

Territorial NEWSLETTER ASEAN + 5

EEPCINDIA
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 highlight the second review of India-Singapore trade pact. This review is of immense importance in times of challenges faced by India in the global trading system. India and Singapore have clinched a deal to update their Comprehensive Economic Cooperation Agreement (CECA), in a bid to boost bilateral trade and facilitate economic cooperation on multiple fronts.

The Comprehensive Economic Cooperation Agreement (CECA) between the two countries came into force on 1 August 2005 and the first review was concluded on 1 October 2007. The second review of the CECA was launched in May 2010, but since then the review was withheld. Following the CECA update, tariffs on many products will be slashed or fully eliminated, matching the rates set under a separate free trade agreement between India and the Association of Southeast Asian Nations (ASEAN), of which Singapore is a member.

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



The incumbent government had made it clear that ASEAN or the Association of Southeast Asian Nations would be a major focus area for India under the 'Act East' policy and it has been quite proactive in terms of relations and engagement. During his latest visit to Singapore, Indian Prime Minister Narendra Modi praised current Indian-Singaporean ties as being India's "warmest and closest," highlighting the wealth of opportunities across different policy areas should the two sides continue their efforts at developing deeper ties.

The agreement clearly mandates that both sides will facilitate trade and investment and not put any restrictive measures. In this second review, India and Singapore have agreed to expand the coverage of tariff concessions, liberalize the rules of origin and incorporate new product specific rules to enhance trade between the two countries. Thus this review with Singapore is another milestone in boosting trade with ASEAN-Singapore being the bridge between India and ASEAN.

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

T.S. Bhasin

Basic Facts

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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 account 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, Singapore Upgrade Trade Deal, Pledging to Boost Economic Ties

Singapore and India have successfully concluded the much awaited second review of their preferential trade pact – the Comprehensive Economic Cooperation Agreement (CECA). Talks to expand tariff concessions, liberalize rules of origin, rationalize product-specific rules, and include provisions such as Certificate of Origin began on May 11, 2010.

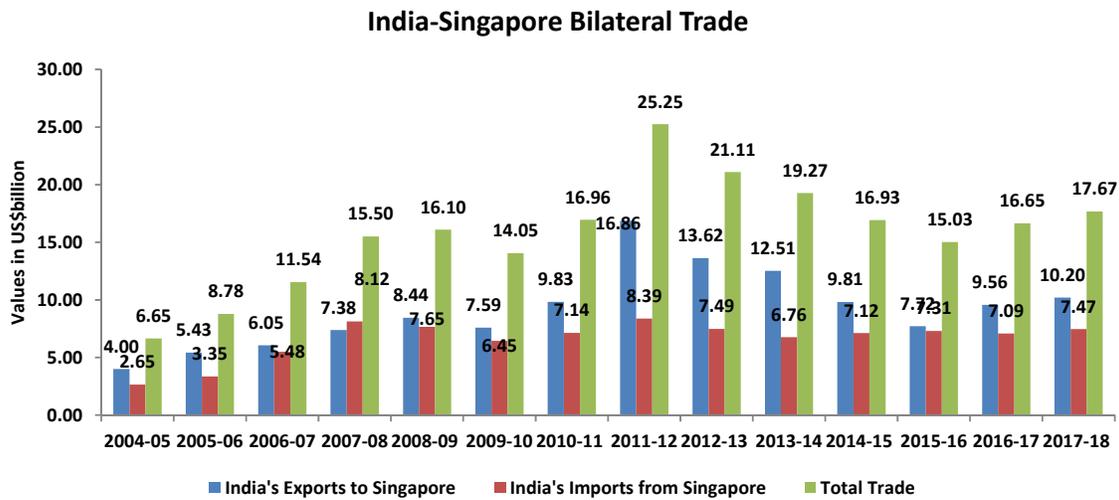
The provisions of the Second Protocol are supposed to come into effect from September 14, 2018. Enhancements to the CECA through the Second Protocol will strengthen bilateral ties between Singapore and India due to better trade facilitation and lower tariffs allowing Singapore and Indian businesses increased access to each other's markets. Talks exploring a third review of the CECA pact may also be launched in 2018.

Flexibility has also been introduced so that certain goods will qualify as originating from Singapore even if the amount of inputs used in production do not meet the new tariff classification requirement. In addition, product specific rules have been created for goods such as edible oils and machinery parts.

