

Territorial NEWSLETTER ASEAN + 5

EPCINDIA
ENGINEERING THE FUTURE

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The Association of Southeast Asian Nations + China, Japan, Korea, Australia and New Zealand

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Chairman's Pen



T S Bhasin

In this issue of the newsletter on ASEAN+5, we highlight China's ambitious project, the One Belt One Road (OBOR) initiative. The initiative focuses on improving connectivity and cooperation among Asian countries, Africa, China and Europe. The emphasis is on enhancing land as well as maritime routes. The policy is significant for China since it aims to boost domestic growth in the country. Experts have noted that OBOR is also a part of China's strategy for economic diplomacy. Considering China's exclusion from G7, OBOR initiative might just provide China an opportunity to continue its economic development. India's discomfort with OBOR stems from the lack of clarity over its multi-polar character and the project being dominated by China and its political allies in the region. At the moment, India appears apprehensive to participate primarily because of 'China Pakistan Economic Corridor (CPEC)' which passes through disputed J&K region under Pakistan's control. Since China is a major trade partner, India needs to holistically evaluate this initiative seriously to decide whether to be a part of this greater economic partnership.

We are hopeful that the information provided in the newsletter will be useful for our readers.

Message from Chairman, Committee on Trade with ASEAN countries



P K Shah

Chinese President Xi Jinping's magnum project OBOR- One Belt One Road initiative- seeks to bring together a large part of the Indian Ocean littoral and Eurasia through high speed rail lines, pipelines and maritime linkages. The idea of connecting to rest of the world stems from China's aspiration to get out of manufacturing, and go up the global value chains and start focusing on product designing and innovation. So India has to clearly assess the OBOR initiative and find its potential benefits. The main challenge for Indian policy makers is to maximize the opportunities offered by OBOR and at the same time safeguarding the country's security imperatives.

In this issue of newsletter we also highlight the India's engineering exports scenario to the ASEAN+5 countries in the first month of the new fiscal 2017-18.

I hope this newsletter will be insightful for our readers and they will enjoy reading it.

OBOR- One Belt One Road

China is investing a hefty sum (\$900 bn) in a project known as the “One Belt, One Road” (OBOR) initiative. This initiative seeks to boost integrated economic growth between Eurasia through mega infrastructure projects. The Belt and Road Initiative is China’s most ambitious and complex transport corridor project to date. The strategic implications for those countries involved in the OBOR initiative are significant. This is especially true for India, which is situated directly in the middle of the OBOR’s path.

The OBOR project includes 6 corridors under two roads, the New Silk Road Economic Belt running west towards Europe through Russia and Central Asian and the 21 Century Maritime Road focuses on reaching Europe through South Asia and Southwest Africa.

