

# Territorial NEWSLETTER

## ASEAN + 5

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

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### Chairman's Pen



In this issue of newsletter we highlight the aggressive stance of the Chinese government to fast track negotiations in the Regional Comprehensive Economic Partnership (RCEP). As a consequence the Indian government is under great pressure to eliminate duties on 90% of goods it trades with China under the mega trade agreement among 16 Asia Pacific countries that is in the works. Pressure is mounting on member countries including India for early conclusion of proposed free trade pact, RCEP.

China now looks keen to engage actively. Beijing's sudden interest in the closure of the RCEP is fuelled by Washington's renewed interest in the Trans-Pacific Partnership (TPP) agreement, another mega regional trade partnership. Incidentally, seven countries-Australia, Brunei, Japan, Malaysia, New Zealand, Singapore and Vietnam-are common to both the agreements.

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**

China is India's largest trading partner, while India is China's 13th largest trading partner. According to data from India's commerce ministry, its trade deficit with China increased more than two-fold from US\$16 billion in 2007 to US\$51 billion in 2017. Thus it is very natural that Indian industry and exporters are apprehensive about the presence of China in the RCEP group. In the mega agreement lowering or eliminating duties for China is likely to flood the Indian market with Chinese goods further.

Thus going forward has become extremely difficult for India as most RCEP members want zero duties on almost all products and only small exceptions are allowed for some countries and products through deviations. But for India to sustain in the long run it must achieve three key pillars of RCEP- goods, services, investment—in a manner that is balanced and collectively satisfactory.

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

## Basic Facts

Regional Comprehensive Economic Partnership (RCEP) is a proposed free trade agreement (FTA) between ten member states of the Association of Southeast Asian Nations (ASEAN) (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam) and the six states with which ASEAN has existing free trade agreements (Australia, China, India, Japan, South Korea and New Zealand)

Prospective RCEP member states accounts for a population of 3.4 billion people with a total Gross Domestic Product (GDP, PPP) of \$ 49.5 trillion, approximately 39 percent of the world's GDP.

### Scope of negotiations:

RCEP will cover trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues.

The RCEP will have broader and deeper engagement with significant improvement over the existing ASEAN+1 FTAs, while recognizing the individual and diverse circumstances of the participating countries.

## India's trade deficit with China weighing over RCEP talks

India's trade deficit with China has widened to a whopping \$62.8 billion in 2017-18 from \$51 billion a year before, deepening concerns that the indiscriminate tariff elimination under the proposed Regional Comprehensive Economic Partnership pact could worsen the imbalance.

Officials from the 16 RCEP countries, which comprise the 10-member ASEAN, India, China, Australia, New Zealand, Japan and South Korea, are trying to concretize offers for market openings with a view to conclude the negotiations by the year-end.

There is a humongous pressure on India from the ASEAN and China to minimize the deviations in the market access offers for goods. But with the trade deficit between India and China continuously on the rise, there is a big risk for India to offer Beijing the same concessions that could be offered to the ASEAN.

### ASEAN demand

In a meeting of the 10 Economic Ministers from the ASEAN countries, the Indonesian Minister of Trade Enggartiasto Lukita, who is the country coordinator of the RCEP negotiations, urged all ASEAN member countries to submit their offer packages in goods, services and investments.

"ASEAN should demonstrate its solidity and leadership in leading the negotiations towards a substantial resolution by the end of this year. This is demonstrated by striving to reach an agreement to deliver an initial commitment so that the negotiations on request and offer packages can be initiated and intensified to reach mutual agreement for all parties," Lukita said in a written statement in Jakarta.

The ASEAN wants India to agree to eliminate tariffs on more than 92 per cent of the items and maintain uniformity in its offer by extending similar concessions to all members. It is also putting pressure on India to agree soon to the ambitious tariff cuts being sought so that it is not responsible for delaying the negotiations

beyond end-2018. Interestingly, the Indonesian Trade Minister, during his India visit in February, had said that he hoped that India would stand by the ASEAN to conclude RCEP this year and would not disappoint.

