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   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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INDIA'S TRADE WITH BRAZIL: POWER AND LATENT FOR FUTURE ENHANCEMENTS IN TRADE

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ABSTRACT

India and Brazil are among the fastest growing economies of the world and are widely projected as major economies of future. Due to large size of economies and high growth rates plus growing political will from both sides, the bilateral trade will grow further and would have significant impact on global economy and trade. Relations between Brazil and India seem to be flowering recently, favored by a mix of domestic and international developments. Together with an expanded topography of common interests in multilateral political and economic matters, both countries share the trend of perceiving bilateralism as a stimulating and useful learning process. Brazil and India have become major actors in recent proposals aimed at simultaneously promoting a renewed configuration of bilateral trade. However, time and maturity are still needed to affirm that Brazil-India bilateral ties and converging interests will build up as a relevant dimension for each other's international supplement as well as for an effective renewal of relations in the twenty-first century. The trade between these two colossal economies has been identified as the most sensible and reliable instrument, in recognizing the impact on the dynamism of the global economy and its vibrant growth speed. It is in this purview of their fast changing behavior, the current paper makes an attempt to appraise that how the bilateral trade between the two nations becomes as a weapon in the arsenal in escalating their partnership for their mutual reward in the coming time.

JEL CLASSIFICATION
F14, F41, F43.

KEYWORDS
Brazil, India, Intensity, EII, and III.

INTRODUCTION

Since the beginning of the twenty-first century, insightful changes have been underway in the international perspective, brought about most noticeably by the advance of globalization, extensive technological changes and the emergence of new and powerful competitors, such as India and Brazil. It has been nearly ten years since the analyst (Jim O Neill) of Goldman Sachs Company introduced the forecast for BRIC (Brazil, Russia, India, and China) emerging markets and pointed out their potential for future economic growth. It is obvious that BRIC countries have been increasing their economic as well as geopolitical power especially after the world economic recession since their economies recovered at a much quicker rate than the developed countries.

India and Brazil among the group are the fastest growing economies of the world and are widely projected as major economies of future (Goldman Sachs, 2003).Together the two countries represent 6.87 per cent of GDP value of global economy and 19.75 per cent of world population. Furthermore, the diplomatic relations between India and Brazil were established in 1948. In recent years, relations between Brazil and India have grown considerably and co-operation between the two countries has been extended to such diverse areas as science & technology, pharmaceuticals and space. The two-way trade in 2005 nearly doubled to US$ 2.34 billion from US$ 1,207 billion in 2004 (Indian Embassy, Brazil, 2008). India's trade with Brazil has jumped to 3.12 billion dollars in 2007, from a mere 488 million dollar in 2000 and the trade is further intensifying at a rapid pace.

Apart from being major bilateral trade partners, India and Brazil are the two most important members of the Group of 20, working for a balanced multilateral development of their respective economies. The Indian economy has gained considerable momentum over the last one decade, by following export promotion strategy, thus boosting the economy's profile. In the set of these conditions, the relations between India and Brazil have gained a fresh acceleration as the economies have felt the essence of positive political cooperation and the mutual benefits of their conjoint potential rather than on the self-burning policies. The bilateral trade between the two countries has shown a phenomenal growth and yet there is a lot of untapped future potential. In this regard the paper attempts to explore the intensity of trade relations between the nations and investigates the opportunities which can be tapped for the mutual benefit of both the economies. India and Brazil must continue to be close partners in the UN and WTO for issues such as social development, health care, sustainable economic development and poverty alleviation.

REVIEW OF LITERATURE

While conducting any research work, review of literature of the past theory is necessary. The literature review provides information of the work done in the related area and the theoretical framework on which the proposed solution of the problem can be based. Regarding the topic there is not ample availability of literature. In order to make the depth study of the problem under study "India's trade with Brazil: Power and Latent for future enhancements in trade", some significant studies have been taken up, that are most relevant for our analysis and finding the existing gap in this research area.

