

Territorial NEWSLETTER

ASEAN + 5

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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 the newsletter on ASEAN+5 we dwell on the demise of TPP and its probable impact on India. President Trump's withdrawal from TPP leaves the door open for China to push forward the RCEP. RCEP covers 16 nations while TPP covers 12 nations. However it was believed that RCEP will be easier deal to ink than TPP because the latter is a brand new agreement covering numerous provisions including labour standards, environmental protection and anti-corruption.

But contrasting priorities of RCEP nations are creating obstruction to the completion of the mega trade deal and marring the chance of an early conclusion of the negotiations.

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 RCEP negotiation which was targeted to finish before the launch of the ASEAN Economic Community last 2016 has turned out to be more difficult than predicted. However US decision to exit TPP has made the attention on RCEP grow lately. The RCEP is perceived to be an alternative to the TPP in directing economic integration. The consolidation of trade liberalization and harmonization of trade rules and practices in various areas seems to be becoming more difficult.

The current trade and business environment in East Asia and Pacific require a new set of rules to provide governance in the regional economic interdependence and to facilitate seamless international trade and business activities. Now with collapse of TPP, there is practically no other concerted effort in the region to create such discipline other than RCEP. It is expected that the RCEP nations will make new target attainable by the end of 2017.

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

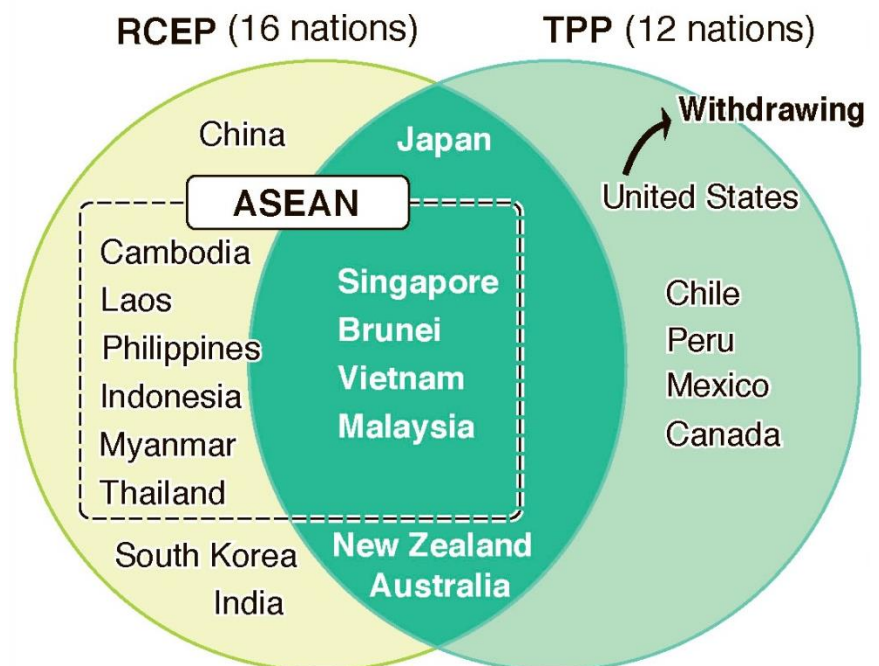
P K Shah

After the Death of TPP, What Happens Next?

At the end of January, the new US president signed an executive order to withdraw the United States from the Trans-Pacific Partnership (TPP). The TPP, a multinational trade agreement (similar to the European Union [EU]) that included the United States as well as Japan, Malaysia, Vietnam, Brunei, Australia, New Zealand, Peru, Singapore, Canada, Mexico, and Chile, was finalized and agreed upon during Barack Obama's presidency, but it had yet to be ratified. Now with the U.S. officially out of the deal, what's next?