The CECA came into force in 2005, and the first review was concluded in 2007. It was the first such comprehensive free trade agreement (FTA) signed by India with any country covering trade in goods as well as trade in services and investment.

Singapore is also party to India's FTA with the ASEAN or Association of Southeast Asian Nations, which was signed in 2003 but came into full effect in 2016 after an additional transitional period for newer ASEAN member countries. India and Singapore are also part of the 21-member Asia-Pacific Economic Cooperation (APEC) Forum.

Fig. 1: India-Singapore Bilateral Trade

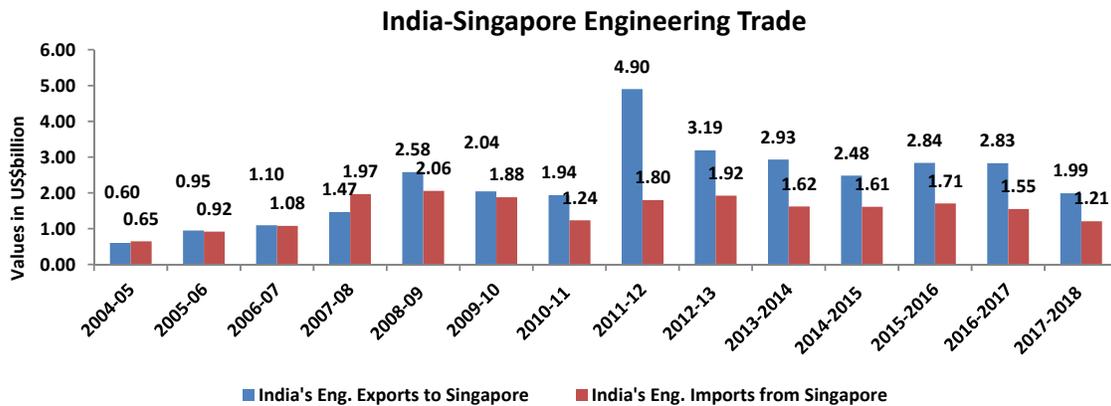


Bilateral trade between Singapore and India has been improving steadily over the years, growing from over US\$6.65 billion in 2004-05 to US\$17.67 in 2017-18, registering a CAGR of 8 percent.

In 2017-18, total trade reached US\$17.67 billion after registering a 6.67 percent increase in exports and 5.37 percent increase in imports.

India is Singapore’s largest trading partner in South Asia and Singapore is India’s second largest trading partner within ASEAN, after Indonesia in 2017-18.

Fig. 2: India-Singapore Engineering Trade



India’s engineering exports have also increased steadily over the years as depicted in the above Fig.2 and India has favourable BOT in case of engineering goods too, like total merchandise trade.

A unique aspect of India’s trade with Singapore arises from the fact that it is an entrepot trading center. Due to its port infrastructure, a substantial part of Singapore’s exports to India is in the form of re-export of goods originating in third countries. Thus, Singapore’s re-export component is higher than the export of its domestically produced items.

It is also likely that a share of India's exports to Singapore get re-exported to third countries, including to CLMV countries – Cambodia, Laos Myanmar and Vietnam, and Pakistan and South American destinations.

Trade Analysis & Statistics

Trade Analysis & Statistics

India's total engineering exports to ASEAN+5 country wise during April-June of 2018-19 stood at US\$ 3.76 billion. Some major highlights of the cumulative engineering exports from India to ASEAN+5 during April-June 2018-19 are given below:

- ❖ During April-June 2018-19, India's engineering exports to ASEAN+5 stood at US \$ 3759.32 million which is 18.4% 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 16.8%.
- ❖ Singapore topped the list once again for Indian cumulative engineering exports as well as monthly exports for June 2018. Major engineering products exported to the country include Ships and boats and floating structures, Electrical machinery and Aircrafts, Spacecrafts and parts. It recorded huge positive growth of more than 71% in imports from India during April-June 2018-19 compared to April-June 2017-18 among the fifteen countries.
- ❖ Like the previous month, Cambodia once again recorded the highest growth of more than 400% in April-June 2018-19 compared to April-June 2017-18 among the fifteen countries.
- ❖ Following the footsteps of Cambodia, Laos also recorded a huge growth of 338.8% in April-June 2018-19 compared to April-June 2017-18 among the fifteen countries.