India is trying hard to lessen the pressure building on it at the RCEP talks in the area of goods by insisting that the services offers made by the other members be improved first. Since most of the RCEP members have given very conservative offers in services which would not lead to any incremental market openings, the case has now turned difficult for India.

India wants not only to shield a larger number of goods imported from China from tariff cuts, it also wants a much longer implementation period for the commitments it undertakes. The Indian industry is not in favour of offering deep tariff cuts to China as it fears that it could lead to substantial loss of domestic business.

While India's imports from China increased to \$76.27 billion in 2017-18 from \$61.28 billion in the previous fiscal, its exports to the country was at \$13.33 billion, against \$10.17 billion the year before.

Once concluded, the RCEP could be the largest free trading bloc in the world accounting for 45 per cent of the world population and over \$21 trillion of gross domestic product (about 30 per cent of world GDP).

China which has till now not aggressively pushed to fast track negotiations in the RCEP, has shown a new keenness to "engage actively", the first after its trade standoff with the US.

Beijing's sudden interest in the closure of the RCEP is fuelled by Washington's renewed interest in the Trans-Pacific Partnership (TPP) agreement, another mega regional trade partnership. Incidentally, seven countries- Australia, Brunei, Japan, Malaysia, New Zealand, Singapore and Vietnam-are common to both the agreements.

It is opined by an eminent academician that if US revives TPP, then ASEAN will be more comfortable going with it instead of China. Therefore, China wants to benefit from that first mover advantage.

# Give & Take

**US-CHINA TRADE WAR**  
show over RCEP meeting



**MEGA TRADE** pact  
among 16 Asia  
Pacific countries is  
in the works

**INDIA MAY  
FACE** pres-  
sure to end  
duties on  
most goods  
traded with  
RCEP nations

**Chain's interest in  
closure of RCEP follows  
US renewed interest in  
Trans-Pacific Partnership**



## Trade Analysis & Statistics

### Trade Analysis & Statistics

India's total engineering exports to ASEAN+5 country wise during the first month of the new fiscal 2018-19 stood at US\$ 1.30 billion. Some major highlights of engineering exports from India to ASEAN+5 during the month of April 2018 are given below:

- ❖ During April 2018, India's engineering exports to ASEAN+5 stood at US \$ 1295.52 million which is 18.6 percent of the total global engineering exports of India during the same period.
- ❖ India's engineering exports to ASEAN+5 during this period have also increased by 26.9 percent.
- ❖ Singapore which used to be an important engineering destination of India's engineering exports have revamped and ranked as the topmost destination of India's engineering exports among the RCEP nations for the month of April 2018 recording high growth of more than 200 percent in April 2018 viz-a-viz April 2017.
- ❖ South Korea ranked second and recorded a positive growth of 9.41 percent in April 2018 over April 2017.
- ❖ Among the group of 15 countries barring 3 countries all the remaining recorded positive growth in April 2018 viz-a-viz April 2017.

Top 5 nations which had the highest demand for Indian engineering products during April 2018 in absolute values include:

Values in US\$ million

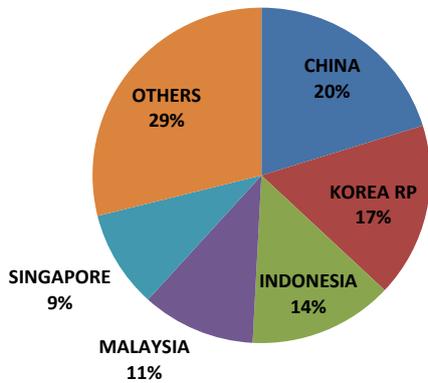
COUNTRY	April 2017	April 2018	Growth (%)
SINGAPORE	95.73	290.84	203.81
KOREA RP	171.64	187.79	9.41
CHINA	206.18	185.59	-9.99
INDONESIA	141.22	125.27	-11.29
MALAYSIA	111.04	99.46	-10.43

