

Territorial NEWSLETTER

ASEAN + 5

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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 the last RCEP negotiations, all the Ministers from the 16 East Asian countries made progress in the text negotiations, with some chapters already nearing conclusions. However many gaps still remain as there exists a “divergence in the levels of ambition in some areas” between the negotiating countries.

RCEP members have been putting pressure on India to open up its market for more than 90% of their traded goods, while they remain reluctant to India's proposal to allow free movement of Indian skilled professionals in the RCEP region. There is growing clamour from industries such as iron and steel for India to either exit RCEP or resist its early conclusion.

In this issue of newsletter we brief about the delays on concluding the mega trade deal- RCEP. There has been no such 'deadline' to ink the deal by the end of this year. However all the nations are trying to make a progress and get substantial conclusions by the end of this year.

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

Message from Chairman, Committee on Trade with ASEAN countries



P K Shah

The RCEP is not simply an added trade agreement but a trade agreement expected to provide the size and scale to unleash new growth potentials and write the new rules of the game of the international trade order. With RCEP coming to fruition it would create one of the world's largest free trade blocs, covering nearly half the global population and more than a third of gross domestic product. But many countries (in RCEP) have different interests and there are difficulties in getting the 10 members of ASEAN and their six trading partners to agree on a common free trade agreement.

So far chapters on economic and technological cooperation, small and midsize companies, and a few other chapters are also close to being finalized in RCEP. However, tall hurdles remain. While some participants like Japan and Australia seek high standards, India and others are wary of opening up their economies to a large degree.

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Had RCEP been a group of ASEAN countries only, then there wouldn't have been much of a difficulty in concluding the agreement as ASEAN countries have existing FTAs with the other six negotiating countries. The problem lies with China, New Zealand, Japan and India because of no FTAs among themselves. The negotiators are hopeful of concluding the RCEP negotiations through a creative, innovative and pragmatic landing zones.

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

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 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.

Doubts remain as RCEP inches closer to conclusion

The signing of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) took place recently, but questions now loom over the status of the Regional Comprehensive Economic Partnership (RCEP). The RCEP recently progressed to yet another ministerial meeting on 3rd March, after which it was reported to be closer to finalisation.

The Ministers welcomed the advancement of the text negotiations and noted that some chapters are nearing conclusion, in addition to the two concluded chapters on Economic and Technical Cooperation and on Small and Medium Enterprises.

Other areas covered by the RCEP include trade in goods and services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and e-commerce. It does not, however, contain protectionism clauses for intellectual property, labour rights and environmental standards.

While Singapore expressed an intention to conclude RCEP trade talks by the end of 2018, Lim Hng Kiang, Singapore's Minister of Trade, stressed that this was not a deadline to reach at all costs. Negotiating parties were told to improve their market access offers as well as table a revised offer for services and investment in time for scheduled meetings in the near future.

Since negotiations began in 2013, three deadlines to conclude the RCEP have already been missed. The delays have been attributed in part to differing interests, but this is also due in part to the difficulty of bridging more mature, developed markets such as Japan and Australia, with less developed ones such as Lao PDR and Cambodia.

Some opined that if it is just ASEAN countries, then there wouldn't have been any problem concluding RCEP because ASEAN have existing FTAs with the other six negotiating countries. However, "the problem is with China, New Zealand, Japan and India because they have no FTAs among them.

India is one member state that appears to be dragging its feet. It is being pressured to commit to zero tariffs on 92% of items for all RCEP members including China. Yet analysts say that India is only likely to benefit from the RCEP if it gets heavy concessions for services in return. India is now proposing for zero tariffs on its goods to apply to just 80% of all tariff lines, with a deviation of 6% either way.

It is opined by some that "RCEP without India will indeed dilute the economic and strategic value of the agreement, and offer China an opportunity to advance its own agenda of an East Asia Economic Community involving ASEAN and the three North Asian countries."

Meanwhile, the benefit to ASEAN nations is that a single RCEP would not only plug existing gaps within current bilateral agreements, but also help to fortify current trade relations with its Asia Pacific partners.

The RCEP will also prevent the interests of individual ASEAN member countries from diverging in different directions, should they merely partner with RCEP nations on a bilateral basis. Under a single unified trade agreement, ASEAN interests can be looked after as one integrated whole.

China, which is pushing for quick resolution of the RCEP is seen as the biggest beneficiary from the RCEP so far. Being a part of the RCEP would enable it to wield wide economic influence in the region, while being able to access emerging markets on a much more liberal scale. Yet even for China, the RCEP would simply represent one avenue to for it to deeper integrate itself within the Asia Pacific geopolitical agenda, in addition to the CPTPP and the Belt and Road Initiative.

