

# Territorial NEWSLETTER

## ASEAN + 5

**EPCINDIA**  
ENGINEERING THE FUTURE

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

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

Issue: January 2019

### Chairman's Pen



In this issue of newsletter we highlight the reasons stopping India from joining the RCEP deal. It is of no doubt that the proposed Regional Comprehensive Economic Partnership (RCEP) is gigantic in size and scope. It aims to create a free trade zone of 10 ASEAN nations and Australia, China, India, Japan, South Korea and New Zealand. This means a zero-customs duty zone in a geography that contributes 34% of global gross domestic product (GDP) and 40% of world trade. The region is also home to almost half of the world's population.

So it quite natural, that the grouping will have immense economic clout. A sense of exuberance was visible among the members of the proposed group in the last RCEP meet at Singapore, which had hosted the summit level talk of the RCEP nations. Prime Minister Narendra Modi, who participated in the event, said he was committed to early conclusion of the agreement.

However India's rising trade deficits has given sleepless nights to many. China's trade muscle seems to give India the jitters. It is feared that India and China will agree to eliminate customs duties on 85% of bilateral trade, leading to Chinese goods imports worth \$62.3 billion (85% of \$73.3 billion) to become duty free. This will lead to an estimated loss of \$6.2 billion to the exchequer, going by the fact that India's average customs duty is 10%, assuming that the concessions are given at one go. The goods, however, will become duty-free over 20 years.

But we hope that RCEP will give Indian exporters a window to be a part of global value chains.

**Ravi Sehgal**

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



In this issue of newsletter we discuss the delay in conclusion of the RCEP agreement by India and the reasons behind it. A modern, comprehensive and mutually beneficial economic partnership agreement for an open trade and investment milieu in the Asia-Pacific region is the core objective of the Regional Comprehensive Economic Partnership (RCEP).

The incumbent government is focused on how to make India's free trade agreements deliver more for all stakeholders and has also employed three think-tanks to analyze the on-going RCEP negotiations. India is especially anxious about RCEP as China, which is one of the bloc partners, holds the threat of flooding the domestic market with cheap Chinese goods.

While 'substantial progress' has been claimed by India in negotiations in 2018, a closer look is needed. The need for seeking a protracted liberalization phase with China is based on ground realities. With sobering statistics, Indian trade envoys are naturally demanding that China should give more and we in turn would give China lower concessions and take a longer staging period, given the gargantuan trade deficit with Beijing.

So we expect at the end of the negotiations, India stands to gain in this much awaited 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.

## RCEP decision could cost India dear

India is now in a bind of its own in terms of keeping its trading of goods, services and investment interest gainfully secured through joining the Regional Comprehensive Economic Partnership Agreement (RCEP).

Indubitably, a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement for an open trade and investment environment in the Asia-Pacific region will help expand regional trade and investment to contribute to global economic growth and development.

Countries in diverse development stages from Australia, China, Japan and India to the 10 members of the Association of South East Nations (ASEAN) are part of RCEP, besides South Korea and New Zealand. Once wrapped up, RCEP would foster the largest regional trading bloc, making up 25 per cent of global GDP, 30 per cent of world trade and 26 per cent of cross-country foreign direct investment (FDI) flows the world over.

In the latest round of parleys which was held in Singapore, gave up the proposal of arriving at a basic agreement by the year-end to gain time to reach the goalpost by the end of 2019. With several ministries cautioning against cheap and well-nigh duty-free imports inundating domestic markets including steel and metal, pharma products, food processing and dairy, besides farm goods of diverse kind, the Indian government resorted to the time-tested tactic of asking an expert group, comprising the Centre for Regional Trade, the Indian Institute of Management(IIM) Bangalore and the Indian Council for Research on International Economic Relations (ICRIER) to undertake stakeholders' consultations to come out with a report by the end of January 2019.

Launched in November 2012 by leaders of the 16 countries, the talks were ambling on and the latest joint leaders' statement on the RCEP negotiations on November 14 in which Prime Minister Narendra Modi took part claimed "substantial progress" in negotiations in 2018. So far, as many as seven chapters in RCEP encompassing economic and technical cooperation, small and medium enterprises, customs procedures and trade facilitation, government procurement, institutional provisions and sanitary and phytosanitary measures and standards, technical regulations and conformity assessment procedures (STRACAP) had been concluded. But the crucial one on market negotiations bristles with reservations by India as it is not prepared to let its domestic industry be extirpated by the deluge of cheap goods from the other members, particularly China which is fiercely competitive.