Cooper (2006) did a study under the heading, Brazil as a BRIC: Only a Dream. The study discusses the varied composition among the BRICs, the balance between resource-abundance and resource-dependence within the BRICs, and the global demographic tilt towards the BRICs .Fazl (2007) studied the efforts towards economic development in Brazil and India. From the beginning of the 1950s to the end of the 1980s, both countries adopted import substitution policies including high tariffs and non-tariff barriers. Since the beginning of the 1990s, liberalizing economic reforms have been implemented by the respective Governments. However, since the beginning of the 1980s, India has been showing better general economic performance than Brazil. This paper argues and gives some empirical evidence to show that India's performance is explained by its institutional capacity for coordinating conventional macroeconomic policies with other policies related to its National Innovation System. Monica (2008) depicted the relations between Brazil and India which seem to be blooming recently, favored by a mix of domestic and international developments. Together with an expanded terrain of common interests in multilateral political and economic matters, both countries share the trend of perceiving bilateralism as a stimulating and useful learning process. Furthermore, they have assumed a leading role in the process of revival of South-South diplomacy in world affairs. Brazil and India have become major actors in recent proposals aimed at simultaneously promoting a renewed configuration of multilateral institutions and innovative inter-state coalition building among developing countries. Hirst (2008) discussed relations between Brazil and India. Both countries share the trend of perceiving bilateralism as a stimulating and useful learning process. Furthermore, they have assumed a leading role in the process of revival of South-South diplomacy in world affairs. Brazil and India have become major actors in recent proposals aimed at simultaneously promoting a renewed configuration of multilateral institutions and innovative inter-state coalition building among developing countries. However, time and maturity are still needed to assert that Brazil-India bilateral ties and converging interests will build up as a relevant dimension for each other's international insertion as well as for an effective renewal of South-South relations in the twenty-first century. Rajesh (2008) studied the Indo-Brazil trade relationship. Though the relationship between the two countries is more than five centuries old, the Indo-Brazil trade has not progressed much. Considering the potential that the region offers, an integrated programme "Focus: LAC" was launched in November, 1997 by the Commerce Ministry (Commerce Ministry,2004).From a mere $ 20 million in 19981ndia's trade with Brazil has jumped to 3.12 billion dollars in 2007. The two sides have set a target of 10 billion dollars trade by 2010 (PTI, 2008). The major Indian exports to Brazil include mineral fuels, mineral oils and products of their distillation; organic chemicals; and, pharmaceutical products. Man-made staple fibers; electrical machinery and equipment and parts thereof; and, nuclear reactors, boilers, machinery and mechanical appliances has shown highest growth rate in 2006-2007.Ores, slag and ash; animal of vegetable fats and oils and their cleavage products; and, iron and steel are the major exports of Brazil to India .Bhattacharyya (2010) discussed the possible areas of India- China-Brazil cooperation and integration in the Eastern and Northeastern region of India and Southwestern provinces of China and Brazil. Stanley Noelle et al, (2010) compare the industry performance in India and Brazil. Australian Chamber of Commerce and Industry (2011) laid emphases on the integration of Indian and Brazilian economies. Bettina Dimaranan (2011) assumes that if India and China are integrated especially in their high-tech industries, they can provide a tough competition in global markets. Cheng et al (2011) did a study on Future global economy to be built by BRICs. This paper summarizes the features of each economy that justify this forecast, and highlights some of the country-specific obstacles that could prevent its realization.

NEED FOR THE STUDY

India-Brazil relations are vastly under-explored in both academic and policy Circles, largely because they have been insignificant until recently. For the last two decades, Brazil and India have become very important players in the globalization process .Thus the need of the hour is to analyze the evolution of the drivers behind that process. World has witnessed economic miracles like that of Asian Tigers (Hong Kong, South Korea, Singapore and Taiwan) but none of these posed so much threat to the global economy as the world expects from these two economies. Since early 1990s, Brazil and India witnessed a period which added flavor to the favorable direction of their trade. The two giant economies of India and Brazil have achieved economic laurels by following their own growth strategies. In this regard, the study makes an attempt to explore the extent of trade relations between these two nations and hence explore the potential for future trade.