It is still too early to tell what the final outcome of RCEP negotiations will be, or when negotiations will be concluded. Yet there seems to be enough momentum in the Asia Pacific region to push for these issues to be ironed out quickly. How the signed CPTPP pans out might also have an impact how RCEP parties negotiate their interests, moving forward.

TIMELINE OF RCEP-RELATED EVENTS



November 2012

16 countries announce start of RCEP negotiations

May 2013

Official negotiations start at meeting in Bandar Seri Begawan, Brunei

September 2016

Reaching agreement in 2016 as planned becomes increasingly difficult

February 2017

16 countries hold 17th meeting in Kobe, Japan; no agreement reached

Before end of 2017

16 countries aim to reach agreement

November 2017

16 countries meet in Philippines; RCEP finalisation delayed till 2018

March 2018

16 countries meet up in Singapore; reaffirmed commitment to conclude negotiations by end-2018



Source: Nikkei Asian Review

Trade Analysis & Statistics

Trade Analysis & Statistics

India's total engineering exports to ASEAN+5 country wise during 2017-18 stood at US\$ 16.39 billion. Some major highlights of the cumulative engineering exports from India to ASEAN+5 during 2017-18 are given below:

- ❖ During 2017-18, India's engineering exports to ASEAN+5 stood at US \$ 16393.31 million which is 21.5 percent 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 12.2 percent.
- ❖ China maintained its position of numero uno for Indian cumulative engineering exports. Major engineering products exported to the country include Copper and products, Iron and Steel, Zinc and products, Electrical machinery & equipments etc and IC Engines and parts. It recorded significant positive growth of more than 63 percent in imports from India during 2017-18 compared to 2016-17 among the fifteen countries.
- ❖ For the second time again Brunei recorded the highest growth of 111.5 percent in 2017-18 compared to 2016-17 among the fifteen countries.

Top 5 nations which had the highest demand for Indian engineering products during 2017-18 in absolute values include:

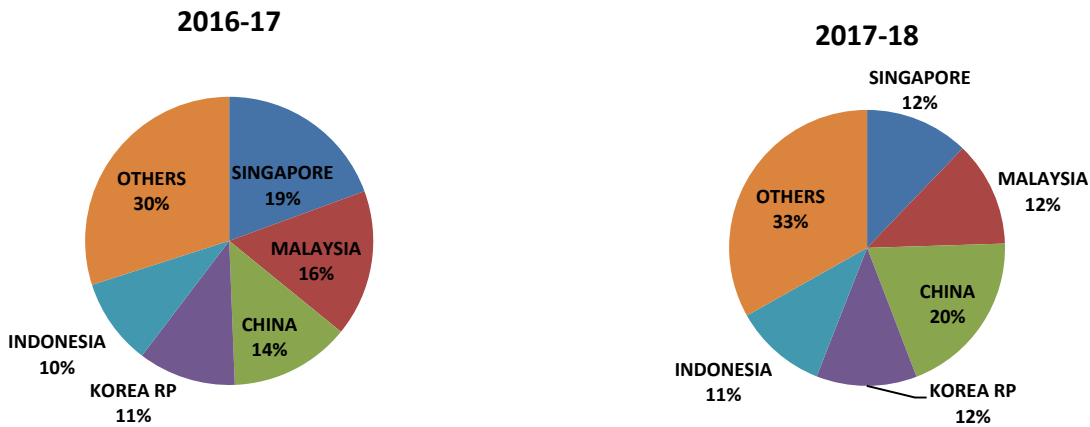
Values in US\$ million

COUNTRY	2016-17	2017-18	Growth (%)
CHINA	1973.18	3222.90	63.3
MALAYSIA	2406.95	2021.34	-16.0
SINGAPORE	2833.28	1995.70	-29.6
KOREA RP	1602.41	1931.18	20.5
INDONESIA	1421.12	1784.96	25.6