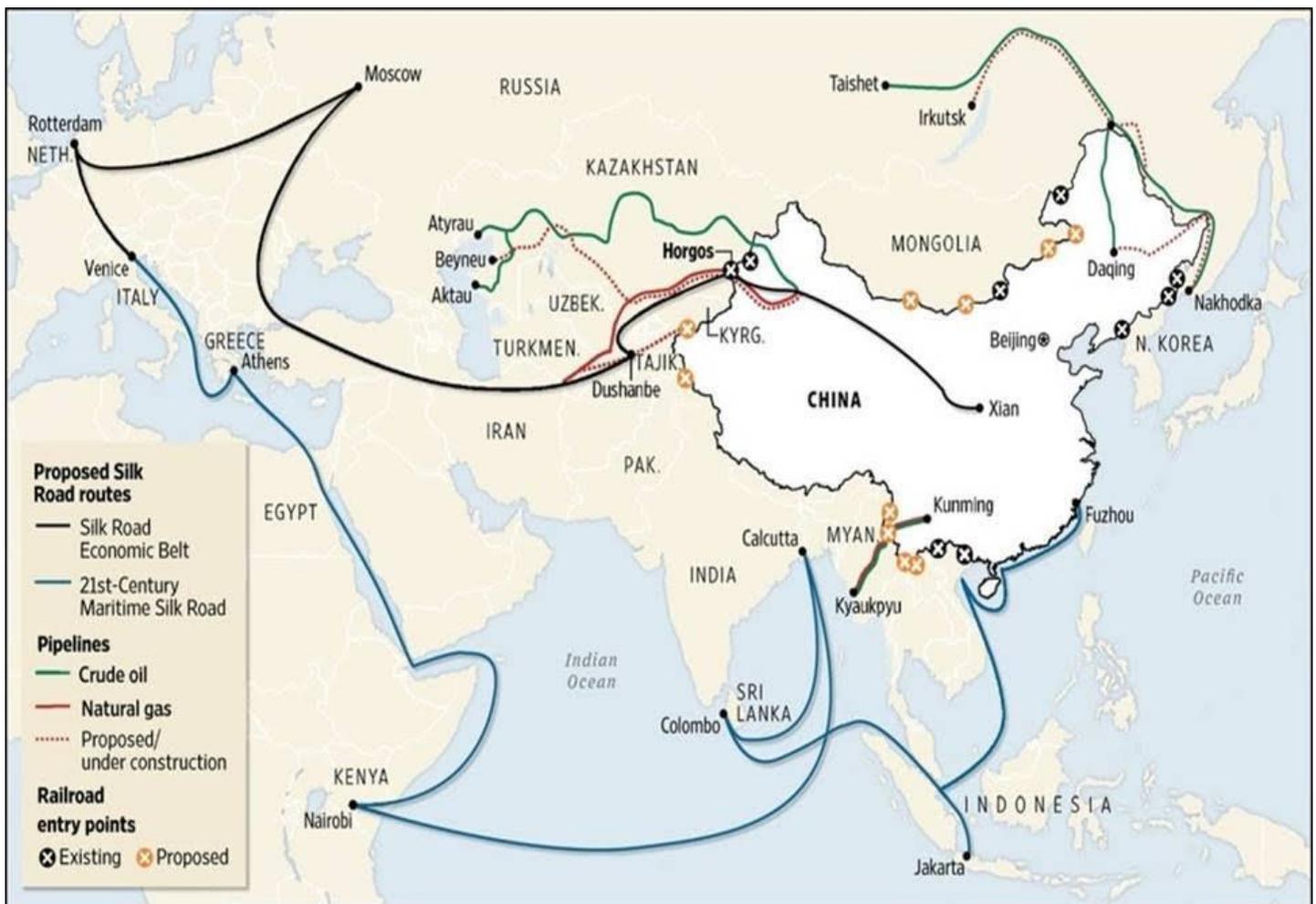
As one of President Xi Jinping’s key policies, the OBOR project aims to connect China with 60 countries, setting up potential trade with a further 4.4bn people. The economic implications are enormous, valued at \$21 trillion, whilst also boosting China’s GDP by 25%.

China’s economy which has recently stumbled is expected to expand again because of this and reach its 6.8% projected growth rate by easing exports and tightening international relations and global affairs.

The 6 corridors run between:

1. China-Mongolia-Russia Economic Corridor (CMREC);
2. New Eurasian Land Bridge (NELB);
3. China Central and West Asia Economic Corridor (CCWAEC);
4. China-Indo-China Peninsula Economic Corridor (CICPEC);
5. China-Pakistan Economic Corridor (CPEC); and
6. Bangladesh-China-India-Myanmar Economic Corridor (BCIMEC).

China-Pakistan Economic Corridor (CPEC), one of the first of the 6 corridors to start construction originally valued at \$46bn is further to receive \$1.6bn agreed in August, 2016. Construction of the CPEC is already well underway and gaining momentum with roads of 502km already constructed. With an expected completion date of 2017 it has been given priority and a fast track by the Pakistani Government. In theory, it should have a positive knock-on effect on the economy creating railways, roads, power plants, and hence jobs and investments. The corridor is being supported by the world’s largest solar power plan costing \$1.5bn and a hydro power plant worth \$1.6bn. The whole CPEC project brings about 4.5% in projected GDP growth.



