

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



In this issue of newsletter we dwell on India-Australia economic and trade relations. The Australia-India economic relationship has grown significantly in recent years. Australia's strength in exporting primary products, particularly minerals and energy, as well as services such as education, positions us well to supply growing Indian industrial and consumer demand. We are seeking to further deepen trade and investment links through the conclusion of a Comprehensive Economic Cooperation Agreement (CECA).

Australia's interest in developing a stronger economic relationship with India comes at a time when Australia is increasingly aware of its economic exposure—and potential vulnerability—to China. Australia has said that it would ratchet up its trade and investment with India and start a consulate general in Calcutta by early next year to take care of its growing business with India's east-based mining industry. Australian Prime Minister Scott Morrison has announced that his government would “raise Australian investment in India ten-fold” to \$100 billion.

Australia, which has been a prime source of high quality coal for Indian steel mills and thermal power plants, is keen to enter the iron ore, coal and bauxite sectors in India. So it now for us to see how this venture between India and Australia takes shape in the future and how it helps the user industries in India.

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



In this issue of newsletter we discuss on the India-Australia trade relations, which has grown significantly over the last few years. India's growing economic profile and commercial relevance to the Australian economy is recognized, both at the federal and state level in Australia.

The two countries are currently discussing a Comprehensive Economic Cooperation Agreement (CECA) which will provide greater market access to exporters of goods and services. The two sides have exchanged their goods and services offer lists. It is expected that the conclusion of the CECA will expand the base of merchandise trade, remove non-tariff barriers, encourage investment and address the border restrictions to trade. India is also seeking to address its adverse balance of trade in Goods and Services through specialized market access for its products.

Australia's ties with India are long-standing and strong. In order to accelerate the economic partnership further we have the IES 2035- The India Economic Strategy is an ambitious plan to transform Australia's economic partnership with India out to 2035. Getting the Strategy right will strengthen the resilience of the Australian economy and help realise India's aspirations.

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.

Indo-Aus trade set to accelerate; but with riders

Even as India and Australia share the shores of the same ocean, both the countries have not seen much of trade ties, over the years. However, the situation is expected to change soon, if both the countries work closely on economic diplomacy.

Australian federal government endorsed the India Economic Strategy (IES) - 2035, compiled by its former High Commissioner to India, Peter Varghese. As per the initial implementation of the IES 2035, four sectors -- education, agri-business, resources, and tourism -- where Australia has a comparative advantage, will get the prominence in the next 12 months.

India's and Australia's merchandise trade stood at US\$ 20,856 million (almost Rs 1.08 lakh crore) for 2017, with Australia being the 9th principal import source for India. To put the things in perspective, the merchandise trade between India and Australia is mere 5% of the currency in circulation in India, which recently crossed the Rs 20 lakh crore mark.

The biggest component of merchandise trade during the year has been coal – worth US \$ 9,181 million (almost Rs 47,500 crore). But with India emphasizing more on the renewable and clean sources of energy this might hit a roadblock.

However, there is an alternative: Australian west coast is very rich in lithium ore – that is used as a renewable source of energy.



Australia's trade and investment relationship with India



Major Australian imports, 2017 (A\$m)

Refined petroleum	1,554
Medicaments (incl veterinary)	335
Pearls & gems	274
Railway vehicles (incl hovertrains)	199



Major Australian exports, 2017 (A\$m)

Coal	9,181
Vegetables, f.c.f.	1,377
Gold	689
Copper ores & concentrates	688

*INCLUDES \$1.6B OF CONFIDENTIAL ITEMS AND SPECIAL TRANSACTIONS, ESTIMATED TO BE MAINLY LNG & ALUMINA, 10% OF TOTAL EXPORTS.

