

Territorial NEWSLETTER

ASEAN + 5

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Vaniya Bhavan (1st Floor)
1/1 Wood Street,
Kolkata - 700016
www.eepcindia.org

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

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Chairman's Pen



India has more than \$100 billion trade deficit with the 16-member Regional Comprehensive Economic Partnership (RCEP) grouping, which is roughly more than 60% of India's total trade deficit of 2017-18. Thus there is a raging debate on whether India should remain or quit the RCEP negotiations. In this issue of newsletter we deliberate on India's stand in staying in RCEP.

Negotiations have dragged on for almost five years, primarily because of India's reluctance to significantly open up its market, given the sensitivities around agriculture- and labour-intensive domestic industries. India has already agreed to offer tariff liberalization on 74% of goods from China, Australia and New Zealand, and it could go up to 86% for other RCEP members. However, the member countries want India to open up its market for 92% of traded goods, which India finds too ambitious to accommodate. Now India has agreed to top up its earlier offer by engaging in bilateral negotiations with countries on a quid-pro-quo basis.

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

Ravi Sehgal

Message from Chairman, Committee on Trade with ASEAN countries



Allaying fears that India may exit trade talks under the Regional Comprehensive Economic Partnership (RCEP) to avoid giving more market access to China, an informal group of ministers (GoM) headed by trade minister Suresh Prabhu has decided that India will remain engaged in the 16-member trade grouping.

The GoM has been set up to finalize India's strategy for RCEP in view of growing opposition to the trade deal from within and outside the government. India has held bilateral talks with China, Australia and New Zealand on RCEP tariff liberalization and is

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expected to hold more rounds of talks with these nations. There has been a growing clamour in the Indian industry as well as the government to exit RCEP.

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

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.

India has decided not to pull out from a big Asia-Pacific trade treaty, but on a few coconditions

It is no secret that India wants to play a more central role in Southeast Asia, based on its Act East Policy, and now it has made a decisive step in direction by choosing to stay within the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement comprising 16 countries in the Asia Pacific region.

The decision follows months of speculation over whether or not the Indian government should pull out from the treaty.

The treaty requires all signatories to eliminate tariffs with each other. It covers all 10 countries in the Association of Southeast Asian Nations (ASEAN) along with India, China, Australia, Japan, South Korea and New Zealand. Together, the 16 countries account for nearly 30% of global trade and 45% of the world's population. If ratified by all members, the treaty will lead to the creation of the world's largest trade bloc.

In April 2018, a research note published by NITI Aayog, the government's think tank, criticised the free trade agreement, saying that India would be forced to grant more market access to China, with which it already has a huge trade deficit, if it were to sign. And as a result, the flood of Chinese imports, especially in most segments where China boasts superior manufacturing capacity, would erode the competitiveness of Indian producers. Conversely, India's exports would have limited traction in China.

The conditions for staying

As criticism of the RCEP mounted, the government had to set up a special group of ministers, led by trade minister Suresh Prabhu, to assess the implications of signing the treaty. The committee decided that India will stay in the treaty, but on a few conditions.

It won't be able to eliminate all tariffs with countries with which it does not already have a bilateral free trade agreement, namely China, Australia and New Zealand.

It is believed that India would only be able to cut tariffs on 74% of goods that it trades with these countries. Additionally, any tariff elimination on more than 86% of goods traded with a specific country will have to be discussed individually with that country's government. India has currently agreed to waive tariffs on 86% of goods with all 10 ASEAN countries along with Japan and Korea. However, most nations are clamouring for a 92% elimination.

India will set forth the conditions at the upcoming meeting of the RCEP. Negotiations on the treaty have been going on since 2012 and were expected to conclude soon. However, this will likely be pushed to 2019 as a number of issues are resolved including exclusion of the metals sector from the treaty and access for skilled professionals.