Many economists are now of the view that the spotlight now is on RCEP negotiations and pressure may build up on India to accede to higher market access requests from the RCEP partner countries. Also, RCEP member nations Japan, Australia and New Zealand, who were part of the now abandoned TPP, may support China's stand. This might be a logical next step for these countries in the light of the fact that global trade has been slack for quite some time now and further liberalisation is imperative for them to lift trade levels and perhaps put some check on protectionism in global trade.

India has been asked to speed up the procedure of firming up its market access commitments in the RCEP negotiations, as the country, along with Indonesia, struggled to meet the standards of other negotiating partners. Advancement in the RCEP negotiations has happened at a snail's pace since it was officially launched in November 2012 and many blame it on India. India has treaded cautiously in opening its economy further to China, with which it has record levels of deficit in goods trade — more than \$52,696 million in 2015-16.



Indian industry is also cautious of giving increased market access to China without careful consideration. Recently, the domestic steel industry bore the brunt of the influx of cheaper steel imports from China, which virtually forced smaller players to exit business. The threat of Chinese goods flooding the Indian market is evident from the fact that India resorted to imposing a number of WTO-compliant trade defence measures on China. As on December 31, 2016, India imposed 87 anti-dumping measures on China compared with China imposing less than 10 anti-dumping measures on India. The TPP trade deal reflected a US "pivot to Asia" was expected to be an apparent counter to China's increasing diplomatic and commercial power across the globe. But US withdrawal from TPP may provoke China to be quick to step into to any vacant space left by the US withdrawal.

The demise of the TPP agreement however would not make much of a difference to India's trade and investment prospects. As pointed out by an eminent economist reveals that a study conducted by the US think-tank

Peterson Institute for International Economics (PIIE) concluded that impact on India's trade and investments due to an operational TPP is virtually nil. US may pursue bilateral trade negotiations with the individual TPP member countries to extract more concessions from them. There is also a possibility of emergence of a multilateral deal on the WTO platform in future, particularly in the area of electronic commerce among the erstwhile TPP member countries.

Again, according to news reports, bilateral FTAs of India with countries like Japan and South Korea have not yielded much in terms of growth in trade volumes. In 2015-16, India's trade deficit in goods with South Korea stood at \$9524.48 million, and with Japan it was \$5187.55 million. This will desist India from giving further concessions to these countries. Additionally, Japan and South Korea have also been taking a tough stance on intellectual property issues in the RCEP negotiations.

India and China exchange tariff cut offers under RCEP

India and China the world's two fastest-growing large economies have decided on the removal of a chunk of tariff lines on goods imports. Against India's offer to remove 42.5% of tariff lines under the 16-country Regional Comprehensive Economic Partnership (RCEP), China has expressed its willingness to abolish equivalent amount of tariff lines for India

According to some analysts since China's experiences huge trade surplus with India (around \$50 billion), this tariff removal will not be very helpful unless China offers to remove a much higher number of tariff lines to India. But some are looking at the brighter side of this forward movement. Removal of tariff lines would mean that the import taxes on the items would be reduced to zero over a specified period of time.

India has a chance of pressing for a greater commitment from China in goods in the upcoming 12th round of RCEP negotiations in Perth in Australia from April 22, apart from stepping up its demand for a liberalisation of the services sector.

Cotton fibre and yarn, copper and some organic chemicals are the major items that India has exported to China this fiscal, while its imports from China include electronic items, mechanical appliances, organic chemicals, fertiliser and iron and steel. Earlier, India used to export huge quantities of iron ore to China before curbs were placed on their mining.

India's merchandise exports to China stood at a mere \$11.9 billion in 2014-15, while China's exports to India were to the tune of \$60.4 billion. Even if the likely damaging impact of cheaper imports from China on domestic industry such as steel is discounted, the potential customs revenue loss for the country as a percentage of its gross domestic product (GDP) will be much higher than China's, also because of the fact that China's GDP is more than four times of India's.

It is being heard that China is seeking a greater commitment in terms of tariff removals for its goods from some other countries in the grouping. According to China's argument since the economies of such nations (for instance, Japan) are in more advanced stages of development than that of the communist nation itself, so they should commit more. India may be tempted to use the same argument to seek more concessions from China than what it is willing to offer at the moment.