OBJECTIVES

The main objectives of the study are as follows:
1. Analysis of the trends and patterns of growth of India's trade with the Brazilian economy.
2. Estimate of the extent of intensity of trade relations between India and Brazil.

RESEARCH METHODOLOGY

The study is based on secondary data. The data will be collected through a wide variety of sources: journals on international trade; yearbooks publishing statistical data with respect to trade, viz World Bank, UN, UNESCAP, IMF, WTO and UNCOMTRADE; and through different online data sources, Websites, textbooks, magazines, etc.

MODELS APPLIED FOR THE STUDY

The analysis will be done by adopting the following methodology:
1) Export Intensity Index
2) Import Intensity Index
3) Year on Year Growth

(I) INTENSITY INDICES

Trade intensity Index can be divided into Export Intensity Index (EII) and Import Intensity Index (III) for looking the pattern of exports and imports. Following Kojima (1964) and Drysdale (1969) they can be defined as follows:

(A) EXPORT INTENSITY INDEX

The Ratio of export share of a country/region to the share of world exports going to a partner.EII can be defined as,

$EII_{ij} = (X_{ij}/X_{iw})/ (X_{wj}/X_{ww})$

Where X_{ij} is the dollar value of exports of country/region i to country/region j, X_{iw} is the dollar value of the exports of country/region i to the world, X_{wj} is the dollar value of world exports to country/region j, and X_{ww} is the dollar value of world exports. An index of more than one indicates that trade flow between countries/regions is larger than expected given their importance in world trade.

(B) IMPORT INTENSITY INDEX

The ratio of import share of a country of a country/region to the share of world imports going to a partner.III can be defined as,

$III_{ij} = (M_{ij}/M_{iw}) / (M_{wj}/M_{ww})$

Where Mij is the dollar value of imports of country/region i to country/region j, Miw is the dollar value of the imports of country/region i to the world, Mwj is the dollar value of world imports to country to country/region j, and Mww is the dollar value of world imports. An index of more than one indicates higher import intensity between the nations.

(II) TRADE SHARE

It is the percentage of trade with a partner to total trade of a country/region. It is computed as the dollar value of total trade of country/region i with country/region j expressed as a percentage share of the dollar value of total trade of country/region i with the world. A higher share indicates a higher degree of integration between partner countries/regions. Here trade share of India's exports and imports with respect to Brazil are calculated for the purpose of analysis

INDO-BRAZIL TRADE

India –Brazil trade depicts a state of mismatch with India exporting less proportion of their exports to Brazil. However the bilateral trade between the economies has been growing at a steady rate during the last decade. This connotes the idea that Indian goods are making entry in Brazilian market at a rate faster than Brazil. Table presents the analysis for exports to and imports from Brazil as percentage of its total exports and total imports. The table portrays that there was a gradual rise in both the export category as well as imports from 1995-2011.The data with respect to exports present that the share of exports during 1995 were 0.27 per cent of the total value of India's exports, whereas total imports from Brazil provides a good figure with 0.72 per cent, however there was a decline with respect to import share in the succeeding years with 0.39 in 1996 and 0.51 per cent for 1998.