Trade Analysis & Statistics

Trade Analysis & Statistics

India's total engineering exports to ASEAN+5 country wise during April-August of 2018-19 stood at US\$ 6.23 billion. Some major highlights of the cumulative engineering exports from India to ASEAN+5 during April-August 2018-19 are given below:

- ❖ During April-August 2018-19, India's engineering exports to ASEAN+5 stood at US \$ 6225.12 million which is 18.5% of the total global engineering exports of India during the same period.
- ❖ India's cumulative engineering exports to ASEAN+5 during this period have also increased by 6.5%.
- ❖ Singapore topped the list once again for Indian cumulative engineering exports during April-August 2018-19 and Thailand for monthly exports for August 2018. Major items of export to Thailand in August 2018 are Iron & Steel, IC Engines and parts, Auto Components/parts, Aluminium and products and Electrical machinery and equipments.
- ❖ Cambodia recorded the highest growth of 442% in April-August 2018-19 compared to April-August 2017-18 among the fifteen countries.
- ❖ Lao ranked second in growth, recording a growth of 190.3% in April-August 2018-19 compared to April-August 2017-18 among the fifteen countries.

Top 5 nations which had the highest demand for Indian engineering products during April-August of 2018-19 in absolute values include:

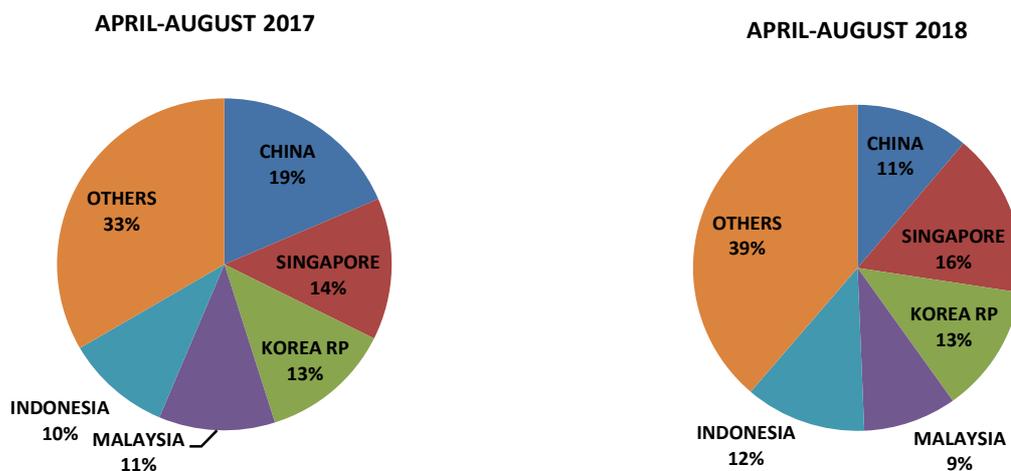
Values in US\$ million

COUNTRY	April-August 2017-18	April-August 2018-19	Growth (%)
SINGAPORE	806.93	1012.93	25.5
KOREA RP	744.64	792.46	6.4
INDONESIA	598.08	742.11	24.1
CHINA	1084.78	694.24	-36.0
THAILAND	481.46	663.21	37.7