Source: DGCI&S, Government of India

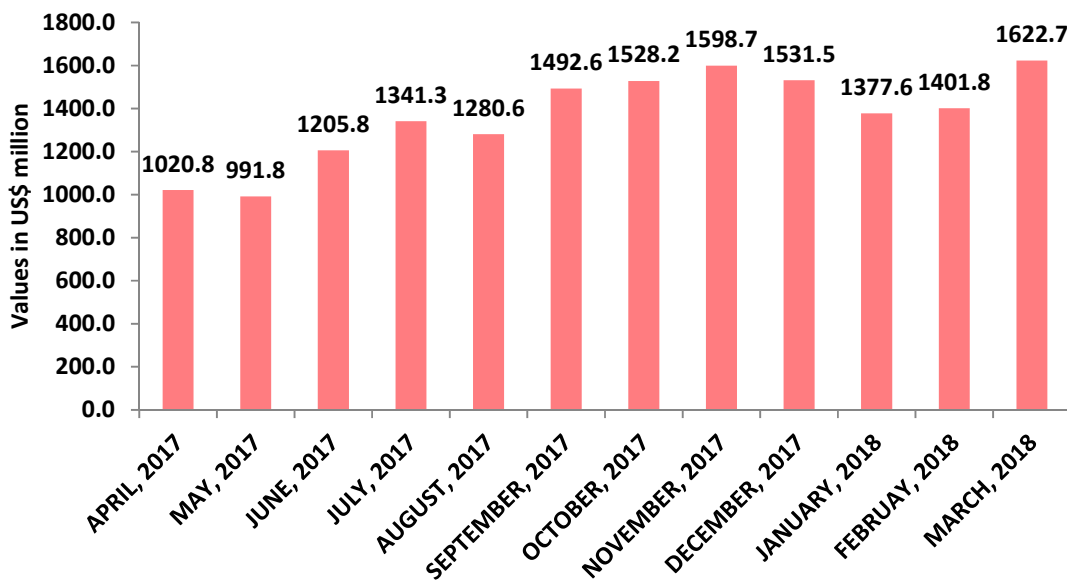
A comparison of top 5 nations which had the highest demand for Indian engineering products 2016-17 and its subsequent change in 2017-18 is shown in the pie chart below:

Fig 1: Change in Engineering Export among the top 5 ASEAN+5 countries (2016-17 viz-a-viz 2017-18)



Source: DGCI&S, Government of India

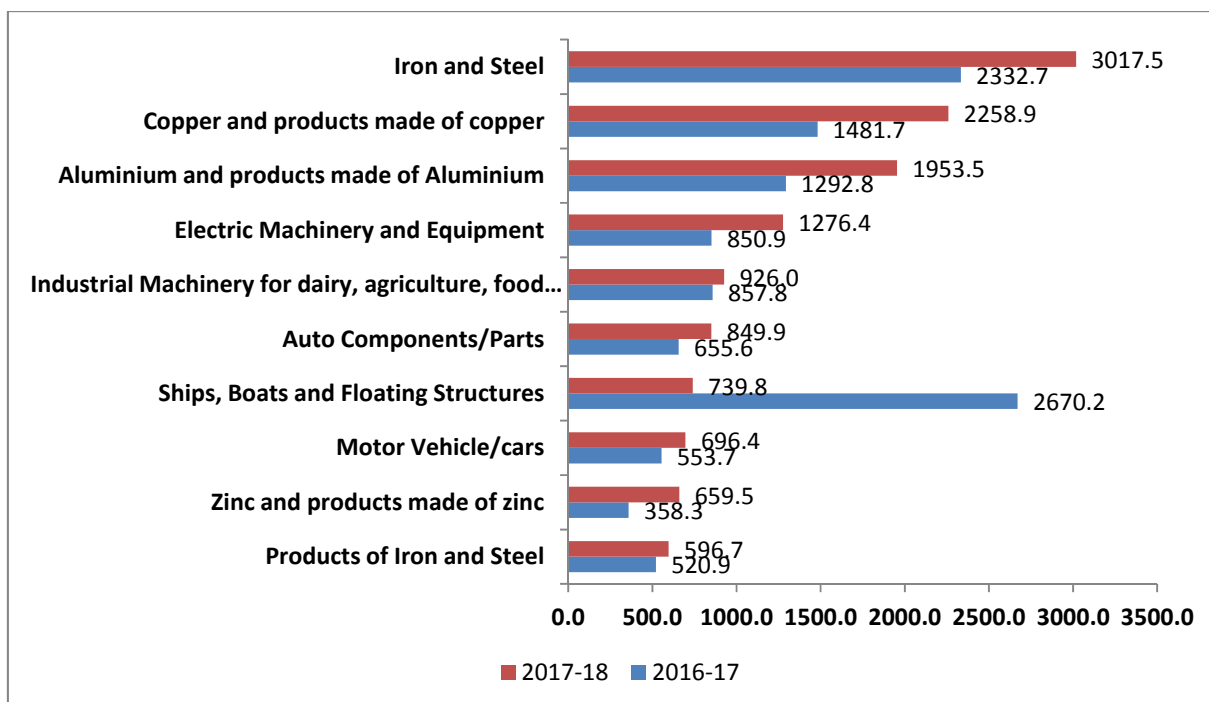
Fig 2: Trend in Total Engineering Export in ASEAN +5 during 2017-18 (Month wise)



Source: DGCI&S, Government of India

Top 10 engineering panels exported to ASEAN+5 during 2017-18 viz-a-viz 2016-17 are provided in bar diagram.