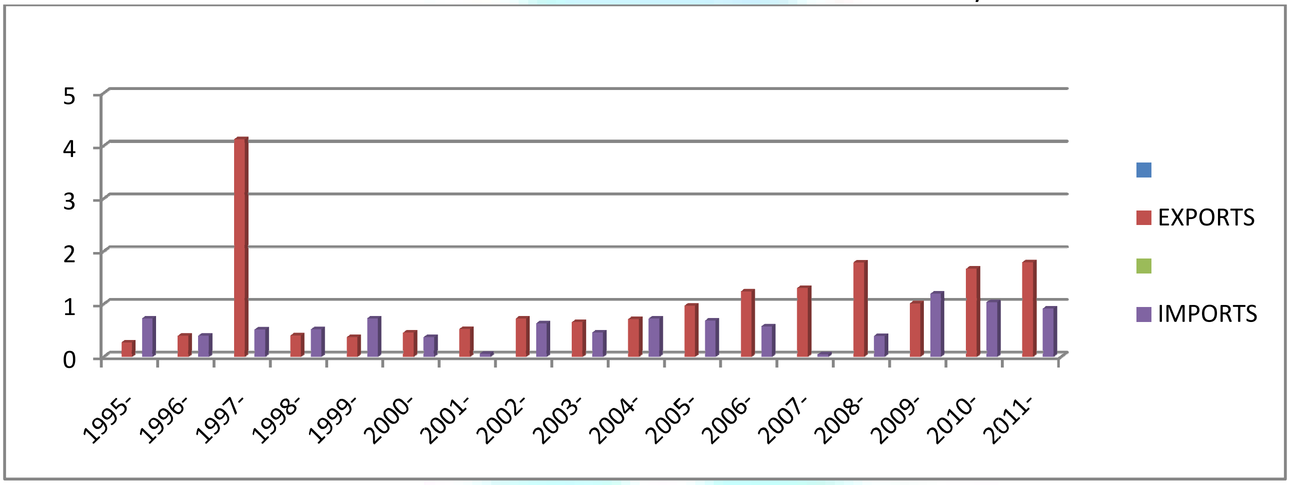
This is well described in the zigzag rising and declining share of imports from the Brazil from 1999 (0.725 %) to 2004 (0.72 %) and again an increase in 2009 (1.192%) followed by decrease in the succeeding year equal to 1.10 per cent and in 2011 the trend continued with share depicting a value of 0.91 per cent. In case of exports share, year 1997 dominated with value of 4.12 per cent, however the changing trend continued to flourish. The export share of India to Brazil continued to rise from 2006 (1.236%) to (1.787 %) in 2008.In year 2009 the export share decreased to 1.009 percent but an upswing resulted in 2011 with export share equal to 1.790.The increased growth in the exports and imports is mainly attributed to the amalgam of BRICS union which boosted the trade among the economies.

TABLE 1: PERCENTAGE SHARE OF INDIA'S EXPORTS/IMPORTS WITH BRAZIL

YEAR	EXPORTS	IMPORTS
1995	0.270	0.722
1996	0.395	0.396
1997	4.121	0.514
1998	0.401	0.517
1999	0.367	0.725
2000	0.453	0.367
2001	0.525	0.055
2002	0.720	0.630
2003	0.653	0.458
2004	0.712	0.722
2005	0.966	0.683
2006	1.236	0.575
2007	1.302	0.043
2008	1.787	0.392
2009	1.009	1.192
2010	1.665	1.033
2011	1.790	0.913

Source: Authors calculation based on various issues of UNCOMTRADE

CHART 1: VALUE OF INDIA'S TRADE WITH BRAZILAS PERCENTAGE OF TOTAL EXPORTS/IMPORTS



Source: Authors Calculation based on Table 1

By 2011, India's export share increased to 1.790 of its total exports, presenting that Brazil is proving as one of the interesting destination for Indian export market. Similar is the case of exports of Brazil to India. Thus the two countries are boosting the joint flow of trade. These economic powerhouses are feeding resources to each other and are profiting from collaborative relationships that transcend barriers. It is no secret that Brazil and India will be the driving forces behind the global economy in the years to come. What we have yet to witness is how these huge economies will affect other developing regions around the world. Despite the geographical and cultural divide between the countries, the countries are in search of natural resources and production benefits. This trend appears likely to continue. And as India continue to grow and expand relations with Brazil, it is likely that Brazil will continue to grow as well. Indo-Brazilian trade continues to grow from year to year, but a stronger commercial relationship is required, with lines of credit to exports available on both countries. A more concerted effort is now required to ensure that commercial ties expand the cooperation, particularly in trade. By establishing common economic interests and ties, a joint action internationally will help create an even more important well-being in economic terms, which will strengthen both countries as they interact more intensively in well postulated economic partnerships. Great partnerships only happen after many successful negotiations take place, thus it is time to negotiate and secure greater cooperation.