Source: DGCI&S, Government of India

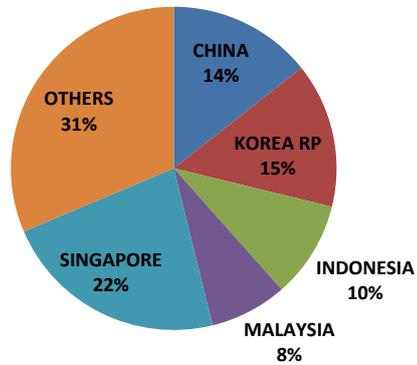
A comparison of top 5 nations which had the highest demand for Indian engineering products in April 2017 and its subsequent change in April 2018 is shown in the pie chart below:

**Fig 1: Change in Engineering Export among the top 5 ASEAN+5 countries (April 2017 viz-a-viz April 2018)**

### APRIL, 2017



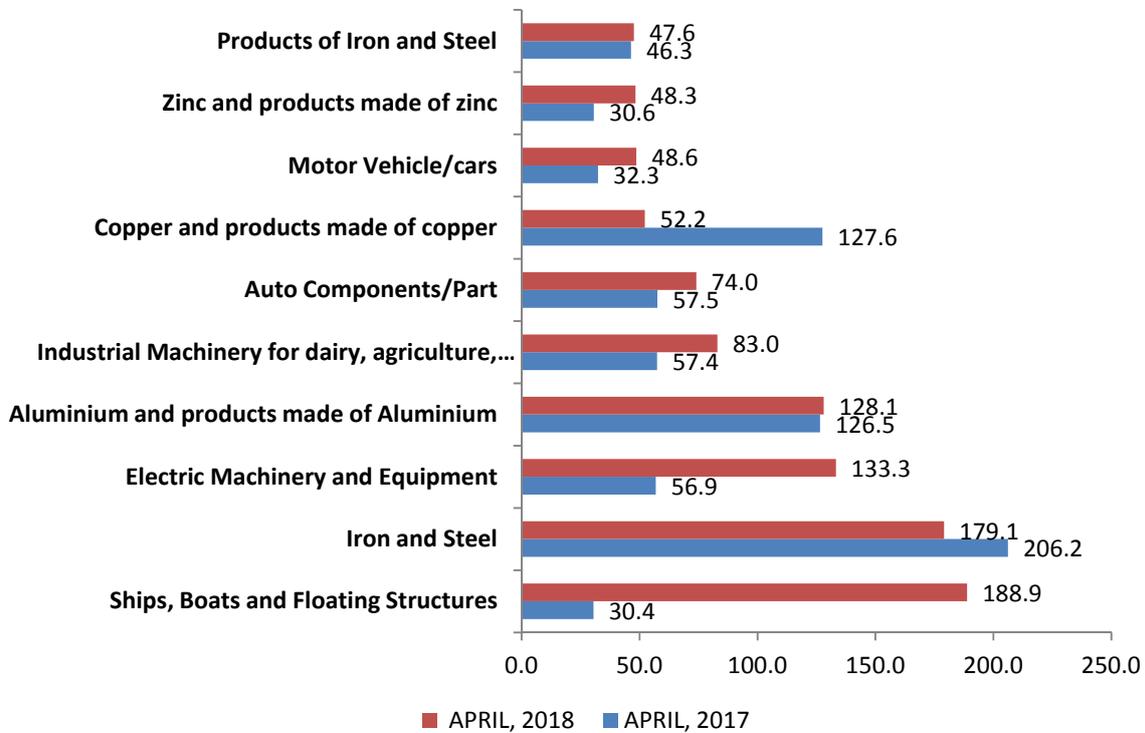
### APRIL, 2018



Source: DGCI&S, Government of India

Top 10 engineering panels exported to ASEAN+5 during April 2018 viz-a-viz April 2017 are provided in bar diagram.