Interestingly, the erstwhile tiger economies of ASEAN want India to eliminate tariffs or customs duties on about 90-92 per cent items that it trades with the countries with which India has an FTA that includes ASEAN and Japan. With the non-FTA partners – Australia, New Zealand and China – discussions are going on for removing duties on 80 per cent of the traded products. India has asked for 20 years' deadline to end the duties but with China it seeks more time for removal of tariffs.

The need for seeking the long liberalization phase with China is based on grim ground realities. A House Panel report on the impact of Chinese goods on Indian industry, tabled in the monsoon session of Parliament contended that "the impact of Chinese imports has been such that India is threatened to become a country of importers and traders with domestic factories either cutting down their production or shutting down completely- the country can ill-afford its industry including, micro, small and medium enterprises (MSMEs) to get annihilated".

According to the report, the annual year-on-year growth in Chinese imports was about 9 per cent in 2013- 14 which had soared to 20 per cent in 2017-18. Trade deficit with China at \$63 billion constitutes more than 40 per cent of India's aggregate trade deficit. The Chinese goods itself constitute about one-sixth of all imports in terms of quantum in India. In the decade 2007-08 to 2017-18, there has been an increase in India's exports to

China by \$2.5 billion only while its imports from China have zoomed by \$50 billion during this period. With such implacable statistics, Indian trade envoys are naturally demanding that China should give more and we in turn would give China lower concessions and take a longer staging period, given the mammoth trade deficit with Beijing.

The expedient need to be in a mega trading bloc is nowhere more crucial than at this juncture when the World Trade Organization (WTO), the multilateral trade body that in its earlier form as the General Agreement on Trade & Tariffs (GATT) propelled the post-war prosperity the world over, is faced with an existential crisis. The numerous multilateral trade deals under its charge have come to a halt over the past decade. A slew of trading nations has naturally pitched for regional or preferential free trade agreements (FTAs) among compact number of participants to exchange concessions and move ahead with gains accruing from such liberalized trade.

For India, which has not been in any meaningful regional trading arrangement but attempted to latch on to a few FTAs that had only brought resentment from local industries that could not compete with cheap imports from such trading partners, the enduring benefits of trade remain evanescent. Its own genre of South Asian Association of Regional Cooperation (SAARC) remained in limbo because of the persistently indifferent and at times hostile relations between the trade major India and the minnow Pakistan.

India's mercantile misery is accentuated on the external sector as there has been trade war between majors the United States and China which began resorting to retaliatory trade measures, befouling the global trading atmosphere and generating a sort of psychosis for emerging economies to wade in the choppy waters of overseas markets that have abruptly become impermeable.

As the WTO is not standing guard to watch trade-distortive measures being resorted to by big countries, many a country found it imperative to hike import duties on goods they found threatening their domestic industry. In this dismal scenario, India ought to act with tact lest it should lose its way or get marginalized in the mega trade deals to its own lasting detriment.

## Trade Analysis & Statistics

### Trade Analysis & Statistics

India's total engineering exports to ASEAN+5 country wise during April-January of 2018-19 stood at US\$ 12.38 billion. Some major highlights of the cumulative engineering exports from India to ASEAN+5 during April-January 2018-19 are given below:

- ❖ During April-January 2018-19, India's engineering exports to ASEAN+5 stood at US \$ 12379.16 million which is 18.9 % of the total global engineering exports of India during the same period.
- ❖ India's cumulative engineering exports to ASEAN+5 during April-January 2018-19 has dropped for the fourth consecutive time, by 7.4 % in comparison to the previous period.
- ❖ Singapore has retained its top position once again for cumulative engineering exports during April-January 2018-19 and also ranked as top destination of Indian engineering exports for monthly exports in January 2019. Major items of export to Singapore during April-January 2018-19 were Ships, Boats and Floating Structures, Electric Machinery and Equipment Iron & Steel, Aircrafts, Spacecraft's and Parts products etc.
- ❖ Cambodia, like before recorded the highest growth of 296.6 % in April-January 2018-19 compared to April-January 2017-18 among the fifteen countries.

- ❖ Lao ranked second in growth, recording a growth of 98.6 % in April-January 2018-19 compared to April-January 2017-18 among the fifteen countries.

