

# Territorial NEWSLETTER

## ASEAN + 5

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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



In this issue of newsletter we discuss the concern and the speediness with which the ASEAN+5 countries are moving ahead to finalize the RCEP agreement by the end of this year. While some opines that RCEP will give Indian exporters a window to be a part of global value chains. On the contrary according to some, 'RCEP is nothing but a bilateral trade pact with China. India will lose, China will gain'. Despite these arguments, India still hopes that RCEP will offer India an opportunity to engage with China.

In order to affirm on its decision strongly the commerce ministry has recently asked the three agencies, which have been tasked to prepare a report on proposed mega trade agreement RCEP, to get into greater details of issues involved in the pact and hold industry specific consultations.

These agencies are being involved as serious concerns were raised by certain section of industry and government departments on the pact. The commerce ministry asked them to make their study more granular and also hold industry specific consultations to understand their issues and concerns. Presence of China, with which India has a huge trade deficit in the bloc is a major concern to domestic players.

The RCEP negotiations have entered the sixth year. During last five years, over 20 rounds of negotiations at the expert level were held. Besides, seven ministerial meetings and seven inter- -sessional meetings have been held so far.

I hope India adopts a balanced approach in order to leverage the potential benefits of RCEP.

**Ravi Sehgal**

## Message from Chairman, Committee on Trade with ASEAN countries



In this issue of newsletter we dwell on the aspect of conclusion of the RCEP agreement by the ASEAN nations by the end of 2019. RCEP members want India to eliminate or significantly reduce customs duties on maximum number of goods it traded globally. India's huge domestic market provides immense opportunity of exports for the member countries.

However, lower level of ambitions in services and investments, a key area of interest for India, does not augur well for the agreement that seeks to be comprehensive in nature. Under services, India wants greater market access for its professionals in the proposed agreement.

Trade experts have warned that India should negotiate the agreement carefully, as it has trade deficit with as many as 10 RCEP members, including China, South Korea and Australia, among others.

India wants to have a balanced RECP trade agreement as it would cover 40 per cent of the global GDP and over 42 per cent of the world's population.

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

**T.S. Bhasin**

## 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.

## Members of ASEAN keen to finalize RCEP agreement this year

The members of the Association of Southeast Asian Nations (ASEAN) – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam – are keen on the early finalization of RCEP which is being negotiated since 2013.

The negotiations on RCEP were last year extended into 2019 as the parties – the 10 ASEAN states and their six partners, India, China, Japan, South Korea, Australia and New Zealand – were unable to reach an agreement on key issues. Indian industry and the government have reservations on joining RCEP, mainly because it will bring the country into a free trade relationship with China and worsen a trade deficit of more than \$60 billion.

According to a leading economist at ADB's trade and regional cooperation office, that with 16 countries, RCEP is a diverse agreement. This diversity is the main reason the agreement keeps getting delayed, with countries finding it hard to reach consensus on key issues.

The finalization of the Regional Comprehensive Economic Partnership (RCEP) agreement within this year and enhanced regional connectivity figured in the ASEAN -India senior officials' meeting, which finalized a calendar of joint activities for 2019.

The meeting, co-chaired by Mathelin and Vijay Thakur Singh, secretary (east) in the external affairs ministry, also decided to give impetus to all forms of ASEAN -India connectivity. In this regard, the officials welcomed the commissioning of the ERIA study on the trilateral highway and its extension to Laos, Cambodia and Vietnam and a proposal on formation of "digital villages" in ASEAN states.

The officials agreed to deepen maritime cooperation through a variety of measures, including enhanced collaboration in the "blue economy" sub-sector, and to boost cooperation in renewable energy, including holding a conference on the topic this year.

Senior officials of the 16-member RCEP group, who are negotiating a mega free trade agreement, will be again holding a meeting in Bangkok from May 24 to iron out issues pertaining to the goods and services sector. It would not be a full-fledged round but an inter-sessional meeting, where senior officials would hold detailed discussions on issues of the proposed Regional Comprehensive Economic Partnership (RCEP) agreement.

The meeting assumes significance as the member countries are aiming to conclude the negotiations by end of this year. Although the negotiations have entered the sixth year, negotiations on key issues are yet to be finalized. The member nations have yet to finalize the number of goods over which duties will be eliminated.

The proposed free trade agreement, which is officially dubbed as RCEP, to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights to boost economic ties between the countries.

RCEP members want India to eliminate or significantly reduce customs duties on maximum number of goods it traded with them. India's huge domestic market provides immense opportunity of exports for RCEP countries.