Fig 2: Top 10 engineering panels exported to ASEAN+5 in 2017-18 viz-a-viz 2016-17



Source: DGCI&S, Government of India

News in Focus

❖ India always a steadfast friend, development partner of Vietnam: official

India has always been a steadfast friend and a development partner of Vietnam, an official from the Indian Ministry of External Affairs said on the occasion of Vietnamese President Tran Dai Quang's State visit to India from March 2-4.

In an interview granted to Vietnam News Agency, Secretary (East) of the Indian Ministry of External Affairs Preeti Saran highlighted the fact that relations between India and Vietnam are historical and civilizational, spanning over 2,000 years, and succeeding generations of leaders have forged strong friendship and cooperation between the two countries based on mutual trust, congruence of views on regional and international affairs and strong people-to-people and cultural linkages.

It is therefore not surprising that India and Vietnam have a comprehensive strategic partnership, she said, noting that over the years, aided by strategic convergences and robust economic growth in both countries, the two countries' bilateral relationship has strengthened and broadened to include a large number of areas.

Read more: <https://www.livemint.com/Politics/c8gAjezLNvELKplUxAqC3L/India-needs-to-be-extra-cautious-in-RCEP-trade-talks-Arvind.html>

❖ 'India could be a market for Indonesian aircraft'

There might be a market in India for Indonesian aircraft, with the country manufacturing a number of small, short take-off landing aircraft, a top Indonesian official said.

Speaking at an interactive meeting with members of the India-ASEAN-Sri Lanka Chamber of Commerce and Industry here on Friday, Sidharto Reza Suryodipuro, Ambassador Extraordinary, Embassy of the Republic of Indonesia, said with the UDAN scheme “there might be something (trade) we can do in that area”.

Mr. Suryodipuro said small aircraft — 35 seaters, 90 seaters and short take-off aircraft were being manufactured in Indonesia and could serve the Indian aviation market.

Read more: <http://www.thehindu.com/news/national/tamil-nadu/india-could-be-a-market-for-indonesian-aircraft/article22912891.ece>

❖ **Indonesia calls for unified ASEAN position in RCEP talks**

Indonesia has called on ASEAN member countries to develop a unified position in negotiations on the Regional Comprehensive Economic Partnership (RCEP).

“ASEAN needs to have only one voice when negotiating with the partner countries in RCEP,” the Trade Ministry’s international trade negotiation director general, Iman Pambagyo, said in a statement received by The Jakarta Post on Monday.

Iman chaired the Indonesian delegation in the second Senior Economic Officials' Meeting for the 49th ASEAN Economic Ministers Meeting from March 21 to 24 in Nusa Dua, Bali.

Iman stressed the importance of ASEAN member countries to discuss certain issues internally, before taking the issues to the RCEP forum.

During the meeting in Bali, ASEAN member country representatives also discussed the results of the fourth RCEP ministerial meeting. During the RCEP Summit in Manila in November 2017, heads of state agreed to complete the negotiations this year.

Read more: <http://www.thejakartapost.com/news/2018/03/26/indonesia-calls-for-unified-asean-position-in-rcep-talks.html>

❖ **Thailand expects some progress on pact finalisation before July**

Thailand is expecting “some progress” towards finalisation of the long-delayed Regional Comprehensive Economic Partnership (RCEP) before July as a ministerial-level meeting is likely soon to address many of the pending issues. The RCEP is a proposed free-trade agreement involving the 10 member countries of ASEAN and its six other nations including India, China, Japan, South Korea, Australia and New Zealand. India has been cautious on moving ahead with the RCEP as it is not getting adequate market access in the case of services, while agreeing for movement of free trade.

“We may not overcome all the obstacles but we may see some progress before July. If there is some progress, we may see before July...because we may have another ministerial meeting soon,” said Chotima lemsawadikul, Director, Bureau of ASEAN Economic Community, Department of Trade Negotiations of Thailand government. She was responding to a query from The Indian Express on how ASEAN and other country negotiators plan to address India’s concerns. Negotiations for the RCEP pact has been going on since 2012 but these have failed to address India’s calls for greater market access in services, especially related to allowing its professionals to undertake short-term work in member countries.