India has objected to the China Pakistan Economic Corridor (CPEC), as it passes through Pakistan-occupied-Kashmir, raising serious sovereignty concerns. China, however, has not tried to attenuate India's concerns. Along with geopolitical anxiety, India's lack of commitment to the OBOR initiative is also influenced by economic hesitation. Regions and countries with better maritime infrastructure and greater trade and financial integration in the world economy will link more easily with the planned OBOR infrastructure. This gives most countries from East Asia, Southeast Asia and Europe that are part of the initiative a 'head-start' against their counterparts from South Asia, the Middle East and Africa.

India is also hesitant about the OBOR initiative because of its potential impact on existing regional economic frameworks. The initiative includes regions and countries that India has free trade agreements (FTAs) with, such as ASEAN, Singapore, Malaysia and Thailand. Trade with ASEAN countries constitutes a tenth of India's total trade and a considerable part of that trade is through the India-ASEAN FTA. The rules of origin (ROOs) of the FTA insist that a minimum proportion of the traded products' value is to 'originate' from territories of the members for exporters to avail preferential tariffs. So while the OBOR initiative might offer more efficient new routes, they may not satisfy the ROOs requirements of India's FTAs.

So far, China's political management of the OBOR Initiative has failed to convince Indian authorities that the initiative is virtuous and primarily about economic gains and connectivity. A more objective Indian perspective is possible if the specific projects and benefits of the Maritime Silk Road (MSR) and OBOR initiative in general

are clearly articulated. Unless these details become available, India will continue to harbour apprehensions about the OBOR initiative being a geostrategic design that promotes Chinese security interests.

Given the strategic and security concerns of China’s maritime initiative, India has envisaged an initiative called Mausam, which aims to re-establish its ancient maritime routes and visualises the India-centred link connecting with historic sea routes in Asia, Europe and Africa. In this context, it is important to note that the International North-South Trade Corridor, linking Mumbai in India via Bandar Abbas in Iran with Moscow in Russia, is also linked with the Silk Road Economic Belt initiative undertaken by China. If India agrees to be a part of OBOR, then it can link her internal connectivity plans such as Delhi-Mumbai or Delhi-Kolkata transportation corridors with that of China’s OBOR initiative. Likewise, without this linkage it will be difficult for China to extend the OBOR network to Nepal, Bangladesh, Sri Lanka and Myanmar. All these initiatives can be linked with each other so as to generate more collective benefits, provided India is able to safeguard its own security issues.

Trade Analysis & Statistics

India’s total engineering exports to ASEAN+5 – country wise during April 2017 – stood at US\$ 1033.5 million. Top 5 nations which had the highest demand for Indian engineering products during April 2017 in absolute values include:

Values in US\$ million

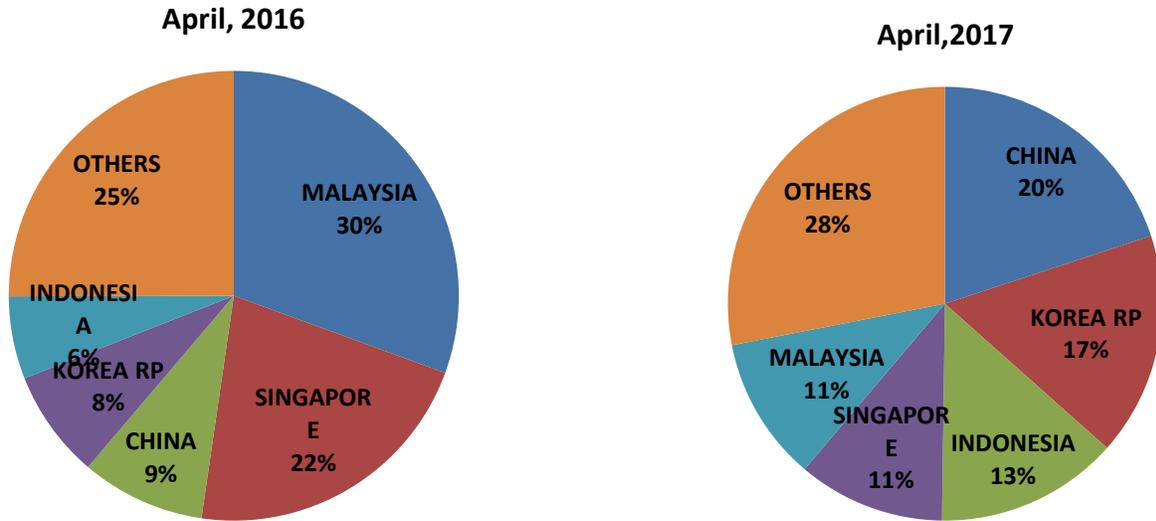
COUNTRY	APRIL, 2016	APRIL, 2017	Growth (%)
CHINA	91.08	206.01	126.19
KOREA RP	79.64	172.02	115.99
INDONESIA	60.79	140.99	131.95
SINGAPORE	221.94	113.30	-48.95
MALAYSIA	312.38	111.07	-64.44

Source: DGCI&S, Government of India

- ❖ In April 2017 engineering exports to ASEAN+5 constituted 17.6% of the total global engineering exports of India during the same;
- ❖ China topped the list for Indian engineering exports in April 2017 and recorded huge positive growth in April 2017 over April 2016 among the 15 countries. The top 5 engineering products exported to the country include Copper and products, Iron and Steel, Zinc and products, IC Engines & parts, and Electrical Machinery & Equipments during April 2017;
- ❖ India’s engineering exports to ASEAN+5 in April 2017 increased by 1.2% compared to April 2016

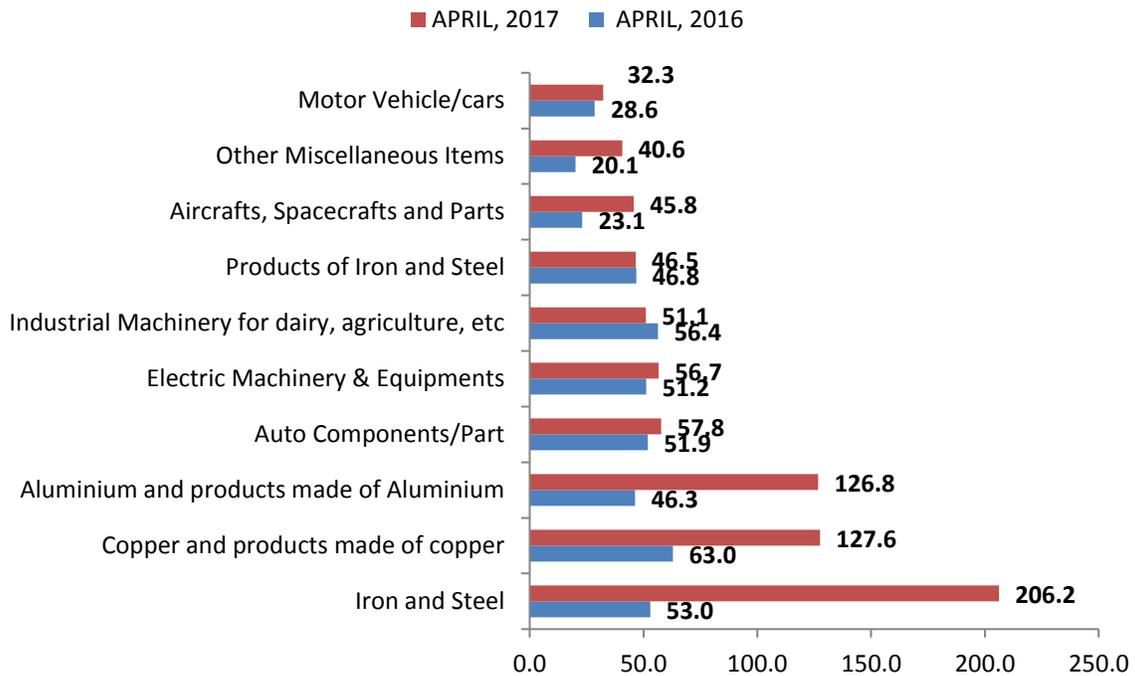
A comparison of top 5 nations which had the highest demand for Indian engineering products during April 2016 and its subsequent change in April 2017 is shown in the pie chart below:

Fig 1: Change in Total Engineering Export among the top 5 ASEAN+5 countries during April 2017 viz-a-viz April 2016



Top 10 engineering panels exported to ASEAN+5 during April 2017 viz-a-viz April 2016 are provided in bar diagram.

Fig 2: Top 10 engineering panels exported to ASEAN+5 in April 2017 viz-a-viz April 2016



Source: DGCI&S, Government of India

❖ **ASEAN Ready for Trade Pacts**

ASEAN is keen to conclude a region-wide trade agreement with its key partners, but the pact must have substance to be worthwhile, said Singapore's Prime Minister Lee Hsien Loong on Saturday.

This means that countries involved in the Regional Comprehensive Economic Partnership must be willing to make difficult trade-offs so that the agreement will be credible and of a high quality, he added, Yahoo reported.

Read more: <https://financialtribune.com/articles/world-economy/63352/asean-ready-for-trade-pacts>

❖ **RCEP talks: India under pressure to offer deeper tariff cuts**

India is not yet ready with its market opening offers for the members of the Regional Comprehensive Economic Partnership (RCEP) — especially China — as senior officials get ready to hold the next negotiating round in the Philippines.

The round of talks beginning on Thursday is crucial as the 16 participants, including the 10-member ASEAN, would try to evolve a consensus on the progress that trade ministers from the region should make when they meet in the end of the month.

"RCEP countries are tired with the long-dragging negotiations and want closure soon. Commerce & Industry Minister Nirmala Sitharaman will be required to reveal what India's stance is towards the pact is given the fact that most members are not ready to accept low ambitions. Soon the question will boil down to whether India is in or out. We have to be ready for that," a government official told BusinessLine.

Read more: <http://www.thehindubusinessline.com/economy/policy/rcep-talks-india-under-pressure-to-offer-deeper-tariff-cuts/article9679098.ece>

❖ **RCEP talks: Heat on India to scrap import duty on 90% of goods**

India is under pressure to agree to eliminate import duty on at least 90 per cent of its traded goods as part of the Regional Comprehensive Economic Partnership (RCEP) pact being negotiated by 16 countries, including China and ASEAN members.

Trade ministers from all member-countries, which include South Korea, Japan, Australia and New Zealand, will meet in Hanoi this week to push the negotiations forward. "New Delhi is firm about not opening its market extensively to at least China and offer the country much lower concessions by working out country-specific deviations.

Philippines suggestion

But what has made the negotiations tougher is the 'opt out and reciprocity' flexibility suggestion made by the Philippines," a government official told BusinessLine.

The 'opt out and reciprocity' principle proposes that if a country cannot agree to what the majority of members were ready for, it can opt out from that provision and wait for a time till it is ready to sign up.

Read more: <http://www.thehindubusinessline.com/economy/rcep-talks-heat-on-india-to-scrap-import-duty-on-90-of-goods/article9709257.ece>

❖ **ASEAN trade ministers fast-tracking RCEP talks**

In a bid to facilitate negotiations on the Regional Comprehensive Economic Cooperation (RCEP), ASEAN trade ministers will hold an intersessional meeting in Hanoi.