**Fig 2: Top 10 engineering panels exported to ASEAN+5 in April 2018 viz-a-viz April 2017**



Source: DGCI&S, Government of India

### ❖ Better use of bilateral relations, FTA can boost Indo-Vietnam trade: Envoy

Pointing out that trade between India and Vietnam is languishing at around one percent of the total trade done by both countries, the Vietnamese envoy to India on Wednesday said their strong bilateral relationship should be used as a foundation for greater economic cooperation.

He also urged both the countries to make a better use of the 'ASEAN India Free Trade Agreement', of which Vietnam is a member.

"The trade between Vietnam and India is growing but it is not up to the potential. Last year the trade amount between the two countries was \$7.6 bn which is very little compared to our total trade. The amount is just more than one percent of Vietnam's total trade. For India it is less than one percent," Vietnamese Ambassador Ton Sinh Thanh said here.

"Both Vietnam and India are developing very fast... India's GDP growth last year was seven percent while we had 6.8 percent, which is the highest growth rate in a decade. Also Vietnam and India have very good bilateral relation that comes from a 2000-year-old tradition.

Read more: [https://www.business-standard.com/article/news-ians/better-use-of-bilateral-relations-fta-can-boost-indo-vietnam-trade-envoy-118040401219\\_1.html](https://www.business-standard.com/article/news-ians/better-use-of-bilateral-relations-fta-can-boost-indo-vietnam-trade-envoy-118040401219_1.html)

### ❖ ASEAN-India Senior Officials' Meeting held in Hanoi

Deputy Foreign Minister and head of Vietnam ASEAN SOM Nguyen Quoc Dung and Secretary of the Indian Ministry of External Affairs Preeti Saran co-chaired the 20th ASEAN-India Senior Officials' Meeting (SOM) in Hanoi on April 5-6.

At the annual meeting, delegates shared a view that the ASEAN-India dialogue relationship plays an important role in ensuring peace, stability and cooperation in the region. They spoke highly of the success of the ASEAN-India Commemorative Summit held in January 2018, considering it a significant event that opened up a new chapter in bilateral ties.

They lauded the progress of the implementation of the Action Plan for 2016-2020 and a portfolio of priority fields for 2016-2018. As of March 2018, 75 out of 130 activities in the Action Plan have been completed, equivalent to 60 percent after two years.

Both sides agreed to push forward the practical and effective development of their strategic partnership, especially in priority fields of their strength.

The officials pledged to boost bilateral trade and investment ties by effectively realising free trade agreements in goods, services and investment, strengthening connectivity in the private sector and facilitating small and medium-sized enterprises' access to technologies and capital sources.

Read more: <https://en.vietnamplus.vn/aseanindia-senior-officials-meeting-held-in-hanoi/129178.vnp>

#### ❖ **India, Singapore work on bilateral online payment use: Tharman**

India and Singapore are working on the bilateral use of online payment, but there is a long way to go for the two countries to link their economies and smart cities digitally, Singapore's Deputy Prime Minister Tharman Shanmugaratnam said today.

Speaking at the HT MintAsia Leadership Summit here, Tharman urged India to expand its air links with East Asia.

"(Air connectivity) is how a lot of growth is spurred. Because it's not just about the number of people you carry, it's the fact that they are also coming with business, with investments," he said.

Tharman said there were opportunities in the areas of digital innovation and smart cities because of what is happening in India and the Association of Southeast Asian Nations (ASEAN).

Read more: [https://www.business-standard.com/article/pti-stories/india-singapore-work-on-bilateral-online-payment-use-tharman-118041300915\\_1.html](https://www.business-standard.com/article/pti-stories/india-singapore-work-on-bilateral-online-payment-use-tharman-118041300915_1.html)

#### ❖ **Shift strategies to achieve required level of growth: Singapore deputy PM's advice to India**

At a time when the world is witnessing a trade friction between its largest trade economies, the US and China, and Asia looks with bated breath to take cues on the path it has to take, Singapore's deputy Prime Minister Tharman Shanmugaratnam stressed on the need for the region to shift strategies.