Australia's trade in services with India, 2017 (A\$m)

Exports of services to India	4,412
Imports of services from India	2,167

Australian merchandise trade with India, 2017 (A\$m)

Total merchandise trade (exports + imports)	20,856
Exports to India	15,748
Imports from India	5,109

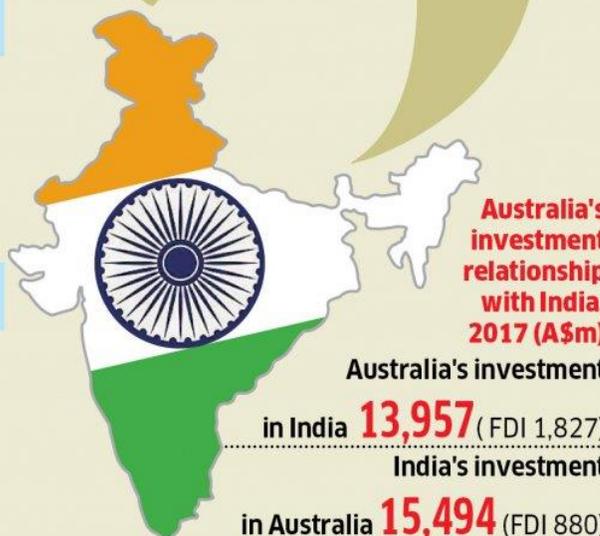
Total share	Rank	Growth (yoy)
5.2%	4th	38.0%
1.8%	12th	17.0%
3.5%	5th	32.2%

Major Australian services exports, 2017 (A\$m)

Education-related travel	3,431
Personal travel excluding education	523

Major Australian services imports, 2017 (A\$m)

Personal travel excluding education	926
Professional, technical & other business	612



India's global merchandise trade relationships

India's principal export destinations, 2017

1. USStates	16.1%
2. UAE	9.6%
3. Hong Kong (SAR of China)	5.0%
22. Australia	1.4%

India's principal import sources, 2017

1. China	16.6%
2. US	5.7%
3. UAE	4.9%
9. Australia	3%

India's engineering exports to Australia increased from US\$ 576.06 million in April-December 2017 to US\$ 660.83 million in April-December 2018, registering a growth of 14.7 percent. The major engineering exports to Australia during April-December 2018 is shown below:

Major Exports (Values in US\$ million)	April-December 2018
Grand Total	660.83
Railway Transport and Parts	171.05
Products of Iron and Steel	102.34
Electric Machinery and Equipment	88.84
Industrial Machinery for dairy, agriculture, food processing, textiles, paper, chemicals, etc	35.51
Iron and Steel	31.05
Motor Vehicle/cars	30.04
Machinery for ATMs, Injecting Moulding machinery, valves, etc	25.63
Medical and Scientific Instruments	20.79
Hand Tools, Cutting Tools and Implements made of Metals	19.66
Auto Components/Parts	13.95

Source: www.commerce.nic.in

In fact, Australia is also partnering with a number of airports to sponsor the 2019 CAPA India Aviation Summit in Delhi, to push for more tourists from India. However, that said, one of the major problems in Australia still remains as the lack of India's understanding and Indian businesses, despite the fact that Australian Prime Minister Scott Morrison openly confessing that he loves to cook chicken curry for his family on every Saturday.

Yet another problem that might cause hindrance in investment flow, between India and Australia is the bureaucratic red tape. Australia, in general, has eye for the detail and nuance in every investment they approve, which might hamper ease of doing business between two countries as it takes years for investments to take off. Currently, Indian investment in Australia is pegged at just \$ 15.5 billion, despite the country being home to over 5 lakh people of Indian origin.

Also a lack of free trade agreement is assumed to roadblock in terms of trade ties between two countries, but there is a hope in Australian government that Regional Comprehensive Economic Partnership (RCEP) -- proposed FTA between the 10-member states of the Association of Southeast Asian Nations (ASEAN) and the six Asia-Pacific states with which ASEAN has existing free trade agreements (Australia, China, India, Japan, South Korea, and New Zealand) -- will compensate for it.

Australia might have seen a breakthrough moment by adopting IES 2035, but the fact remains that there is a very long road ahead for both the countries.

Trade Analysis & Statistics

India's total engineering exports to ASEAN+5 country wise during April-December of 2018-19 stood at US\$ 11.12 billion. Some major highlights of the cumulative engineering exports from India to ASEAN+5 during April-December 2018-19 are given below:

- ❖ During April-December 2018-19, India's engineering exports to ASEAN+5 stood at US \$ 11123.21 million which is 18.8% of the total global engineering exports of India during the same period.
- ❖ India's cumulative engineering exports to ASEAN+5 during April-December 2018-19 has dropped for the third consecutive time, by 7.3% in comparison to the previous period.
- ❖ Like the previous month, Singapore topped the list once again for Indian cumulative engineering exports during April-December 2018-19 and Malaysia for monthly exports for December 2018. Major items of export to Singapore during April-December 2018-19 were products of Iron & Steel, Pumps of all types, Industrial Machinery for dairy, agriculture, food processing, textiles, paper, chemicals, Electric Machinery and Equipment, Auto Components/Parts etc.
- ❖ Cambodia, like before recorded the highest growth of 297.2 % in April-December 2018-19 compared to April-December 2017-18 among the fifteen countries.
- ❖ Lao ranked second in growth, recording a growth of 118.6 % in April-December 2018-19 compared to April-December 2017-18 among the fifteen countries.

