

Territorial NEWSLETTER

ASEAN + 5

EEPCINDIA
ENGINEERING THE FUTURE

Vanijya 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

February 2017

Chairman's Pen



In this issue of the newsletter on ASEAN+5 we focus on the very ambitious regional trade agreement- Regional Comprehensive Economic Partnership agreement (RCEP). It is now the most important initiative on the global trade scenario. The RCEP grouping is larger than the TPP grouping in purchasing power parity terms. Strategically, how the RCEP evolves will determine whether trade becomes a force for cooperation and integration across the wider Asia-Pacific region, or a cause of rivalry and economic fragmentation.

With the world trading system under threat it is time for leaders in Asia to step up and push for opening markets and deepening reforms to enhance economic integration, not just with each other but with Europe, the United States and the rest of the world.

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

Tarvinder Singh Bhasin

Message from Chairman, Committee on Trade with ASEAN countries



The year 2017 is a landmark year for ties between India and the 10 member Association of Southeast Asian Nations or ASEAN. While ASEAN looks to mark 50 years of its existence as a grouping, India is looking to commemorate 25 years of dialogue partnership with the Bloc this year. The year 2017 also commemorates the completion of five years of strategic partnership between Asia's third-largest economy and one of the most successful economic groupings in the world. Economically, India needs to develop connectivities with the ASEAN region so that economic complementarities can be fully realized.

In this issue of newsletter we highlight on the difficult challenges likely to be faced by the Indian industries in the event of poorly negotiated RCEP trade deal.

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

P K Shah

RCEP- Will it make or break the industry?

The manner in which the multilateral agreements are moving requires a thorough relook. The proposed Transatlantic Trade and Investment Partnership (TTIP) between the European Union and the US will perhaps not see the light of day. Likewise the much talked about Trans Pacific Partnership (TPP) has been consigned to oblivion.

It is opined by some that the demise of TPP has probably turned to be a boon in disguise for India. It is true that India did envisage setting up facilities in TPP member countries such as Vietnam, which in turn would have allowed India greater access to other members in TPP. But on the other hand this would bring new challenges for India to do business with TPP members. Indian companies especially the MSMEs would have found it difficult to comply with the stringent conditions of TPP like intellectual property obligations, human rights and child labour stipulations, environmental commitments and a host of other directives.

RCEP

India chose to not to be a part of the TPP but be on the negotiating table of the Regional Comprehensive Economic Partnership (RCEP). This is actually an irony because the big elephant in this 16-member RCEP block is China, with whom India perennially has a huge trade deficit. The engineering trade deficit has increased from around \$7.6 billion in 2007-08 to \$15.2 billion in 2015-16. There are no signs of the deficit to be tapered in the coming years, in spite of numerous efforts.

The RCEP concept when mooted by ASEAN was an alternative to the TPP, but in hindsight it looks like the accord may be hugely detrimental for India given the size of the trade deficit it has with the proposed bloc. This is despite the fact that India has frequently used anti-dumping duties, safeguard duties and other countervailing measures to protect the domestic industry from unfairly low-priced imports from China.

It is to be noted that within the RCEP countries, India has existing FTAs in merchandise goods with ASEAN, South Korea and Japan. Excluding ASEAN, India experienced trade deficit with the other two countries after signing the FTA.

While RCEP offers opportunities for greater market access, India's tryst with trade agreements have not been great due to various factors. It is observed that post-FTA, bilateral trade volumes did increase, but imports from partner countries have increased at a faster pace than India's exports with partners.

In the absence of the TPP, the RCEP will emerge as the largest regional trading bloc in the world, accounting for nearly 45 per cent of the world's population and with a combined gross domestic product of \$ 21.3 trillion. However, given the precedence in executing trade agreements, India needs to introspect as to what it can get from negotiating the proposed RCEP that it has not already obtained from prevailing trade agreements with ASEAN as a Bloc or Japan, South Korea, Singapore.