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

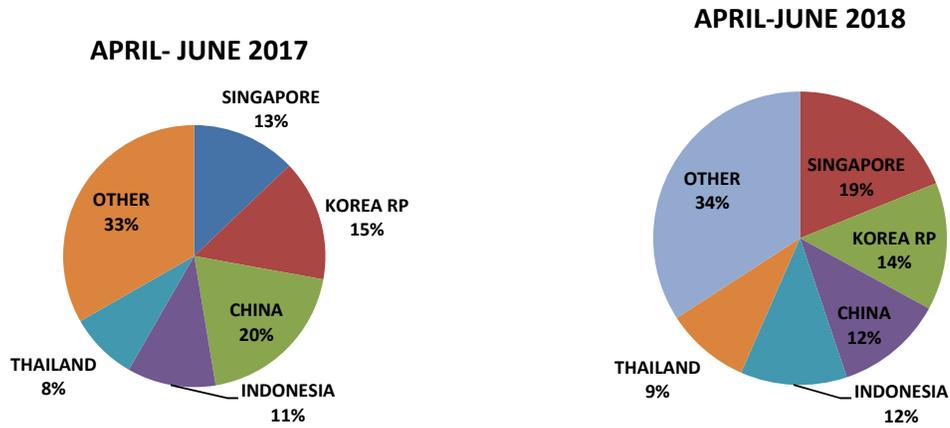
Values in US\$ million

COUNTRY	April-June 2017-18	April-June 2018-19	Growth (%)
SINGAPORE	414.50	709.95	71.3
KOREA RP	481.30	528.82	9.9
CHINA	629.38	446.71	-29.0
INDONESIA	351.65	441.11	25.4
THAILAND	270.71	349.28	29.0

Source: DGCI&S, Government of India

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

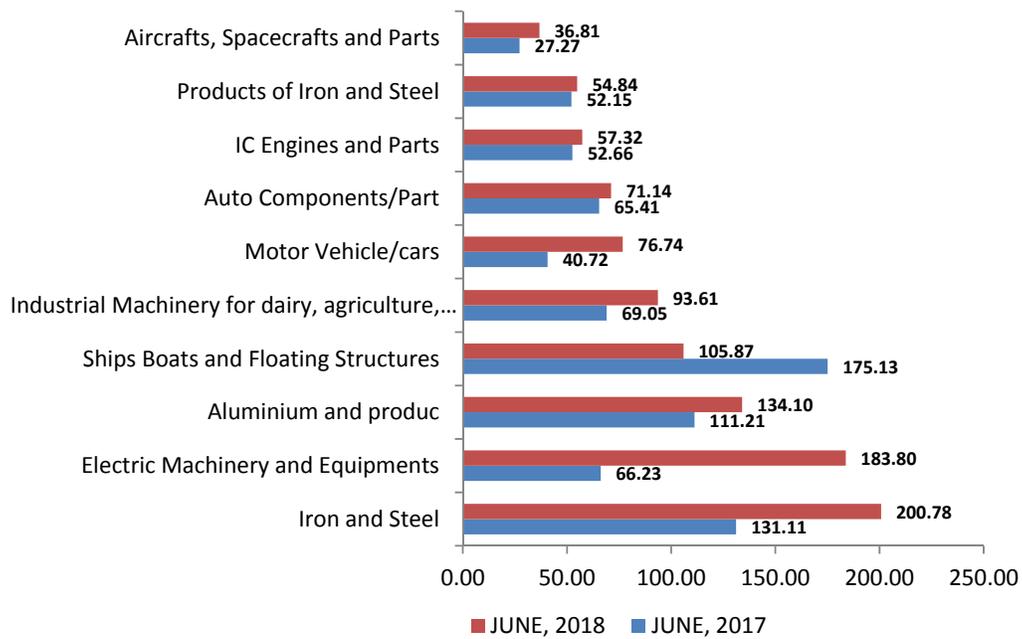
Fig 3: Change in Engineering Export among the top 5 ASEAN+5 countries (April-June 2018 viz-a-viz April-June 2017)



Source: DGCI&S, Government of India

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

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



Source: DGCI&S, Government of India

News in Focus

❖ **Indonesia calls for stronger trade links**

Indonesia's ambassador to India, Sidharto Reza Suryodipuro, on Wednesday called for the diversification of bilateral trade with India from exports of palm oil and coal, to cooperation in high-tech areas and increased connectivity links, as the two countries look to push trade from the existing \$20 billion to \$50 billion by 2025.

The current phase of ties between Asia's third and seventh largest economies was the "best" in the seven decades since the two countries established diplomatic ties, Suryodipuro said at a seminar on "India-Indonesia relations@70", organised by the Nehru Memorial Museum and Library research facility in New Delhi.