Statistics

India's total engineering exports to ASEAN+5 – country wise during April-January of 2016-17 stood at US\$ 10.8 billion. Top 5 nations which had the highest demand for Indian engineering products during April-January of 2016-17 in absolute values include:

Values in US\$ million

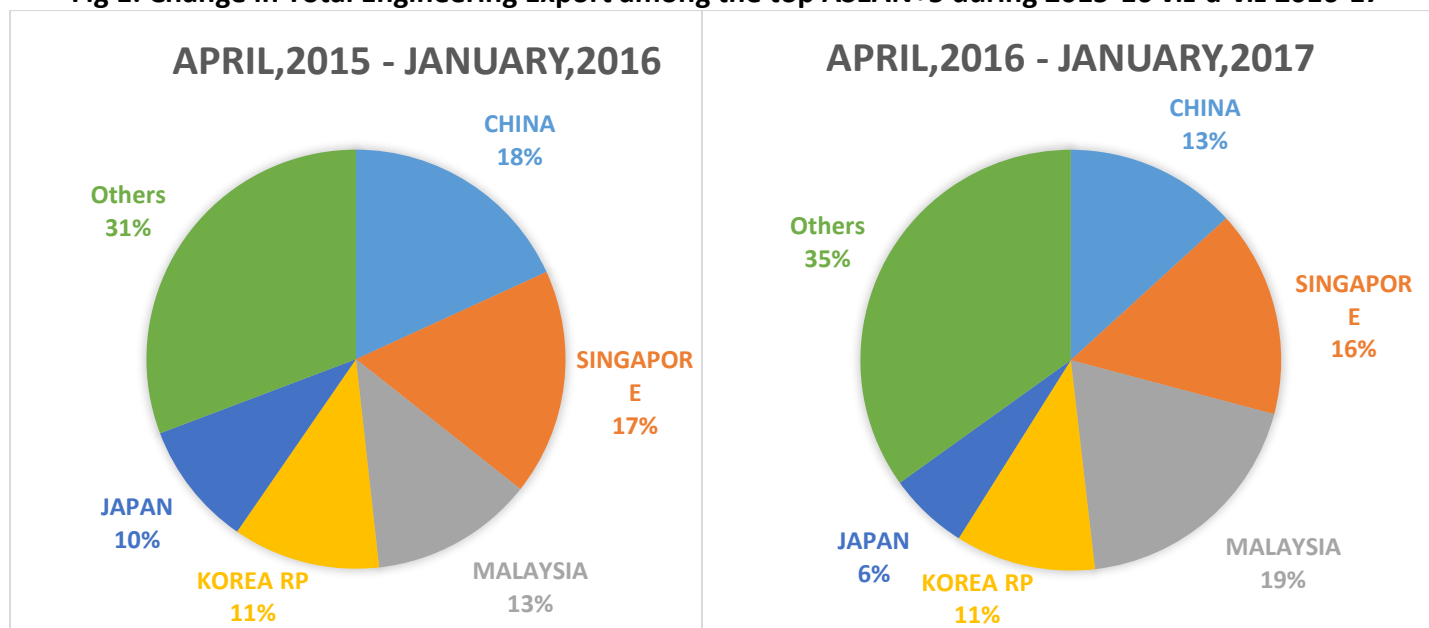
COUNTRY	APRIL, 2015 - JANUARY, 2016	APRIL, 2016 - JANUARY, 2017	Growth (%)
MALAYSIA	1212.0	2051.2	69.2
SINGAPORE	1682.3	1714.0	1.9
CHINA	1748.6	1425.6	-18.5
KOREA RP	1094.5	1161.3	6.1
INDONESIA	658.4	1073.2	63.0

Source: DGCI&S, Government of India

- ❖ In January 2017 engineering exports stood at US \$ 1395.6 million which is 26.4% of the total global engineering exports of India during the same;
- ❖ Malaysia remained at the top 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, Aluminium and products, Iron and Steel, Zinc and products and Industrial machinery etc. during April- January 2016-17;
- ❖ India's engineering exports to ASEAN+5 in January 2017 increased by more than 75.4% compared to January 2016;
- ❖ Malaysia recorded huge positive growth in January 2017 over January 2016 among the fifteen countries.