RCEP has chapters on intellectual property, investment, goods, services, telecommunications and e-commerce, but the one on goods and services are the most crucial. A poorly negotiated agreement will usher in grave consequences for Indian business and its people. Some of the RCEP members have already refused to agree to India's three-tier approach to tariff reduction over a period of time. But Indian negotiators must not let RCEP convert India into a dump yard for cheap imports from the Asia-Pacific, particularly China.

Under the ambit of RCEP, countries like China, South Korea and Japan are manufacturing powerhouses, and Australia and New Zealand have strengths in processed foods, wine, and dairy products, while ASEAN has comparative advantages in plantations, electronics and auto-components.

While consumers would benefit from FTAs, the Indian manufacturing sector which remains relatively uncompetitive vis-à-vis some of the RCEP negotiating partners would be at a disadvantage. Sectors such as plantations, automobiles, textiles, pharmaceuticals, and engineering goods would be impacted negatively. A poorly negotiated RCEP could spell the death knell for India’s global manufacturing dream.

The non-tariff barriers in RCEP countries should be negotiated transparently before negotiating market access. Among all the non-tariff measures imposed on Indian exports, sanitary and phytosanitary issues and technical barriers to trade measures are the most frequently used. These deal with product quality and standards.

Statistics

India’s total engineering exports country wise to ASEAN+5 during April-February of 2016-17 stood at US\$ 12.7 billion. Some major highlights of engineering exports from India to ASEAN+5 for the month of February 2017 and cumulative exports during APRIL, 2016 - FEBRUARY, 2017 are given below:

- ❖ In February 2017 engineering exports stood at US \$ 1975.4 million which is 30.6% of the total global engineering exports of India during the same period;
- ❖ Singapore replaced Malaysia and topped the list for Indian engineering exports for both monthly as well as cumulative exports. The main engineering products exported to the country include Ships, boats and floating structures, Copper and products, Aircrafts and spacecrafts, Electrical Machinery & Equipments, and Industrial machinery etc. during April- February 2016-17;
- ❖ India’s engineering exports to ASEAN+5 in February 2017 increased by more than 177% compared to February 2016;
- ❖ Vietnam recorded huge positive growth in February 2017 over February 2016 among the fifteen countries.

Top 5 nations which had the highest demand for Indian engineering products during April-February of 2016-17 in absolute values include:

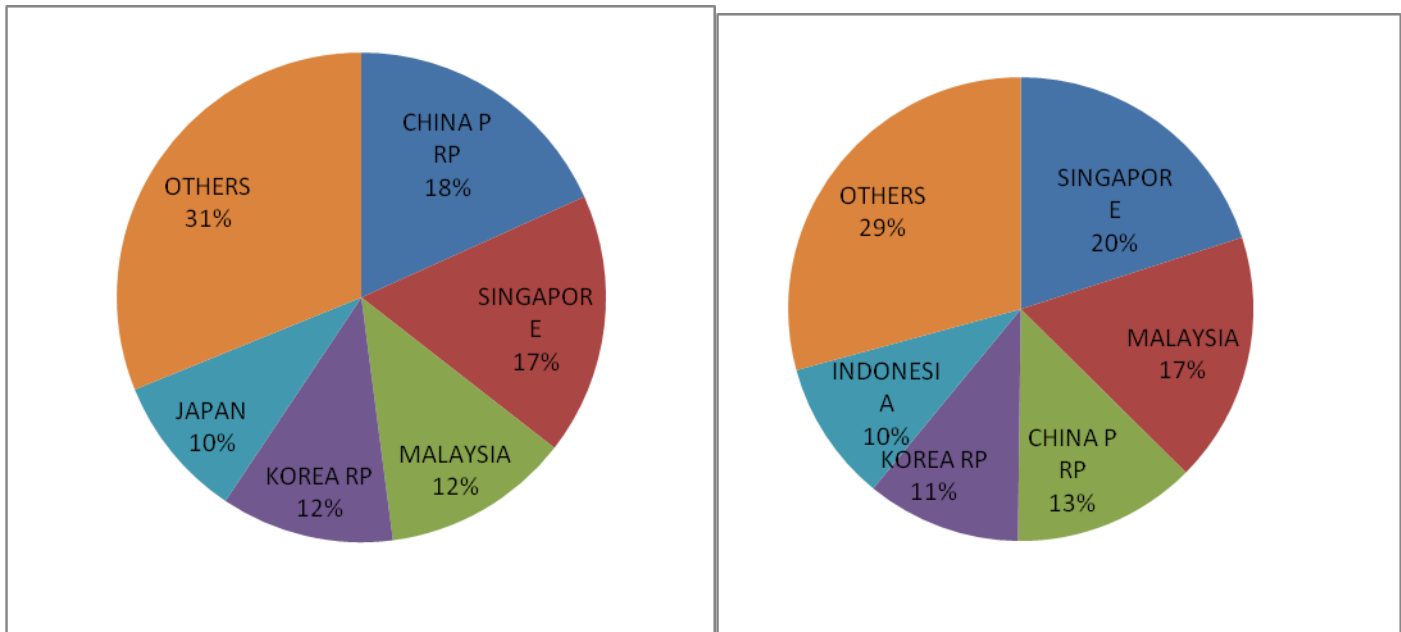
Values in US\$ million

COUNTRY	APRIL, 2015 - FEBRUARY, 2016	APRIL, 2016 - FEBRUARY, 2017	Growth (%)
SINGAPORE	1786.41	2550.41	42.77
MALAYSIA	1282.76	2220.26	73.09
CHINA	1886.34	1628.76	-13.65
KOREA RP	1183.26	1372.84	16.02
INDONESIA	730.87	1250.97	71.16

Source: DGCI&S, Government of India

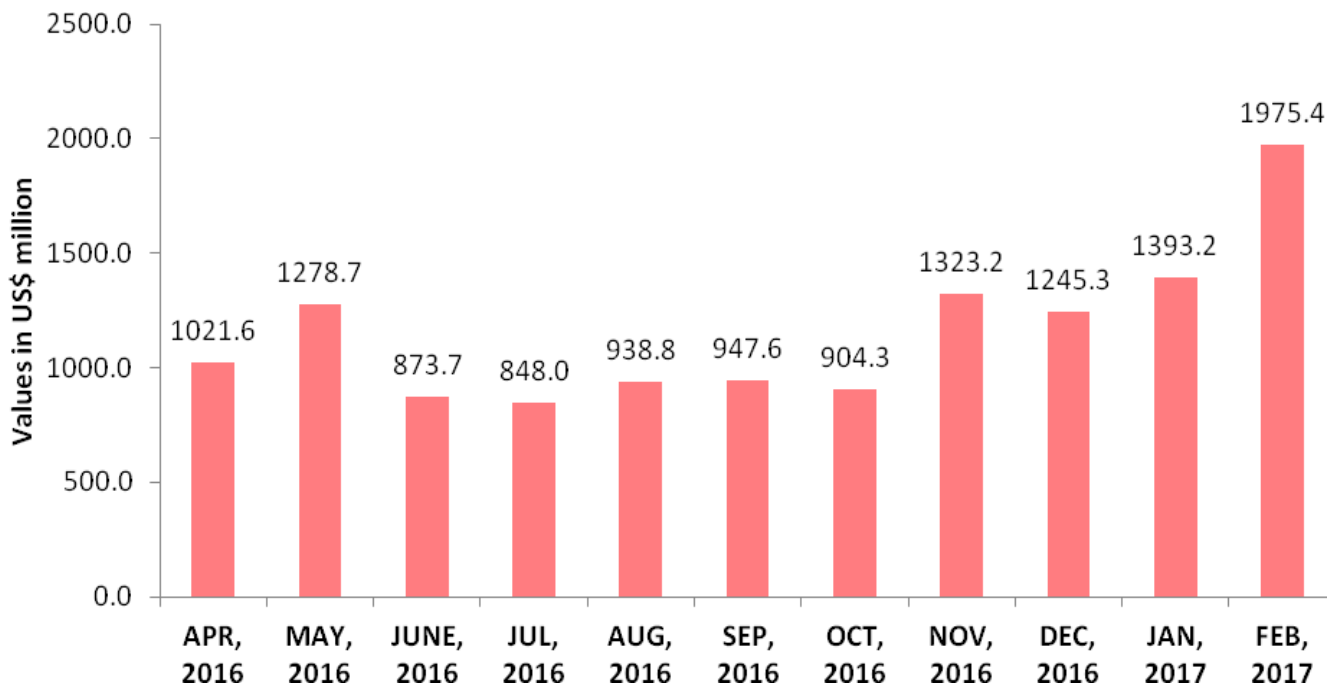
A comparison of top 5 nations which had the highest demand for Indian engineering products during April-February of 2015-16 and its subsequent change in April-February of 2016-17 is shown in the pie chart below:

Fig 1: Change in Total Engineering Export among the top ASEAN+5 during 2015-16 viz-a-viz 2016-17



Source: DGCI&S, Government of India

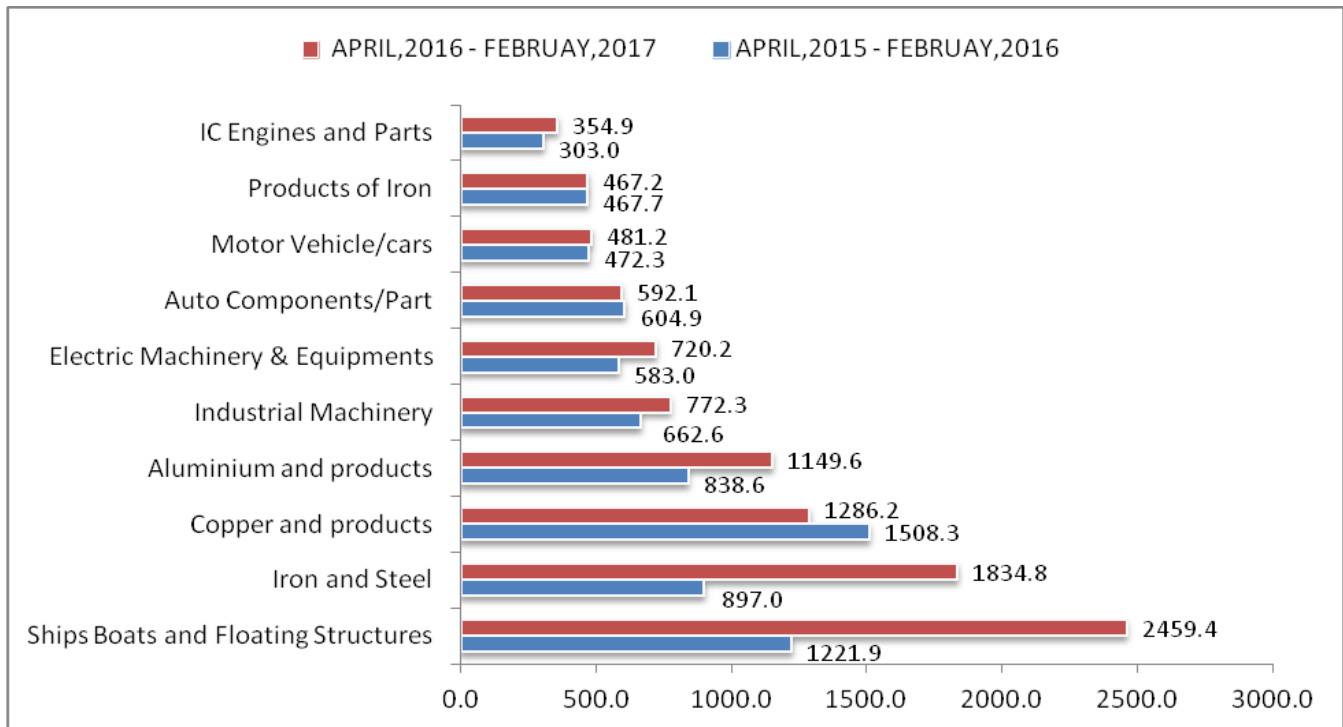
Fig 2: Trend in Total Engineering Export in ASEAN+5 during 2016-17 (Month wise)



Source: DGCI&S, Government of India

Top 10 engineering panels exported to ASEAN+5 during April-February of 2016-17 viz-a-viz April-February of 2015-16 are provided in bar diagram.

