** | **Commodity Description** | **Share in Uruguay's Exports, %** | **RCA** |
| 1 | 222 | Oleaginous fruits and oil seeds | 20.68 | 48.52 |
| 2 | 011 | Meat of bovine animals | 14.35 | 61.58 |
| 3 | 022 | Milk and milk products | 5.72 | 21.79 |
| 4 | 042 | Rice | 5.60 | 39.09 |
| 5 | 247 | Wood | 3.29 | 36.41 |

**Data Source:** UNCTAD database

The commodity with the highest RCA for Uruguay in the HS-3 digits is Wool and other animal hair (inclusive of wool tops) with an RCA of 78.11 and an export share of 2.81 percent (Table 9). Meat of bovine animals ranks at the second place in both the cases with a strong RCA of 61.58 and an export share of 14.36 percent. Oil seeds and oleaginous fruits (excluding flour) ranks at the third position with an RCA of 48.52 and ranks at the first place with a highest export share of 20.68 percent. Ranking at the fourth place in both the cases (highest RCA and highest export share) is Rice with an RCA of 39.09 and an export share of 5.60 percent. Similarly followed by Wood in the rough or roughly squared in both the cases ranking at the fifth position with a comparative advantage of 36.41 and an export share of 3.29 percent of the total Uruguay's global exports.

The commodity with the highest RCA for Venezuela in the HS-3 digits is Ships, boats and floating structures with a strong RCA of 7.72 and ranks at the third position with an export share of 5.96 percent (Table 10). Petroleum oils, oils from bituminous minerals, crude rank at the second position with an RCA of 6.93 and ranks at the first place with an export share of 61.43 percent. Pig iron rank at the third position with an RCA of 5.37 and an export share of one percent. The fourth ranking commodity is Dyeing and tanning extracts with an RCA of 5.25 along with an export share of 0.06 percent. Followed by, Insecticides and similar products ranks at the fifth position with an RCA of 4.50 and an export share of 0.82 percent.

**Table 10: Venezuela's Top Five Commodities as per HS-3 Digit Classification, 2013**

| Top five commodities with highest RCA | | | | |
|---|---|---|---|---|
| **Rank** | **HS Code** | **Commodity Description** | **RCA** | **Share in Venezuela's Exports, %** |
| 1 | 793 | Ships & boats | 7.72 | 5.96 |
| 2 | 333 | Petroleum oils | 6.93 | 61.43 |
| 3 | 671 | Pig iron | 5.37 | 1.00 |
| 4 | 532 | Dyeing & tanning extracts | 5.25 | 0.06 |
| 5 | 591 | Insectides & similar products | 4.50 | 0.82 |

| Top five commodities with highest export share | | | | |
|---|---|---|---|---|
| **Rank** | **HS Code** | **Commodity Description** | **Share in Venezuela's Exports, %** | **RCA** |
| 1 | 333 | Petroleum oils | 61.43 | 6.93 |
| 2 | 334 | Petroleum | 17.65 | 0.21 |
| 3 | 793 | Ships& boats | 5.96 | 7.72 |
| 4 | 281 | Iron ore and concentrates | 1.19 | 1.60 |
| 5 | 674 | Flat-rolled iron & non-alloy steel products | 1.18 | 3.97 |

**Data Source:** UNCTAD database

Of the total Venezuela's global exports, Petroleum ranks at the second place with an export share of 17.65 percent having a low comparative advantage of 0.21. Iron ore and concentrates rank at the fourth place with global exports of 1.19 percent and a high RCA of 1.60. Ranking at the fifth position is Flat-rolled iron & non-alloy steel products with a total global export share of 1.18 percent along with a strong comparative advantage of 3.97.

## FINDINGS

The results of the trade indices calculated between India and MERCOSUR reveals that India has strengthened the trade relation with MERCOSUR. India yields a high trade potential with the MERCOSUR countries like Argentina, Bolivia, Paraguay, Uruguay and Venezuela. While India and Brazil trade is flourishing. MERCOSUR countries are in varying stages of economic development and hence India can have trade with some of them. India exports Rice to MERCOSUR, whereas it can import agricultural commodities from them. India holds an advantage in minerals however they can import Petroleum oils from MERCOSUR. The advantage in Manufactured products, Chemicals, Iron and Steel sectors can allow India to export them to MERCOSUR countries. Similarly, MERCOSUR has a comparative advantage in Fuels and mining products and can export them to India. However, in the Textiles and Clothing sector there exists an intense competition between India and MERCOSUR to boost their market share. Indian exports will gain in the medium term through productivity gains and efficiency resulting from tariff reduction though this effect may not be seen in the short term.

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