Source: DGCI&S, Government of India

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

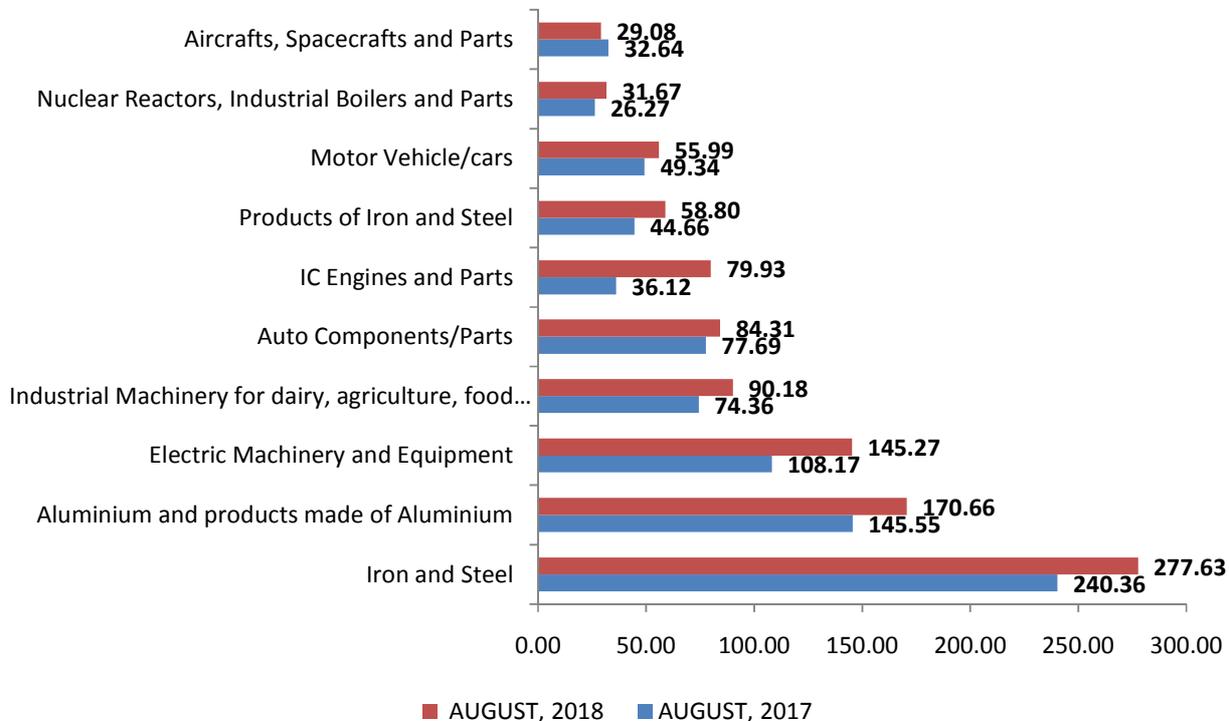
Fig 3: Change in Engineering Export among the top 5 ASEAN+5 countries (April-August 2018 viz-a-viz April-August 2017)



Source: DGCI&S, Government of India

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

Fig 4: Top 10 engineering panels exported to ASEAN+5 in August 2018 viz-a-viz August 2017



Source: DGCI&S, Government of India

News in Focus

❖ India, Cambodia sign two agreements to step up cooperation

External Affairs Minister Sushma Swaraj today discussed bilateral, multilateral and key international issues with her Cambodian counterpart Prak Sokhonn, and the two countries signed two agreements to step up cooperation.

Swaraj, who is in Cambodia on the concluding leg of her four-day two-nation tour, discussed with Sokhonn bilateral, multilateral and important international issues at delegation-level talks at the Ministry of Foreign Affairs here.

"The two ministers discussed bilateral, multilateral and important International issues today at delegation level talks," the Embassy of India here said in a tweet.

Read more: https://www.business-standard.com/article/pti-stories/india-cambodia-sign-two-agreements-to-step-up-cooperation-118082900617_1.html

❖ India, Vietnam to boost trade, maritime, defence cooperation

External Affairs Minister Sushma Swaraj on Tuesday held talks with her Vietnamese counterpart Pham Binh Minh and discussed measures to strengthen trade, investment, maritime and defence cooperation between the two countries.

Swaraj is in Vietnam on the first leg of her four-day two-nation tour which aims at deepening India's strategic cooperation with Vietnam and Cambodia — the key countries in the ASEAN region.

“Deepening our Comprehensive Strategic Partnership! EAM @SushmaSwaraj and Foreign Minister of Vietnam Pham Binh Minh led delegation level talks where trade, investment, maritime and defence cooperation were discussed,” Ministry of External Affairs spokesperson Raveesh Kumar tweeted.

Read more: <https://arunachaltimes.in/index.php/2018/08/29/india-vietnam-to-boost-trade-maritime-defence-cooperation/>

❖ Malaysia seeks deepening of trade ties with India

Malaysia today pitched for deepening its economic engagement with India and said that achieving the trade target of USD 15 billion annually by 2020, which the two countries had set, looks "promising".

Malaysia's High Commissioner to India Hidayat Abdul Hamid, while addressing an interactive session on 'Doing Business with Malaysia' here, said India was an important trading partner for Malaysia and both the countries needed to work closely in order to deepen bilateral trade relations.