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

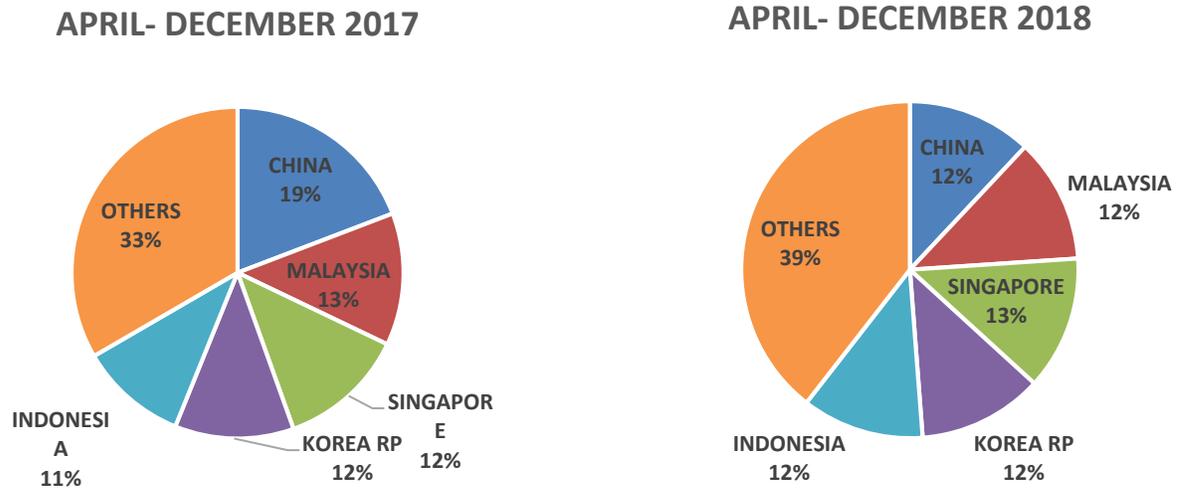
Values in US\$ million

COUNTRY	April-December 2017-18	April-December 2018-19	Growth (%)
SINGAPORE	1490.27	1430.12	-4.04
KOREA	1390.86	1334.33	-4.06
CHINA	2302.65	1332.52	-42.13
MALAYSIA	1548.84	1329.70	-14.15
INDONESIA	1259.45	1304.64	3.59

