

1. India-Brazil Mercosur – International Relations

India, Brazil agrees to expand scope of existing trade pact between India-Mercosur bloc. India and Brazil have agreed to expand their Preferential Trade Agreement (PTA) under the MERCOSUR bloc to include more sectors, deepen economic cooperation, and strengthen South-South trade ties. The move aims to diversify India's trade and boost investments in renewable energy, digital technology, and manufacturing.

Context

Recently, India and Brazil have agreed to expand the scope of the existing Preferential Trade Agreement (PTA) under the MERCOSUR bloc to include more sectors, products, and deeper economic engagement. This move is part of India's broader strategy to diversify trade partners, strengthen South-South cooperation, and enhance economic resilience amid global supply chain shifts.

About MERCOSUR

Formation and Structure

Established – 1991 under the Treaty of Asunción.

Founding Members – Brazil, Argentina, Uruguay, and Paraguay.

Pending Member – Bolivia's accession is awaiting ratification.

Associate Members – Chile, Colombia, Ecuador, Guyana, Peru, and Suriname.

Recent Development – Panama became the first Central American nation to join as an associate member.

Economic Weight – MERCOSUR collectively represents the fifth-largest economy in the world, with a population of over 300 million and a combined GDP exceeding \$2.5 trillion.

Objectives of MERCOSUR

1. Promote free trade and fluid movement of goods, people, and currency.
2. Establish a Common External Tariff (CET) for non-member countries.
3. Coordinate macroeconomic and sectoral policies among member states.
4. Deepen political, social, and cultural cooperation in Latin America.

India-MERCOSUR Relations – Historical Background

1. **2003** – India signed a Framework Agreement with MERCOSUR to explore closer economic cooperation.
 2. **2004** – Both sides concluded a Preferential Trade Agreement (PTA) – India's first formal trade pact with a Latin American bloc.
 3. **2009** – The PTA came into effect, covering around 450–452 tariff lines.
 4. **Tariff Concessions** – Range between 10% to 100% reductions on selected products.
- Focus sectors – pharmaceuticals, chemicals, textiles, leather goods, engineering, and auto components.

The agreement laid the foundation for deeper South-South economic engagement, setting a model for India's later trade agreements with African and ASEAN partners.

India-Brazil and MERCOSUR Cooperation

Trade Targets – India and Brazil aim to reach US\$ 20 billion bilateral trade by 2030, up from US\$ 12 billion in 2024.

Trade Growth – Exports between the two countries rose by over 30% in 2025, highlighting growing complementarities.

Joint Effort – Brazil has expressed its intent to collaborate with other MERCOSUR members to accelerate expansion of the PTA for mutual benefit.

Goals of the Expanded PTA

1. **Broaden Product Coverage** – Extend beyond the current 450 items to include advanced technology goods, food processing, and renewable energy components.
2. **Promote Investment Flows** – Facilitate bilateral investment in sectors such as pharmaceuticals, renewable energy, and digital infrastructure.

3. **Encourage Sustainable Development** – Focus on technology transfer, green innovation, and low-carbon growth models.
4. **Strengthen Regional Supply Chains** – Build resilient and diversified supply linkages between South Asia and Latin America.
5. **Ease Non-Tariff Barriers** – Harmonize standards and certification to improve market access and trade facilitation.

Emerging Sectors of Cooperation

Sector	Areas of Focus
Automotive & Aerospace	Joint manufacturing, R&D, and EV technology collaboration
Information Technology & Digital Innovation	Expansion of IT services, AI, data analytics
Renewable & Clean Energy	Solar, wind, green hydrogen, and biofuels
Healthcare & Biotechnology	Vaccine R&D, pharma exports, and telemedicine
Agriculture & Food Processing	Agri-tech, fertilizers, sustainable farming
Semiconductors & Advanced Manufacturing	Electronics value chain collaboration

New Proposal

Brazil has proposed launching a Brazil-India Digital Partnership, focusing on -

1. Artificial Intelligence (AI)
2. High-Performance Computing (HPC)
3. Start-up ecosystem linkages
4. Innovation for green growth and job creation

Strategic Significance

1. **Economic Diversification** – MERCOSUR opens access to a vast, growing market of 300+ million, helping India reduce dependence on traditional partners like the US, EU, and China.
2. **South-South Cooperation** – Aligns with India's foreign policy vision of equitable global development, promoting solidarity among developing economies.
3. **Supply Chain Resilience** – Strengthens India's efforts to de-risk supply chains through Latin American linkages, especially in critical minerals, agricultural commodities, and energy resources.
4. **Geopolitical Balancing** – Enhances India's strategic presence in Latin America, countering China's growing influence in the region through infrastructure and trade investments.
5. **Technology Collaboration** – Expanding cooperation in AI, biotechnology, and renewables supports India's Atmanirbhar Bharat goals and sustainable industrialization.

Challenges and Way Forward

1. **Limited Product Coverage & Trade Volume** – Despite recent growth, India-Brazil trade remains modest compared to Brazil's trade with China or the US. Need to include high-value-added sectors like digital tech, EV components, and critical minerals.
2. **Tariff and Non-Tariff Barriers** – MERCOSUR's Common External Tariff (CET) limits India's ability to negotiate product-specific concessions. Complex customs procedures and inconsistent sanitary standards affect market access. Agriculture and auto components face persistent regulatory barriers.
3. **Regulatory and Institutional Gaps** – Absence of a mutual recognition framework for standards and certifications. Lack of dedicated India-MERCOSUR trade facilitation mechanism to address disputes quickly.
4. **Geopolitical and Strategic Misalignment** – MERCOSUR countries (especially Brazil) have independent strategic alignments with China and Russia, occasionally diverging from India's priorities. India must navigate its strategic autonomy while pursuing economic interests.
5. **External Shocks and Global Uncertainty** – US-China trade wars, global tariff hikes, and supply chain disruptions could derail trade growth. Overdependence on a few commodities (like crude oil, sugar, and soybean) makes trade vulnerable.

Way Forward – Policy Recommendations

1. **Expand Product Basket** – Include services, IT, pharmaceuticals, green tech, and education sectors.
2. **Mutual Recognition Agreements (MRAs)** – Simplify certification and standards for trade facilitation.
3. **Institutional Mechanisms** – Create a Joint Business Council and Trade Facilitation Task Force under India–MERCOSUR dialogue.
4. **Digital Trade and E-Commerce Cooperation** – Explore cooperation on data governance, fintech, and startup innovation.
5. **Regional Connectivity Initiatives** – Promote shipping and air connectivity to reduce logistics costs between India and South America.
6. **Strategic Minerals Partnership** – Collaborate in lithium, rare earths, and green hydrogen to secure clean energy supply chains.

Conclusion

The India–Brazil–MERCOSUR PTA expansion marks a strategic step toward deepening South–South economic integration. It offers opportunities for trade diversification, technology partnership, and resilient supply chains between two major emerging economies. However, the success of this initiative depends on resolving tariff barriers, improving logistics, and aligning strategic priorities to ensure a long-term, sustainable partnership.

Source – <https://www.thehindu.com/news/national/india-brazil-agree-to-expand-scope-of-existing-trade-pact-between-india-mercosur-bloc/article70174336.ece>