INTENSITY OF TRADE BETWEEN THE NATIONS

Table 2 investigates the intensity of trade between India and Brazil(The detailed calculations of EII & III are provide in Annexures 3 and 4 respectively).The values of Export Intensity Index (EII) and Import Intensity Index(III) have been calculated for the time period of 17 years from 1995-2011,thus presents the growing intensity of trade between the two nations.(See annexure 1 for further help) The Export Intensity Index (EII) values for 10-year time period 1995 to 2004 presents an average value of 0.58,the index value which is lower than 1,which means a lower intensity of export trade of India with its partner, however from 2005 onwards there was a growth with respect to the export intensity indices values which were above 1.

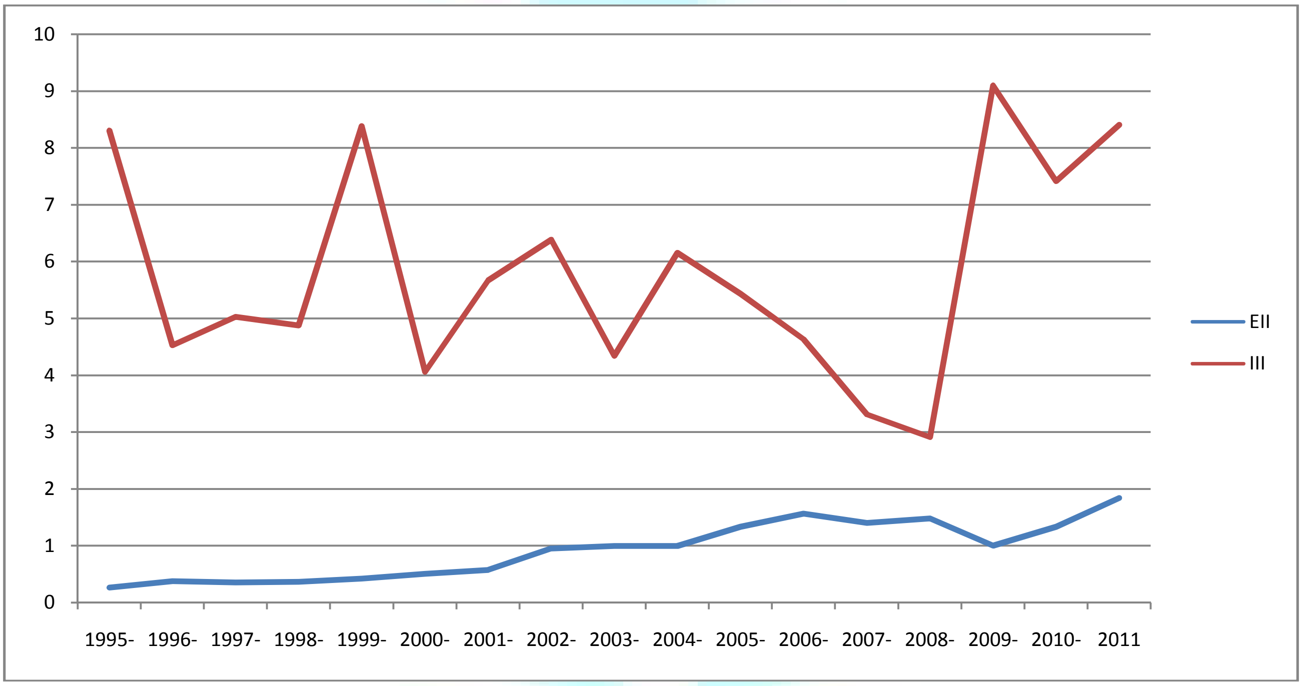
The Export Intensity indices values from 1995-2004 showed increasing trend at a snail's pace, but gradually there was a rise regarding these values, which registered a value of 1.33 in 2005, touched a peak of 1.84 in 2011.In addition to this, Brazil has been the important source of imports for India.