Source: DGCI&S, Government of India

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

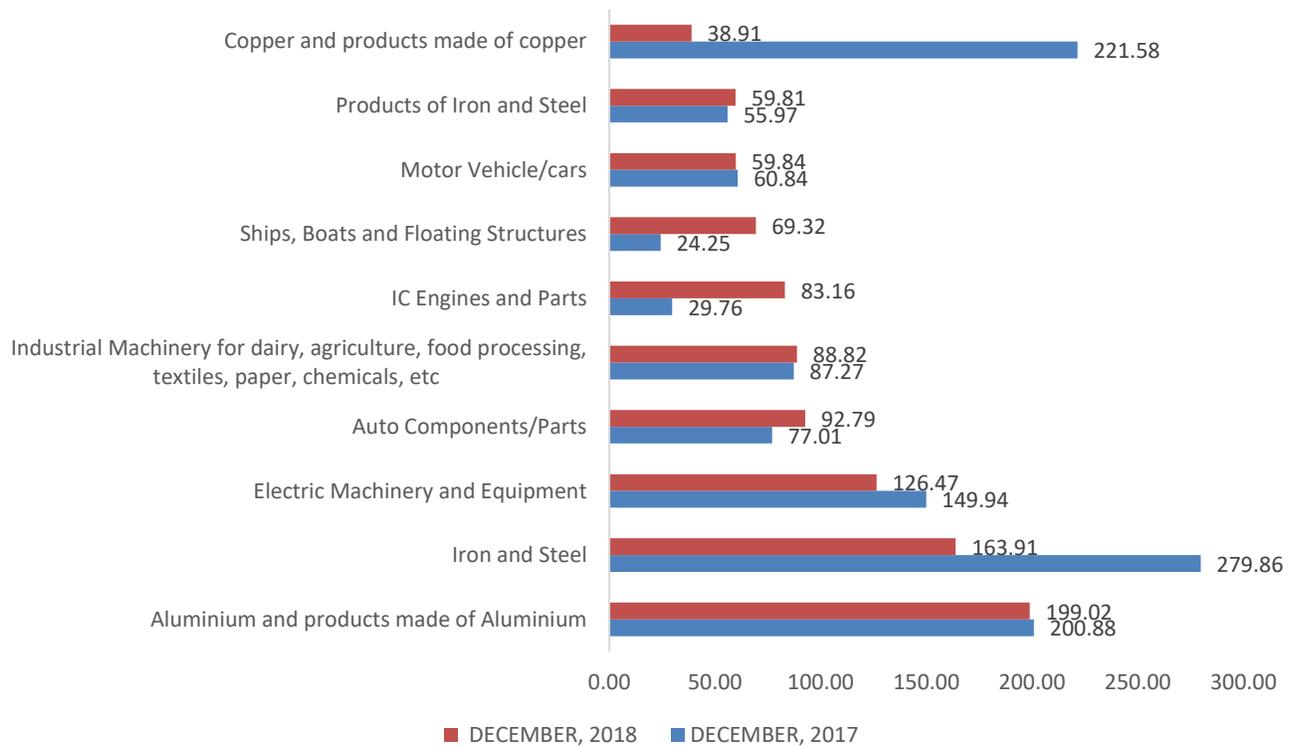
Fig 3: Change in Engineering Export among the top 5 ASEAN+5 countries (April-December2018 viz-a-viz April-December2017)



Source: DGCI&S, Government of India

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

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



Source: DGCI&S, Government of India

News in Focus

❖ India-Indonesia Bilateral Relations : Mr. Ade Sukendar, Consul General Of The Republic Of Indonesia, Mumbai

Indonesia and India has the long standing relations, history has made Indonesia and India particularly close to each other. This relation is endorsed with unique characteristics. Both countries share much in common-geographical expanse, size and diversity of the population, culture, history and a colonial past as well as the similar direction of foreign policies in the post independence era. History informed us that the India-Indonesia relation dates back to first century AD (anno Domini).

Read more: <https://www.apnnews.com/india-indonesia-bilateral-relations-mr-ade-sukendar-consul-general-of-the-republic-of-indonesia-mumbai/>

❖ India to hold bilateral meetings with some RCEP members

Indian officials will hold bilateral meetings with a few countries, including China and some ASEAN members, in the coming days to iron out issues hindering negotiations of RCEP mega trade deal, an official said.

The Regional Comprehensive Economic Partnership (RCEP) is a mega free trade agreement, which aims to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights.

After the bilateral meetings, the RCEP members will meet for the 25th round of negotiations in mid-February in Indonesia, the official added.

Read more: <https://www.theweek.in/news/biz-tech/2018/12/25/india-to-hold-bilateral-meetings-with-some-rcep-members.html>

❖ India to raise economic engagement with Myanmar

India will increase its economic engagement with Myanmar, President Ram Nath Kovind said on Thursday and invited businesses from the neighbouring country to look for avenues of cooperation with their Indian counterparts.

President Kovind , inaugurating the Fifth Enterprise India Show focused on SMEs in presence of over 70 entrepreneurs from both the countries, said Myanmar has a unique place in India's "Neighbourhood First" and " Act East" policies and New Delhi " will continue to work together to increase our economic engagement with Myanmar."

Read more: <http://www.uniindia.com/~india-to-raise-economic-engagement-with-myanmar/World/news/1436676.html>

TBT Notifications

✓ South Korea is amending "regulations on standard specification of medical devices"

This has reference to TBT notification no. G/TBT/N/KOR/810 dated 1st February 2019, issued by the Ministry of Food and Drug Safety. The products mentioned in the notification falls under the HS Code 9018.

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=True&CatalogueIdList=251182,251183,251184,251185,251227,251228,251259,251260,251197,251198&CurrentCatalogueIdIndex=7&FullT

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