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

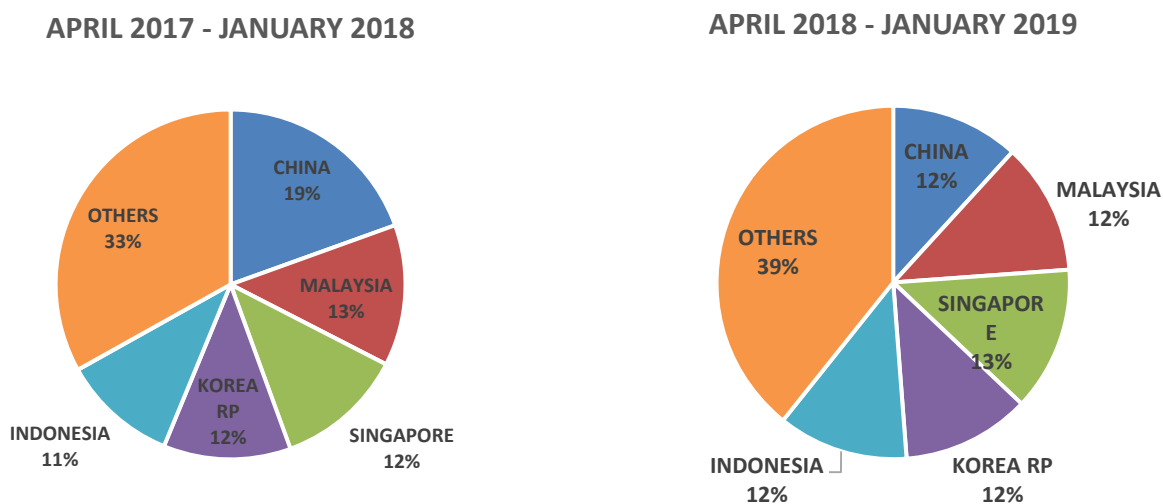
Values in US\$ million

| COUNTRY   | April-January 2017-18 | April-January 2018-19 | Growth (%) |
|-----------|-----------------------|-----------------------|------------|
| SINGAPORE | 1589.57               | 1634.57               | 2.83       |
| INDONESIA | 1427.15               | 1477.43               | 3.52       |
| MALAYSIA  | 1745.15               | 1493.06               | -14.45     |
| CHINA     | 2608.16               | 1458.59               | -44.08     |
| KOREA RP  | 1575.51               | 1453.93               | -7.72      |

Source: DGCI&S, Government of India

A comparison of top 5 nations which had the highest demand for Indian engineering products in April-January 2017-18 and its subsequent change in April-January 2018-19 is shown in the pie chart below:

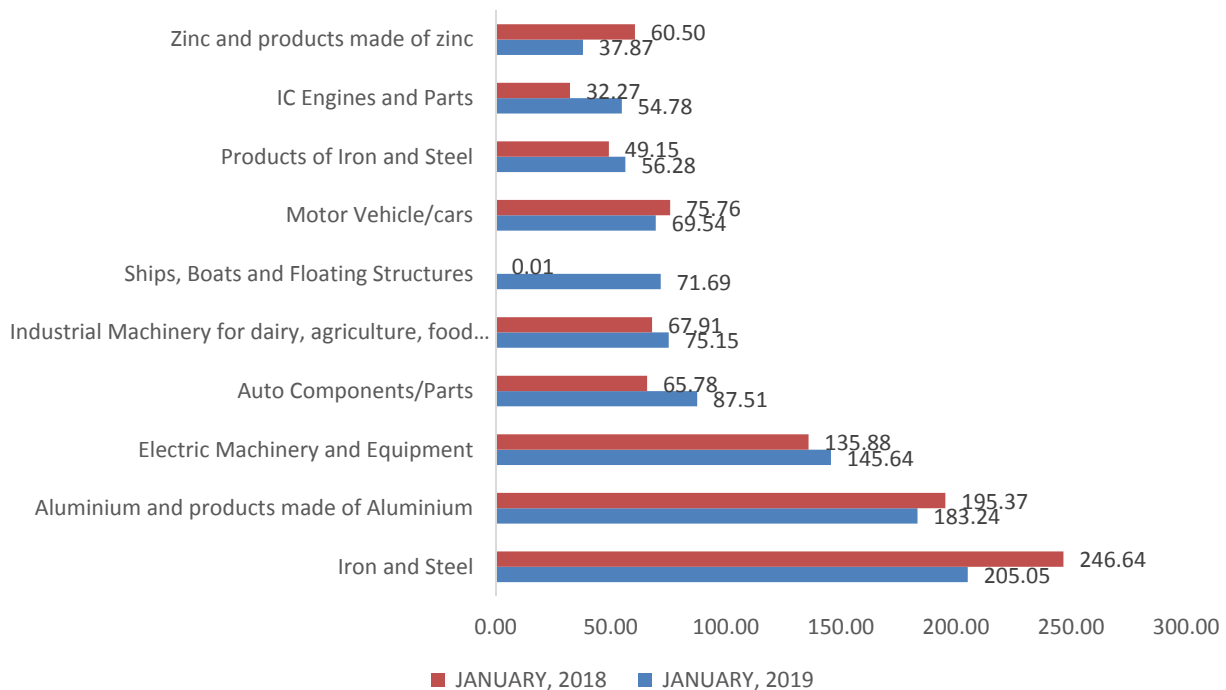
**Fig 3: Change in Engineering Export among the top 5 ASEAN+5 countries (April-January 2017-18 viz-a-viz April-January 2018-19)**