TABLE 2: TRADE INTENSITY INDEX

Year	EII	III
1995	0.2667	8.30332
1996	0.38165	4.52495
1997	0.35881	5.03015
1998	0.36666	4.8760
1999	0.42534	8.38354
2000	0.51046	4.05989
2001	0.57867	5.66689
2002	0.95249	6.38257
2003	0.99685	4.33888
2004	0.99699	6.15046
2005	1.33546	5.43172
2006	1.56452	4.63275
2007	1.40438	3.31263
2008	1.48091	2.91201
2009	1.00534	9.0956
2010	1.33397	7.41387
2011	1.84214	8.40133

Source: Authors calculation based on the data from unctad.org

CHART 2: EXPORT AND IMPORT INTENSITY INDICES BETWEEN INDIA AND BRAZIL



Source: Author's calculation based on the data from Table 2

As a result of global economic crisis, there has been decline in exports of India to Brazil, which can be seen from the declining export intensity indices from 1995 to 2004.However, the intensity index of exports of India from 2005 onwards showed an increasing trend with 2011 registering a value of 1.842.Brazil has been the important source of imports for India, which is well depicted from the registered intensity indices of imports for India from Brazil. Post liberalization period witnessed low values of intensity indices. The highest Import intensity index was registered in year 2009 which was 9.095.Although the Import Intensity Index values registered from 1995-2011 were greater than 1,showing a great intensity of India's import trade with Brazil.

CONCLUSION

India and Brazil are amongst the largest democracies of the world and major economic players in their respective regions. While Brazil is the sixth largest economy of the world and the fifth largest country in size, India is the eleventh largest economy and seventh largest country in terms of geographical area. Together the two nations contribute about 8.5 per cent to the world's GDP; the size of the economies coupled with the fact that they have a highly skilled workforce which allowed them to be recognized as significant emerging economies.The pre-eminence of Brazil and India in the global economy may signify both an opportunity and a significant risk in the medium and long terms. It will be a chance to the extent that it induces both countries to rethink their strategy to change their production model and to enter the global economy, as well as to introduce more practical policies for productive development, competitiveness and innovation. This will require significant escalation of technological capacities in order to compete on the global market front on the basis of higher value added products and knowledge-based goods and services. The trends in the growth rate of China –India trade shows a huge potential focused on their political achievements as well. Regarding their economic relations, it would be injustice if the bilateral trade is not regarded as the important inevitable one in the global trade scenario.

The emergence of Brazil –India relations must be eye opener for the new world order. Brazil and India will become major powerhouses, definitely altering the balance of power now existing in the world and shifting its center. Due to its commitment and historic respect for democracy and institutions, India should be regarded as a prime strategic partner for Brazil. Both countries, though different, can greatly benefit from a more intensive business, economic, cultural and political relationship. It is important for both the economies to understand clearly current challenges and perspectives, both domestically and internationally. A greater cooperation between India and Brazil, two of the world´s largest democracies, is in order and will certainly benefit both countries, since their economies can share enormous synergies and supplement each other, particularly in agriculture, where Brazil, a major exporter, can become a reliable partner for India. To boost the trade flow with vigor and vitality, remaining trade barriers like customs rules and procedures, on tariff barriers and rules of origin and other impediments are to be relaxed. If minimization of these constraints is put into force, then there is no denying the fact that India and China will set a golden stage for a magnificent jump regarding dominance in the global trade, which finally will increase synergies in the economic cooperation. Thus bilateral trade will have definitely significant impact on the economic scenario of global trade. Great partnerships only happen after many successful negotiations take place. It is time to negotiate and secure greater cooperation. Thus future will be bright for Brazil and India provided the condition that symbiosis comes into action, so that economic laurels salute their respective economies.