The deputy prime minister during his inaugural address at the HT-Mint Asia Leadership Summit held in Singapore on Friday, said there is currently a need for India and many of the Southeast Asian economies to have a three-pronged trade strategy — creation of jobs, air connectivity, and digital innovation and smart cities.

Tharman has some advice for India but caveated by saying that he was offering this as a friend of the country.

He indicated that India was on the right trajectory but that it needs to do more in terms of pace and direction and to make a decisive shift in its strategies to escalate to the required level of growth.

"India needs to create 10 to 12 million new jobs per year. You are currently still far short of that, and it requires new strategies. India has embarked on those new strategies. There has been impressive progress in infrastructure in particular - roads, rail, ports, now airports. There have been improvements in the ease of doing business, and some liberalisation in foreign direct investment rules. But I will have to say quite frankly, that the pace and direction of travel is not enough to create the jobs required," he added.

Read more: <https://www.hindustantimes.com/singapore-summit/shift-strategies-to-achieve-required-level-of-growth-singapore-deputy-pm-s-advice-to-india/story-fdeRw8KsBOTM5ATfndAnJM.html>

### ❖ DHL aims to link Indian businesses with ASEAN economic community

Global logistics group Deutsche Post DHL Group is working to link Indian companies with businesses in the ASEAN Economic Community (AEC) to strengthen India's economic relations with Southeast Asian markets.

India is a key market for us. We will help our clients there to work their way into the AEC, which will in turn be a springboard to the Far East markets in line with New Delhi's Act East' policy, said Alfred Goh, President, Global Fast Growing Enterprise and Regional Head, Customer Solutions and Innovation Asia Pacific, DHL.

In 2000-2017, there was over USD 514.7 billion of ASEAN investment flow into India. In 2015-16, India's exports to ASEAN were valued at USD 25 billion, with imports at USD 40.6 billion.

Read more: [https://www.business-standard.com/article/pti-stories/dhl-aims-to-link-indian-businesses-with-asean-economic-community-118041600249\\_1.html](https://www.business-standard.com/article/pti-stories/dhl-aims-to-link-indian-businesses-with-asean-economic-community-118041600249_1.html)

### ❖ Liberal Malaysian economy good destination for Indian investment: Official

Roswaidin Mohd. Zain, Consul General, Malaysian Investment Development Authority (MIDA) said here that India had good opportunities for investment in Electrical, Electronics, Chemical, Medical, Tourism and IT in Malaysia as this Economy was open and liberal for business.

Speaking at an interactive meeting at the Federation of Karnataka Chambers of Commerce and Industry here on Tuesday, he said the Malaysian Government was very pro-active and it takes the opinion of the Chambers in formulating the policies. India is the 9th largest Trading Partner with Malaysia and it should take a better place gauging the way the Indian economy was growing.

Read more: <https://news.webindia123.com/news/Articles/India/20180417/3323540.html>

### ❖ Substantial progress made in RCEP negotiations: China

China today said substantial progress have been made on negotiations on the Regional Comprehensive Economic Partnership (RCEP), in which India is a part, and it will work with other parties to reach a modern, comprehensive and mutually beneficial agreement as soon as possible.

The RCEP is a free trade area (FTA) consisting of 10 ASEAN members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and their six FTA partners : India, China, Japan, South Korea, Australia and New Zealand.

Negotiations on the Regional Comprehensive Economic Partnership (RCEP) are moving forward, with substantial progress, China's Ministry of Commerce said.

Read more: [https://www.business-standard.com/article/pti-stories/substantial-progress-made-in-rcep-negotiations-china-118041900745\\_1.html](https://www.business-standard.com/article/pti-stories/substantial-progress-made-in-rcep-negotiations-china-118041900745_1.html)

### ❖ Thai cos keen to invest \$3 bn in Indian infra projects

Several Thailand-based companies which are operating in India plan to invest around USD 3 billion in the next three years period in the areas of green and brown field projects including energy, infrastructure and metals.