"If we are ambitious, if we want to triple or quadruple trade relations, we have to go beyond natural resources," said Suryodipuro.

Read more: <https://www.livemint.com/Politics/6xsmtNex6lhWKZOnyCzPCN/Indonesia-calls-for-stronger-trade-links.html>

❖ **India in talks with China, Australia, New Zealand to crack mega trade deal**

India is holding bilateral dialogues with China, Australia and New Zealand to get them to agree to less ambitious tariff cuts for sensitive products. The aim is to end the logjam in the negotiations for the mega regional trade bloc, the Regional Comprehensive Economic Partnership (RCEP).

The pact is being negotiated between 16 countries including the 10-member ASEAN, Japan and Korea.

"All member countries negotiating the RCEP now agree that as members may have different sensitivities with each other, efforts must be made bilaterally to sort them out and reach a common ground. Without such efforts, it would not be possible to reach an agreement between 16 members," an official said.

Once concluded, the RCEP is likely to result in the largest free trade bloc in the world covering about 3.5 billion people and 30 per cent of the world's GDP.

Read more: <https://www.thehindubusinessline.com/economy/india-in-talks-with-china-australia-new-zealand-to-crack-mega-trade-deal/article24212820.ece>

❖ **India has trade deficit with 10 RCEP members**

India had trade deficit with as many as 10 member countries, including China, South Korea and Australia, of the RCEP grouping of 16 nations which have been negotiating a mega trade pact since November 2012. The Regional Comprehensive Economic Partnership (RCEP) block comprises 10 Asean group members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and their six FTA partners – India, China, Japan, South Korea, Australia and New Zealand.

According to the commerce ministry data, India's trade deficit — the difference between imports and exports — with seven countries (Indonesia, Thailand, China, Japan, South Korea, Australia and New Zealand) of RCEP has in fact increased in 2017-18 as compared to the previous fiscal. The trade gap with China, Korea, Indonesia and Australia has increased to USD 63.12 billion; USD 11.96 billion; USD 12.47 billion and USD 10.16 billion in 2017-18. It was USD 51.11 billion, USD 8.34 billion, USD 9.94 billion and USD

8.19 billion respectively in the previous financial year, 2016-17. The case is same with regard to Japan, Thailand and New Zealand.

Read more: <https://www.financialexpress.com/economy/india-has-trade-deficit-with-10-rcep-members/1209310/>

❖ Why Singapore is a Hub for Indian Businesses

India's Prime Minister Narendra Modi made a three day official visit to Singapore late last month. The trip was his first since November 2015, and followed quick visits to Indonesia and Malaysia.

The three-nation tour, touted to be part of India's Act East Policy, laid clear emphasis on closer Southeast Asian trade and business ties.

The bilateral visit touched on discussions surrounding defense, space, and skill development as well as attracting greater investments from Singapore-based companies.

Read more: <https://www.india-briefing.com/news/singapore-business-hub-indian-companies-17090.html/>

TBT Notifications

✓ Vietnam has issued draft National technical regulation on safety for combine harvesters.

Vietnam has issued draft National technical regulation on safety for combine harvesters. This has reference to TBT notification no G/TBT/N/VNM/133 dated 5th July 2018, issued by the Ministry of Agriculture and Rural Development. The products mentioned in this notification falls under the HS Code 843351.

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=228427,246559,246558,246557,246586&CurrentCatalogueIdIndex=3&FullTextHash=371857150

✓ Vietnam has issued draft National technical regulation on safety for agricultural tractors.

Vietnam has issued draft National technical regulation on safety for agricultural tractors. This has reference to TBT notification no G/TBT/N/VNM/132 dated 5th July 2018, issued by the Ministry of Agriculture and Rural Development. The products mentioned in this notification falls under the HS Code 8701.

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=228427,246559,246558,246557,246586&CurrentCatalogueIdIndex=2&FullTextHash=371857150

✓ Vietnam has issued draft National technical regulation on safety for agricultural portable hand-held grass trimmers.

Vietnam has issued draft National technical regulation on safety for agricultural portable hand-held grass trimmers. This has reference to TBT notification no G/TBT/N/VNM/131 dated 5th July 2018, issued by the Ministry of Agriculture and Rural Development. The products mentioned in this notification falls under the HS Code 8433.

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=228427,246559,246558,246557,246586&CurrentCatalogueIdIndex=1&FullTextHash=371857150

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