Fig 3: Top 10 engineering panels exported to ASEAN+5 in April-Feb 2016-17 viz-a-viz April-Feb 2015-16



Source: DGCI&S, Government of India

News in Focus

❖ Thailand to India: speed up decision on free trade pact

Thailand wants India to fast-track its decision on the proposed full-fledged free trade agreement (FTA) with the country to increase trade and investment flows.

With economic uncertainties gripping the West, Bangkok is trying to strengthen its partnership with Asian countries through bilateral FTAs and regional pacts like the Regional Comprehensive Economic Partnership (RCEP), said Somkid Jatusripitak, Thai Deputy Prime Minister.

Read more: <http://www.thehindubusinessline.com/news/world/thailand-to-india-speed-up-decision-on-free-trade-pact/article9547331.ece>

India's free trade agreement with ASEAN has only had a limited impact

India has concluded almost a dozen free trade agreements since the turn of the millennium. Though the early agreements were the immediate neighbours the country has gradually extended the partnerships to more distant nations including the Association of South East Nations (Asean), South Korea and Japan. One of the earliest FTA treaties India had signed with the far off economies in the Far East, and probably the most controversial, was the one with the ten Asean countries.

Read more: <http://blogs.timesofindia.indiatimes.com/minorityview/indias-free-trade-agreement-with-asean-has-only-had-a-limited-impact/>

❖ India greatly values relations with Vietnam

India greatly values its relations with Vietnam. India and Vietnam share traditionally close relations that have their roots in our freedom struggle led by our founding fathers, Mahatma Gandhi and Ho Chi Minh and which have been nurtured by successive generations of leaders. The friendship and solidarity between our peoples has been steadfast during the period of Vietnam's national struggle for independence, the heroic effort at national reunification and today's phase of national reconstruction. Today, we can proudly say that our relations are marked by strong trust, mutual understanding and convergence of views on various international issues and the regional security situation in Asia.

There has been an all round progress made in development cooperation and assistance, political exchanges, defense and security cooperation, human resource development, commercial and economic ties, cultural exchanges and scholarships.

Read more: <http://english.vietnamnet.vn/fms/government/172094/india-greatly-values-relations-with-vietnam.html>

Business opportunities		
Location	Title	Deadline
Vietnam	Purchase Of Spare Parts For Docking Repair Of Ahts vung Tau - 01 In The Year 2017.	08-May-2017
Philippines	Supply And Delivery Of Various Farm Equipment And Farm Implements	18-Apr-2017
China	Guangdong Provincial Government Compound Information Center Power Expansion Project Procurement Project Open Tender Notice	21-Apr-2017
Indonesia	Preparation Of General Plan Of The Regional Electricity Jakarta	25-Apr-2017
Japan	Subject Bases Function Forming Cars Equipment Material No. 1 Of The (air Tent Other 13 Points) Order	24-Apr-2017
Philippines	Purchase Of Brand New Motorcycles (14 Units).	19-Apr-2017
Malaysia	Supply Of Yanmar Engine Spare Parts.	19-Apr-2017
China	Voltage Regulator DI-02: Ac And Dc Screen DI-03: Comprehensive	19-Apr-2017

	System (including Safety Monitoring System, Power Meter Screen)	
Thailand	Supply Of Gear Unit Complete Set Type: B3sv05c Mfr: Flender.	24-Apr-2017
Malaysia	Purchase Gf1 Cwp Shaft.	20-Apr-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

Contact: Priyanka Chakraborty

Email: pchakraborty@eepcindia.net

Phone no: 033-40120312