Read more: https://timesofindia.indiatimes.com/business/india-business/malaysia-seeks-deepening-of-trade-ties-with-india/articleshow/65566469.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

❖ India, Australia Too Apart For Economic Agreement: Australian Report

The negotiating positions of Australia and India are "too far apart" to conclude the bilateral Comprehensive Economic Cooperation Agreement (CECA) in the near term, said an Australian government's report on the country's economic strategy for India.

The report titled 'An India Economic Strategy to 2035', authored by former Australian high commissioner to India Peter Varghese, said Canberra should focus on securing some of the objectives of the CECA with India through the Regional Comprehensive Economic Partnership (RCEP).

The negotiation for the CECA between India and Australia, was started in 2011 to provide fillip to trade and investments between the countries.

Read more: <https://www.ndtv.com/india-news/india-australia-too-apart-for-comprehensive-economic-cooperation-agreement-australian-report-1882794>

❖ RCEP accord dims as India frets over trade liberalization

Trade ministers from 16 countries in the Regional Comprehensive Economic Partnership confirmed that they will try to reach a broad agreement by the end of the year during a two-day meeting that ended on Aug. 31.

But if 15 member nations cannot find common ground with India, which is opposed to an overly liberal trade policy, the more than five years of negotiations will likely drag on into 2019.

Japan's Economy, Trade and Industry Minister Hiroshige Seko met separately with Indian Commerce and Industry Minister Suresh Prabhu on Aug. 30 before the RCEP meeting, saying that he wants further discussions regarding bilateral cooperation.

Read more: <https://asia.nikkei.com/Politics/International-Relations/RCEP-accord-dims-as-India-frets-over-trade-liberalization>

❖ India, Singapore to undertake third review of free trade pact

India and Singapore will initiate the next round of review of their existing free trade agreement tomorrow with a view to further promote commercial ties between the countries. Commerce and industry minister Suresh Prabhu, who is here on an official visit, held discussions with Singaporean counterpart Chan Chun Sing on the issue.

"Both India and Singapore are looking forward to launch the third review of India-Singapore CECA on September 1. This will provide further momentum to the growing collaboration between our two countries," Prabhu said in a series of tweets.

Read more: <https://timesofindia.indiatimes.com/india/india-singapore-to-undertake-third-review-of-free-trade-pact/articleshow/65621816.cms>

TBT Notifications

✓ South Korea has issued regulation on Energy Efficiency Management Equipment

This has reference to TBT notification no. G/TBT/N/KOR/784 dated 9th August 2018, issued by the Energy Efficiency Management Division of Ministry of Trade, Industry and Energy. The products mentioned in this notification falls under the HS Codes- 8414, 8415, 8418, 841861, 850410, 8508 and 851660.

For more details, please follow the links:

https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=False&HasSpanishRecord=False&CatalogueList=247331,247332,247353,247357,247392,247417,233383,247413,245176,247415&CurrentCatalogueIndex=5&Full

✓ **Chinese Taipei is proposing categories and scopes of weighing instruments and volumeters.**

This has reference to TBT notification no G/TBT/N/TPKM/333 dated 1st August 2018, issued by the Bureau of Standards, Metrology and Inspection (BSMI), Ministry of Economic Affairs. The products mentioned in this notification falls under the HS Code 90303310.

For more details, please follow the links:

https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=False&HasSpanishRecord=False&CatalogueIdList=247289,247290,247302,247246,130791,236138,247235,247175,247176,247231&CurrentCatalogueIndex=9&Full

✓ **China has issued standard on the General Specifications for Hand-held and walk-through Metal Detectors.**

This has reference to two TBT notifications- G/TBT/N/CHN/1279 and G/TBT/N/CHN/1280 dated 30th July 2018, issued by the Standardization Administration of China (SAC). The products mentioned in this notification falls under the HS Code 85437012.

For more details, please follow the links:

https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True&CatalogueIdList=247151,247152,247156,247158,247159,247160,247161,118250,247240,247241&CurrentCatalogueIndex=0&FullText

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Contact: Priyanka Chakraborty
Email: pchakraborty@eepcindia.net
Phone no: 033-40120363