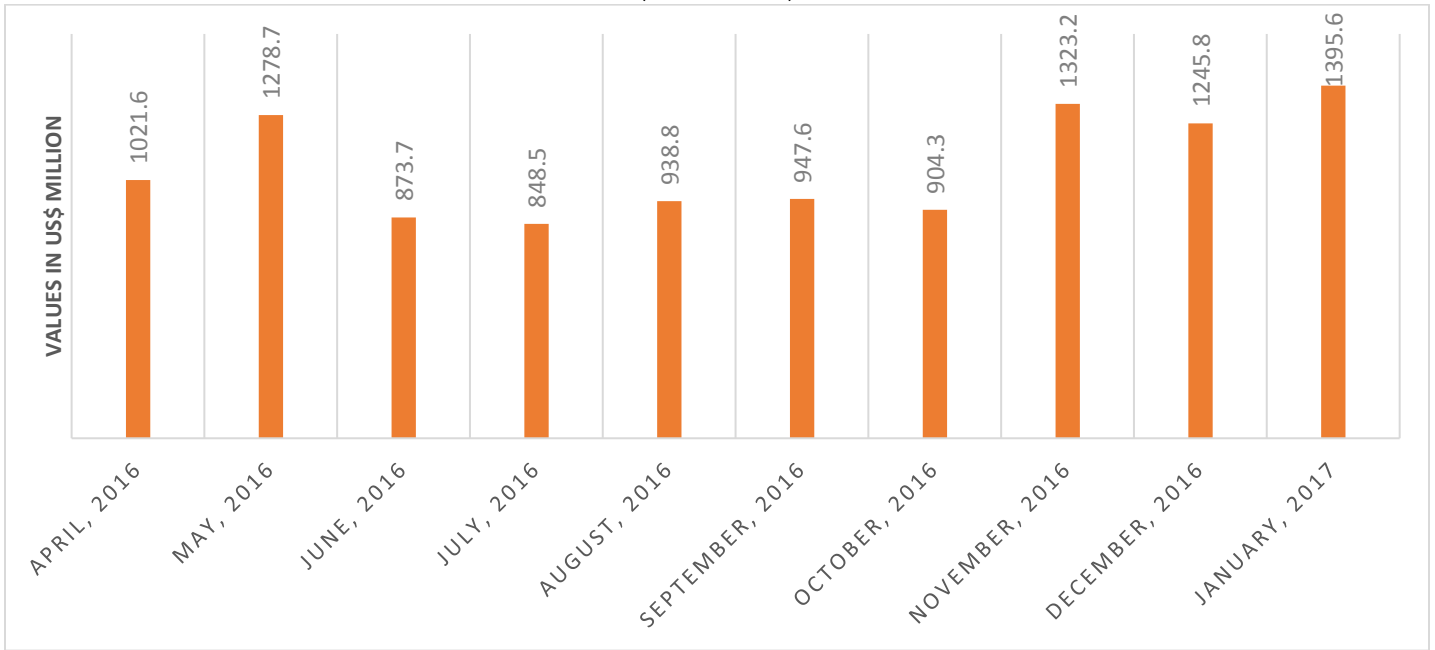
A comparison of top 5 nations which had the highest demand for Indian engineering products during April-January of 2015-16 and its subsequent change in April-January of 2016-17 is shown in the pie chart below:

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



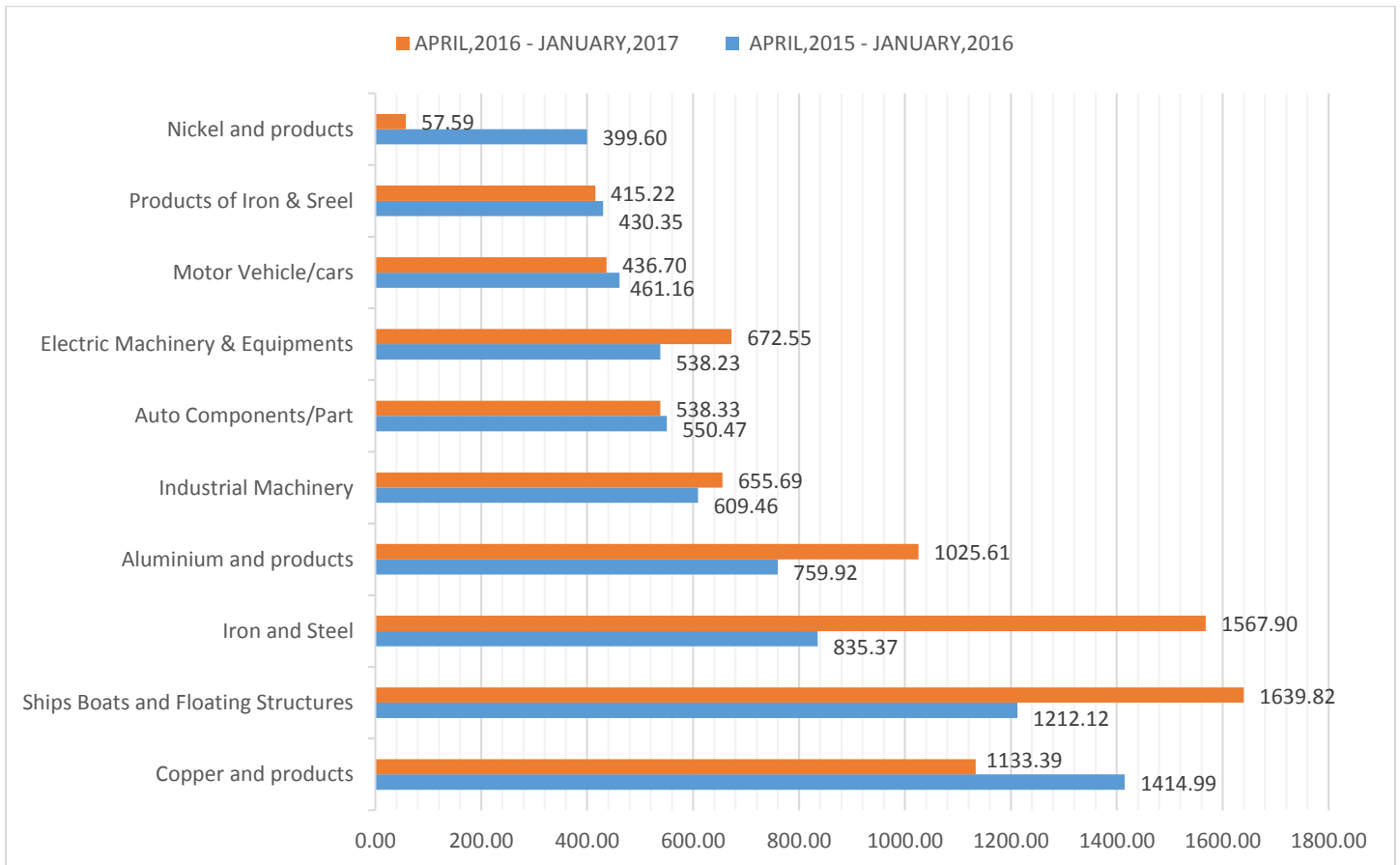
Source: DGCI&S, Government of India

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



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

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



❖ **Minister: Malaysia to Step up Trade with ASEAN**

Malaysia will step up trade with ASEAN countries with the official withdrawal of the US from the Trans-Pacific Partnership (TPP) on January 23. International Trade and Industry Minister Mustapa Mohamed said ASEAN member states would be the main focus of Malaysia's trade, followed Northeast Asian countries like China, South Korea, Japan and India, which were also important.