Read more: <http://indianexpress.com/article/business/business-others/thailand-expects-some-progress-on-pact-finalisation-before-july-5110409/>

❖ **Bright Future for India-Myanmar Business and Investment Partnerships**

Speaking at the second edition of Myanmar-India Business Conclave, India's Minister for State Commerce & Industry Shri C R Chaudhary reiterated India's commitment to the Look East and Act East policy. From India's perspective, Myanmar is the gateway for south-east Asia and accords the highest priority to deepen trade and investment relations with the country through regional value chains and integration. Minister pointed out that area of collaboration can include sectors like agriculture and agro-processing, power and infrastructure, pharmaceuticals, health services, education and skill development, ICT and IT related services. As part of Act East policy, the Government of India is establishing project development fund to identify the feasibility of investments in sectors like super speciality health services in the CLMV countries.

U Aung Htoo, Deputy minister for commerce, Government of the Republic of Myanmar pointed out that the NLD government is committed to the economic and trade reforms initiated in the country in 2011. The government's 12 point economic policy identifies the role of export-led growth, private sector development, employment creation and poverty reduction as the focus.

"There have been several steps taken during last two years to improve the investment climate in the country. Predictable and conducive economic environment – has been the focus of the Government."

Read more: <http://www.mizzima.com/business-domestic/bright-future-india-myanmar-business-and-investment-partnerships>

❖ **India must provide high-quality products to meet Japan consumers' expectations: Envoy**

Kenji Hiramatsu, Ambassador of Japan to India, has said India needs to provide high-quality products that meet the expectations of Japanese consumers. In an interview to *BusinessLine* he also said the defence cooperation programme concerning ShinMaywa US-2 amphibious aircraft may see some progress during the visit of Prime Minister Narendra Modi to Japan later this year. Excerpts:

Japan is involved in some of the mega infrastructure projects in India, yet nothing seems to be materialising. Is this because of land acquisition or funding issues?

We have been discussing quite intensively how to solve the problems of land acquisition and funding. I think the situation has improved quite significantly in recent months. There will now be more speedy implementation of the projects. Land acquisition is still a problem sometime but we are finding a solution to it and a way out of this.

Read more: <https://www.thehindubusinessline.com/economy/india-must-provide-high-quality-products-to-meet-japan-consumers-expectations-envoy/article23313018.ece>

❖ **India seeks to boost cooperation with eastern nations**

Measures to promote cooperation between India's eastern and northeastern regions and eastern countries were discussed at a workshop in Odisha state, India, from March 16-18.

Held by the Kalinga International Foundation (KIF), the event brought together officials and scholars of India and 16 countries, including Vietnam, Sri Lanka, Thailand, the Philippines, and Myanmar.

Participants focused their discussion on how to boost economic, culture, tourism and energy cooperation; maritime and security connection in Indian Ocean – Pacific Ocean; and regional connectivity.

In his opening remark, Minister of Petroleum, Skill Development and Business Dharmendra Pradhan hoped the workshop would help explore common interests of the parties, thus promoting dialogues for their future cooperation.

Read more: <https://en.vietnamplus.vn/india-seeks-to-boost-cooperation-with-eastern-nations/128066.vnp>

❖ **India, Vietnam to strengthen maritime and trade links**

In what can be seen as a strong signal to China, India and Vietnam yesterday agreed to work for an independent, open and prosperous Indo-Pacific region as the two sides signed three agreements, including one on enhancing bilateral economy and trade.

“We will work together for an independent, open and prosperous Indo-Pacific region where sovereignty and international laws are respected and disputes are resolved through dialogue,” Prime Minister Narendra Modi said at a joint press conference with visiting Vietnam President Tran Dai Quang following delegation-level bilateral discussions here.

“Both of us are committed to expanding our maritime ties and ensure an open, transparent, inclusive and rules-based regional architecture,” Modi said.

Quang said the two countries will work together for regional security, including maritime and cyber security. The remarks assume significance given China’s increasing influence in the Indian Ocean region and aggressive attitude in the South China Sea.

In his remarks, Modi said Vietnam has played a significant role within the framework of New Delhi’s Act East Policy and India’s ties with the Association of Southeast Asian Nations (Asean) regional bloc.

Read more: <http://www.gulf-times.com/story/583683/India-Vietnam-to-strengthen-maritime-and-trade-link>

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