Source: DGCI&S, Government of India

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

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



Source: DGCI&S, Government of India

## News in Focus

### ❖ Consul General of India lauds growing India-Myanmar ties

The visiting Consul General of India Mr Nandan Singh Bhisora lauded the growing ties, trade and business links between India and Myanmar during the Myanmar-India Business Summit & Trade Fair held at the Town Hall in Sagaing, Myanmar on 11 January.

The Consulate General of India, Mandalay in collaboration with Sagaing District Chamber of Commerce and Industry, Indo Myanmar Association, Imphal and Manipur Industries Development Council, Manipur is holding a “Myanmar-India Business Summit and Trade Fair” from 11-12 January.

Read more: <http://www.mizzima.com/article/consul-general-india-lauds-growing-india-myanmar-ties>

### ❖ India should be an APEC member: Australian Shadow Trade Minister

With trade becoming fundamental for global peace and stability and preventing the US-China kind of trade wars, it is vital to push for an Indo-Pacific free trade zone like the Asia-Pacific Economic Cooperation (APEC) that should include India, a leading Australian politician has said.

APEC is a free trade agreement among 21 Pacific Rim member economies to which India has been seeking admission. It includes Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Thailand, the US and Vietnam.

Australia has been pushing India's case for induction into the APEC, as well as in the United Nations Security Council (UNSC). Promoting Indian membership of these bodies has bipartisan support in Australia irrespective of the party in power, Shadow Minister for Trade and Labour MP Jason Clare told IANS in an interview here.

Read more: [https://www.business-standard.com/article/news-ians/india-should-be-an-apec-member-australian-shadow-trade-minister-119012100197\\_1.html](https://www.business-standard.com/article/news-ians/india-should-be-an-apec-member-australian-shadow-trade-minister-119012100197_1.html)

#### ❖ Vietnam, India seek ways to remove obstacles to trade ties

Vietnam and India discussed specific measures to remove obstacles to trade and investment cooperation between their businesses during the fourth meeting of the Joint Sub-committee on Trade in Hanoi on January 23.

The event was co-chaired by Vietnamese Deputy Minister of Industry and Trade Cao Quoc Hung and his Indian counterpart Anup Wadhawan.

Delegates compared notes on orientations and solutions to tighten economic bonds, expand export markets of each other, and take advantage of their strength and resources for the development of the respective countries.

Read more: <https://en.vietnamplus.vn/vietnam-india-seek-ways-to-remove-obstacles-to-trade-ties/145620.vnp>

### TBT Notifications

- ✓ South Korea is proposing amendment to the regulations on standard specification of medical devices.

This has reference to TBT notification no. G/TBT/N/KOR/808 dated 23rd January 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-](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-)

[DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=False&HasSpanishRecord=False&CatalogueIdList=250979,251001,251005,251006,251007,251008,251009,251030,251071,233739&CurrentCatalogueIdIndex=7&Full](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=False&HasSpanishRecord=False&CatalogueIdList=250979,251001,251005,251006,251007,251008,251009,251030,251071,233739&CurrentCatalogueIdIndex=7&Full)

#### EEPC India ASEAN+5 Territorial Newsletter

Contact: Priyanka Chakraborty

Email: [pchakraborty@eepcindia.net](mailto:pchakraborty@eepcindia.net)

Phone no: 033-40120363