Read more: <http://www.plenglish.com/index.php?o=rn&id=8594&SEO=minister-malaysia-to-step-up-trade-with-asean>

❖ **Celebrating 25 years of the ASEAN-India Dialogue Partnership**

The year 2017 marks the 25th anniversary of the ASEAN-India Dialogue Partnership. It was on 28 January 1992 at the 4th ASEAN Summit in Singapore that a decision to establish a Sectoral Dialogue Partnership between ASEAN and India was made. Since then, the relationship has progressed from strength to strength, with the two sides becoming full dialogue partners in 1996, Summit partners in 2002 and Strategic Partners in 2012.

Read more: http://www.business-standard.com/article/news-ani/asean-india-celebrate-25-years-of-sectoral-dialogue-partnership-117012800292_1.html

❖ **India can benefit from RCEP with a hard bargain: Kishore Mahbubani**

India and China have a great role to play in taking forward the Asian growth story by engaging in regional cooperation and eventually boost the global trade, business leaders and economists said today. India can also benefit from RCEP (Regional Comprehensive Economic Partnership) if it does a hard bargain, noted economist Kishore Mahbubani said while adding that China needs to take the key role in getting RCEP done.

Read more: <http://economictimes.indiatimes.com/news/economy/foreign-trade/india-can-benefit-from-rcep-with-a-hard-bargain-kishore-mahbubani/articleshow/56666112.cms>

❖ **CBEC provides deeper tariff concessions to goods imported from ASEAN**

The CBEC in its latest notification no., 63/2016 dated Dec 31, 2016 makes amendment to its previous notification 46/2011-Customs dated 01.06.2011 to provide deeper tariff concessions to specified goods imported from Philippines and other ASEAN countries under the India-ASEAN Free Trade Agreement beginning Jan 1, 2017.

Read more: <https://www.thedollarbusiness.com/news/cbec-provides-deeper-tariff-concessions-to-goods-imported-from-asean/49010>

❖ **India will wait & watch US move on TPP, says Commerce Minister**

India will watch how things pan out following US President Donald Trump's decision to get out of the ambitious Trans-Pacific Partnership (TPP) agreement with eleven other Pacific-rim countries, including Japan, Australia, New Zealand and Canada, as it was never a part of the pact, Commerce Minister Nirmala Sitharaman has said.

Read more: <http://www.thehindubusinessline.com/economy/india-will-wait-watch-us-move-on-tpp-says-commerce-minister/article9500152.ece>

Business opportunities

Location	Title	Deadline
Vietnam	Supply Of Procurement Of Equipment.	22-Mar-2017
Philippines	Supply, Delivery And Installation Of One (1) Brand New Generator, Unit Including Accessories	24-Mar-2017
China	Jingtong Railway Chaoyang To Tongliao, Siping To Qiqihar Railway Zhengjiatun To Yushu Tuen Station, Tongliao To Let Lake Road Electrification Project, Ye Bai Shou To Chifeng Railway Expansion Project	23-Mar-2017
Indonesia	Timor-1 Coal Fired Steampower Plant (2x50 Mw	24-Mar-2017
Korea Republic of	Purchased 1st Small Hydro Power Main Shaft And Runner Assembly From Youngheung Headquarters	23-Mar-2017
Philippines	Design And Build Services For The Regirdering Of Various Steel Bridge Superstructures For Naga Division (rebid)	21-Mar-2017
Vietnam	Supply Of Procurement Of Equipment	22-Mar-2017
Indonesia	Supervision Rehabilitation Of Irrigation (dak)	24-Mar-2017
Thailand	Purchase Of Peripheral And Cord Aluminum Wire Round 4.0 Mm.	28-Mar-2017
New Zealand	Eeca Energy Auditing Programme Partner	31-Mar-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

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