Trade and Industry Secretary Ramon M. Lopez, who is the current chairman of the ASEAN Economic Ministers Meeting, said the 3rd RCEP Intersessional Meeting will take place in Hanoi on Monday, May 22, after the APEC Ministers Responsible for Trade Meeting in Hanoi over the weekend.

Since all ASEAN trade ministers are there already, Lopez said it is an opportune time to convert into an RCEP Intersessional Meeting the following day.

Read more: <http://business.mb.com.ph/2017/05/20/asean-trade-ministers-fast-tracking-rcep-talks/>

❖ **RCEP deal: Trade ministers from 16 countries including India and China to meet in Vietnam**

Trade ministers of 16 countries, including India and China, will meet on 21 and 22 May in Vietnam to discuss progress in the ongoing negotiations of proposed mega trade deal RCEP.

So far, negotiators of the Regional Comprehensive Economic Partnership (RCEP) have held 18 rounds of negotiations.

"This will be a crucial meeting in Hanoi. Ministers would deliberate on the single-tier system of duty relaxations, besides issues related to services and investments," an official said.

Under the single-tier system, the RCEP member countries are trying to finalise the maximum number of goods on which duties will either be eliminated or reduced drastically.

Read more: <http://www.firstpost.com/world/rcep-deal-trade-ministers-from-16-countries-including-india-and-china-to-meet-in-vietnam-3458566.html>

❖ **RCEP Hanoi talks: India not willing to go beyond 80% tariff elimination in goods**

India ignored calls for zero tariffs on 92 per cent of traded goods as part of the ambitious Regional Comprehensive Economic Partnership (RCEP) being negotiated between 16 countries, including China, and instead stuck to its offer of 80 per cent.

New Delhi's current position, too, would result in substantial opening up of the Indian market to Chinese goods, as even with a deviation of 6 per cent that India is demanding in special cases, tariffs have to be removed on 74 per cent of items.

"India held its ground at the Trade Ministers meeting in Hanoi on Monday by refusing to give in to demands for tariff elimination of 92 per cent of goods.

“It has stuck to its offer of 80 per cent elimination with a 6 per cent deviation and also a longer implementation period for certain countries like China,” a government official told BusinessLine.

Read more: <http://www.thehindubusinessline.com/economy/rcep-hanoi-talks-india-not-willing-to-go-beyond-80-tariff-elimination-in-goods/article9710892.ece>

Business opportunities

Location	Title	Deadline
Philippines	Procurement And Delivery Of Eight(8) Units Four-wheel Drive Farm Tractor (45 Hp) With Various Implements	16 Jun 2017
Philippines	Procurement Of Vehicle Spare Parts And Supplies	19 Jun 2017
Vietnam	Constructing And Installing Construction Equipment Building Fire Brigade And Fire Fighting Teams Etc	21 Jun 2017
China	Qingdao New Airport Ups And Dc Power Supply Equipment Tender	21 Jun 2017
China	Supply Of Generator Set	21 Jun 2017
Singapore	Process Upgrading At Choa Chu Kang Waterworks - Contract 3 - Electro-chlorination	22 Jun 2017
Malaysia	Supply And Delivery Of Relay Power Card, Relay Module Card And Test Terminal Block	28 Jun 2017
Singapore	Supply And Delivery Of Starters And Alternators For 2 Years	19 Jun 2017
Vietnam	Supplying Materials And Equipment For 05 Projects To Increase Capacity 110kv 110kv Go Dau Etc.	20 Jun 2017
Indonesia	Development Of Cow Manure Biogas Installation	26 Jun 2017

For more contract notices, Please register with Tender info and follow the link: <http://www.tendersinfo.com/> and search for respective countries.

EEPC India ASEAN Territorial Newsletter

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