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ANNEXURE

ANNEXURE 1: EXPORT INTENSITY INDEX AND IMPORT INTENSITY INDEX

EXPORT INTENSITY INDEX									
YEAR	XIB	XI	XIB/XI	MB	Mw	MI	Mw-MI	MC/Mw-MI	(XIB/XI/MB/Mw-MI)
1995	85	30630	0.002775	54137	5237657	34707	5202950	0.010405	0.266703
1996	132	33105	0.003987	56981	5491959	37942	5454017	0.010448	0.381651
1997	143	35008	0.004085	64242	5684421	41432	5642989	0.011384	0.358805
1998	133	33437	0.003978	60652	5633935	42980	5590955	0.010848	0.366661
1999	135	35667	0.003785	51767	5864245	46979	5817266	0.008899	0.425337
2000	192	42379	0.004531	58643	6658904	51523	6607381	0.008875	0.510462
2001	230	43361	0.005304	58382	6419539	50392	6369147	0.009166	0.57867
2002	361	50372	0.007167	49723	6664958	56517	6608441	0.007524	0.952488
2003	388	58963	0.00658	50881	7780437	72558	7707879	0.006601	0.996854
2004	541	76649	0.007058	66433	9483656	99775	9383881	0.007079	0.996987
2005	969	99620	0.009727	77628	10800749	142842	10657907	0.007284	1.33546
2006	1498	121806	0.012298	95838	12370496	178474	12192022	0.007861	1.56452
2007	1899	149951	0.012664	126645	14272904	228686	14044218	0.009018	1.404382
2008	3250	194531	0.016707	182377	16486891	320785	16166106	0.011281	1.480914
2009	1781	164921	0.010799	133673	12701471	257187	12444284	0.010742	1.005343
2010	3669	216868	0.016918	191537	15426006	323624	15102382	0.012683	1.333967
2011	5391	223129	0.024161	236960	18379265	312345	18066920	0.013116	1.842139
IMPORT INTENSITY INDEX									
YEAR	MIB	MI	MIB/MI	XB	Xw	XI	Xw-XI	XB/Xw-XI	(MIB/MI/XB/Xw-XI)
1995	2604	34707	0.075028	46506	5177425	30630	5146795	0.009036	8.30332
1996	1525	37942	0.040193	47747	5408497	33105	5375392	0.008883	4.524949
1997	1989	41432	0.048006	52994	5587763	35008	5552755	0.009544	5.030147
1998	1959	42980	0.045579	51140	5504308	33437	5470871	0.009348	4.876001
1999	3327	46979	0.070819	48013	5719444	35667	5683777	0.008447	8.383536
2000	1801	51523	0.034955	55119	6444189	42379	6401810	0.00861	4.059888
2001	2709	50392	0.053759	58287	6187610	43361	6144249	0.009486	5.666886
2002	3392	56517	0.060017	60439	6477779	50372	6427407	0.009403	6.382565
2003	3071	72558	0.042325	73203	7563296	58963	7504333	0.009755	4.338881
2004	6512	99775	0.065267	96678	9187151	76649	9110502	0.010612	6.150456
2005	8831	142842	0.061824	118529	10513383	99620	10413763	0.011382	5.431716
2006	9485	178474	0.053145	137807	12134707	121806	12012901	0.011472	4.632751
2007	8777	228686	0.03838	160649	14015751	149951	13865800	0.011586	3.312634
2008	11598	320785	0.036155	197942	16137233	194531	15942702	0.012416	2.912011
2009	28972	257187	0.11265	152995	12518117	164921	12353196	0.012385	9.095604
2010	32209	323624	0.099526	201915	15257877	216868	15041009	0.013424	7.413869
2011	37351	312345	0.119583	256040	18211356	223129	17988227	0.014234	8.401333

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