"The Thailand based companies see good opportunity here and are looking to invest around USD 3 billion by 2020. The fast growing Indian market remains attractive for Thai investors given the opportunities in green and brown field projects including energy, infrastructure and metals," Thai Trade Center executive director and consul Suwimol Tilokruangchai told PTI here.

"We are looking towards India with a great interest from last seven decades and plans to enhance the bilateral trade thanks to the positive approach of both the Thai and Indian governments," she added.

Read more: <https://www.moneycontrol.com/news/business/thai-cos-keen-to-invest-3-bn-in-indian-infra-projects-2555109.html>

### ❖ Indonesia targets to conclude RCEP negotiations this year

Trade Minister Enggartiasto Lukita has said that the government is planning to finish negotiations over the Regional Comprehensive Economic Partnership (RCEP) this year, as, currently, progress in negotiations stands at about 80 percent.

The RCEP involves 10 ASEAN countries and six ASEAN partner countries – Australia, China, India, Japan, South Korea and New Zealand.

Enggartiasto stressed the importance of ASEAN countries coming to a solid agreement over certain issues before the end of negotiations.

"We need to make agreements among ASEAN countries first. Then, we [will] take [the agreements] to ASEAN partners. New Zealand and Australia have set a high priority on goods while, for India, it is a lower priority. We have to act as a coordinating party [during negotiations]," he added.

Read more: <http://www.thejakartapost.com/news/2018/04/24/indonesia-targets-to-conclude-rcep-negotiations-this-year.html>

### ❖ Myanmar a key pillar of Act East policy: Jitendra Singh

Myanmar is a key pillar of India's Act East policy as it connects the northeastern states with Southeast Asia via land route, Union Minister Jitendra Singh said today.

The Act East policy is an effort by India to boost its influence through economic and strategic linkages with the neighbouring Southeast Asian sub-region. It was originally conceived as an economic initiative, but has gained political, strategic and cultural dimensions including establishment of institutional mechanisms for dialogue and cooperation.

Read more: [https://www.business-standard.com/article/pti-stories/myanmar-a-key-pillar-of-act-east-policy-jitendra-singh-118042300816\\_1.html](https://www.business-standard.com/article/pti-stories/myanmar-a-key-pillar-of-act-east-policy-jitendra-singh-118042300816_1.html)

#### ❖ **Five Years After Manmohan Singh, Modi Set To Visit Indonesia Around June**

Prime Minister Narendra Modi is all set to visit Indonesia, the world's largest Muslim populated country, a month from now.

Sources told News18 that while a date has not been fixed, it has been decided that the PM will go around the same time as the head of Singapore. Modi will deliver the keynote address at the prestigious annual Shangri-La Dialogue in Singapore on June 1.

"The PM's visit will either be before the Shangri-La dialogue or right after it. Which essentially means that the visit will happen between the last week of May and the first week of June," sources told News18.

Read more: <https://www.news18.com/news/india/five-years-after-manmohan-singh-modi-set-to-visit-indonesia-around-june-1728763.html>

#### ❖ **Amid possibility of protectionist regime, ASEAN to get cozy with India, China**

With possibility of trade war and protectionism growing, the South East Asian countries which constitute ASEAN bloc has resolved to work more closely with emerging powers like India and China.

Singapore Prime Minister said that the close cooperation is aimed at ensuring continued growth.

Addressing the summit of the 10-nation Association of Southeast Asian Nations, Prime Minister Lee Hsien Loong said that regional economic growth was under threat because the political mood in many countries had turned against free trade.

He mentioned the recent trade tensions between the U.S. and China in particular are worrying.

Read more: <https://www.clipper28.com/en/amid-possibility-of-protectionist-regime-asean-to-get-cozy-with-india-china/>

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