### Trade Analysis & Statistics

India's total engineering exports to ASEAN+5 country wise during April 2019 stood at US\$ 1.5 billion. Some major highlights of the cumulative engineering exports from India to ASEAN+5 during April 2019 are given below:

- ❖ During April 2019, India's engineering exports to ASEAN+5 stood at US \$ 1500.02 million which is 23.1% of the total global engineering exports of India during the same period.
- ❖ The share of India's cumulative engineering exports to ASEAN+5 April 2019 has increased significantly in comparison April 2018.
- ❖ India's engineering exports to ASEAN+5 during the first month of the new fiscal 2019-20 has increased by 15.9 % in comparison to the previous month of the last fiscal. This is commendable as like the broader merchandise trade, engineering exports from India also saw a decline in shipment in April 2019 over the same month last fiscal.
- ❖ Malaysia bounced back after a long hiatus and recorded as the top export destination in April 2019 viz-a-viz April 2018, registering the highest growth of 220.1 %. Major items of export to Malaysia in April 2019 were Ships, Boats and Floating Structures, Aluminium and products made of Aluminium and Iron and Steel etc.
- ❖ After recording repeated positive and highest cumulative growth in the previous fiscal Cambodia recorded negative growth in April 2019 compared to April 2018.

Top 5 nations which had the highest demand for Indian engineering products during April 2019 in absolute values include:

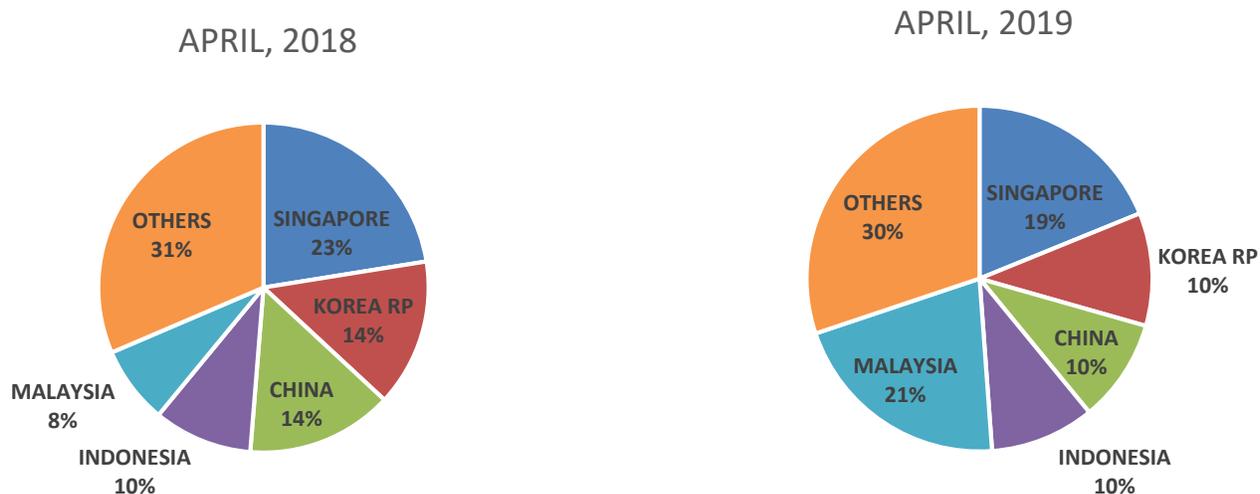
Values in US\$ million

COUNTRY	April 2018	April 2019	Growth (%)
<b>MALAYSIA</b>	98.46	315.19	220.11
<b>SINGAPORE</b>	290.83	282.67	-2.81
<b>KOREA RP</b>	187.07	158.52	-15.26
<b>INDONESIA</b>	125.27	146.66	17.07
<b>CHINA</b>	185.97	144.80	-22.14

Source: DGCI&S, Government of India

A comparison of top 5 nations which had the highest demand for Indian engineering products in April 2018 and its subsequent change in April 2019 is shown in the pie chart below:

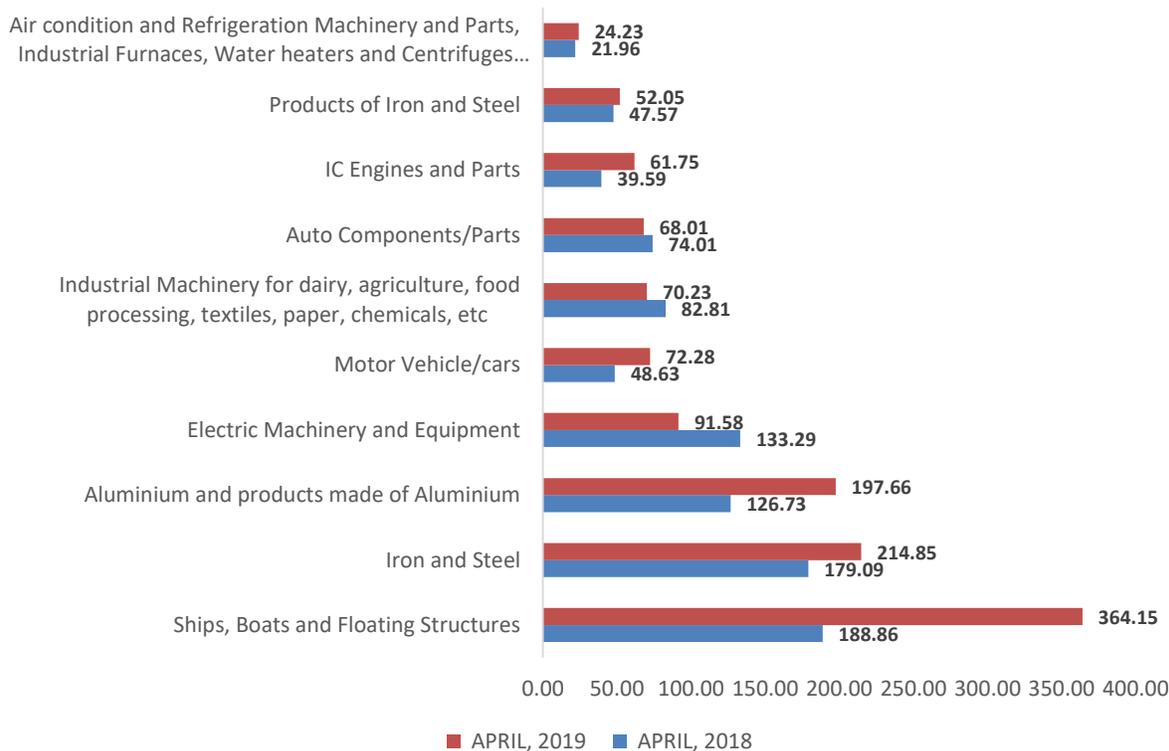
**Fig 3: Change in Engineering Export among the top 5 ASEAN+5 countries (April 2018 viz-a-viz April 2019)**



Source: DGCI&S, Government of India

Top 10 engineering panels exported to ASEAN+5 during April 2019 viz-a-viz April 2018 are provided in bar diagram.

**Fig 4: Top 10 engineering panels exported to ASEAN+5 in April 2019 viz-a-viz April 2018**



Source: DGCI&S, Government of India

❖ **India-M'sia bilateral relations are growing stronger: High Commissioner**

India-Malaysia bilateral relations are growing strong and will continue to flourish due to active engagements in various aspects, such as defence, economic, political, cultural and people-to-people exchanges, said India's High Commissioner to Malaysia Mridul Kumar.

Describing the relations now as being at its best, he said this was due to the personal rapport between the leadership of the two countries and is based on complementarities and mutual interest.

"The one year that I have worked here as the High Commissioner has not just been fruitful, but also a very productive and satisfying one for me. I am positive that in the years to come, bilateral relations will further strengthen and reach newer heights," said Kumar, who took office on Feb 15 last year.

Read more: <https://www.thesundaily.my/local/india-m-sia-bilateral-relations-are-growing-stronger-high-commissioner-XX770671>

❖ **India, ASEAN vow to step up ties in maritime sector, boost connectivity**

India and ASEAN have resolved to strengthen ties by deepening cooperation in the maritime sector and boosting connectivity.

The two sides made the affirmations at the 21st ASEAN-India Senior Officials' Meeting (SOM) held here on April 11-12, the Ministry of External Affairs (MEA) said.

The meeting was co-chaired by Vijay Thakur Singh, SOM Leader and Secretary (East), Ministry of External Affairs, and Busaya Mathelin, SOM Leader and Permanent Secretary, Ministry of Foreign Affairs, Thailand.

The ASEAN-India SOM reviewed the strategic partnership and its future direction. It assessed the progress of cooperation under all three pillars -- political-security, economic and socio-cultural, the MEA said.

Read more: [https://economictimes.indiatimes.com/news/economy/foreign-trade/india-asean-vow-to-step-up-ties-in-maritime-sector-boost-connectivity/articleshow/68861447.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cpst](https://economictimes.indiatimes.com/news/economy/foreign-trade/india-asean-vow-to-step-up-ties-in-maritime-sector-boost-connectivity/articleshow/68861447.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cpst)

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