

# Territorial NEWSLETTER ASEAN + 5

**EPCINDIA**  
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



**T S Bhasin**

In this issue of the newsletter on ASEAN+5, we highlight recent developments with regard to ongoing negotiations in Regional Comprehensive Economic Partnership (RCEP) agreement which took place in Hanoi in May 2017. So far, 18 rounds of negotiations have been held under RCEP. Outcomes from the meeting in May 2017 are considered to be crucial as chief negotiators and senior officials deliberated on the single-tier system of duty relaxations, besides issues related to services and investments.

India which had earlier proposed a three-tier tariff is now having to succumb to a single-tier system, as the RCEP member countries are trying to finalize the maximum number of goods on which duties will either be eliminated or reduced drastically. However as the domestic industry have apprehensions over a deluge in imports from countries such as China after the duty cut under the agreement, India may take certain deviations for such countries.

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**

While several countries in Asia and South East Asia are busy being a part of the massive OBOR- One Belt One Road initiative of China, India in a quiet and unobtrusive manner, reached out to the \$2.6 trillion regional economy of ASEAN, under its Act East policy. Further India is under tremendous pressure to finalize its Regional Comprehensive Economic Partnership (RCEP) negotiations which when established will have a combined GDP of US\$23 trillion and a share of 32% in world goods exports.

There are several challenges and problems which India is facing to conclude and commit to RCEP, which has been briefly discussed in this issue.

In this issue of newsletter, we also highlight the India's engineering exports scenario to the ASEAN+5 countries in the first two months of the new fiscal 2017-18.

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

## Reboot on RCEP

India is losing ground in the trade negotiation talks in the Regional Comprehensive Economic Partnership which is a group of 16 countries comprising of ASEAN plus Japan, China, Korea, India, Australia and New Zealand seen to be led by China. After the recent RCEP meeting at Hanoi, top Indian officials confirmed that India would agree to no more than 80 per cent free tariff lines (with a deviation of 6 per cent either way), against the demand of 92 per cent, it could not have come as a consolation to industry and agriculture that have already been inundated by dirt cheap and zero tariff goods from China and the ASEAN (with which India has an FTA), respectively. India's position marks a climb down from two years ago, when it had proposed a three-tier tariff structure: 80 per cent tariff-free lines with ASEAN, essentially maintaining the FTA status quo; 65 per cent free lines for Japan and Korea; and 42 per cent free lines for China, Australia and New Zealand. What is now on the cards, only as a best-case scenario, is perhaps 74 per cent free tariff lines with China to be arrived at over the next 15-20 years. Meanwhile, India's insistence on lower services investment and visa barriers for its professionals is not making headway. In this context, a rethink on RCEP talks is called for.

RCEP's pressure arises from the fact that tariffs within its other members are already remarkably low, with Japan and China deeply integrated into the ASEAN economy (and with each other) in terms of trade, investment and global supply chains. India remains an outsider in this club, with the exception of China, with which it runs a huge trade deficit. India accounts for just over 3 per cent of ASEAN exports and below 2 per cent of the latter's imports, whereas China accounts for over 11 per cent of ASEAN exports and nearly 20 per cent of its imports. China has displaced Japan and the US as ASEAN's principal trading partner. The challenge is for India to break into this bloc at a time of growing protectionism in the West, without compromising its interests in agriculture, industry and intellectual property rights. With the RCEP being more accommodative than the now defunct Trans Pacific Partnership to the conditions of developing countries, it may yet be possible for India to wrest this space. India's USPs is its large market, its skilled workforce and its pluralist, democratic ambience.

While trying to recover lost ground at RCEP, India must be clear about dovetailing tariff openness with its 'Make in India' programme. India can be flexible about opening up sectors such as legal services, entertainment and accountancy. However in the long run, it should ramp up its skill and technology levels to match RCEP countries by investing in R&D and quality education. The key lies in driving growth through productivity and innovation, rather than low-cost labour alone.

## RCEP could hit India hard

India is under huge pressure to conclude RCEP negotiations this year and to make major concessions in goods, services and investment at the ministerial of the RCEP in Hanoi. There are several challenges and problems which India is facing to conclude and commit to RCEP.

### Reasons for caution

RCEP is being negotiated between India and 15 other countries including the 10-member ASEAN, Japan, South Korea, New Zealand, Australia and China. With a high rate of poverty, a large rural population consisting mainly of small and marginal farmers and landless labourers, an immature industrial sector, a growing but narrow service sector and vulnerable health and education sectors, India had very rightly maintained a

cautious approach in its FTAs on goods, intellectual property rights, and many new issues such as investment, government procurement and competition policy.

India's cautious approach faces a major paradigm-shift given the current negotiations in RCEP. It has the potential to overthrow India's policies of rural development and industrialization especially 'Make in India', and the promise of the Prime Minister to provide accessible healthcare and medicines to all. Most important, it threatens the policy flexibility and sovereignty to pursue independent economic, social and environmental policies.

In goods trade, India has already agreed to give up the three-tier tariff reduction proposal that offered different coverage for ASEAN, Japan and South Korea, and a much lower level of tariff reduction coverage for New Zealand, Australia and China. Currently, it is believed to be under pressure to agree to uniform and very high product coverage of around 92 per cent for all partners. According to Commerce Ministry officials, India has offered 80 per cent coverage with 5 per cent margin (lower) for more developed partners. It has also asked for a longer implementation period for China. While 92 per cent coverage is inconceivable, even 80 per cent will have serious implications for both agriculture and industrial products.

If India offers to reduce/eliminate import tariffs on a larger number of industrial products than already committed to ASEAN, Japan and South Korea, its industrial sector could be under stress. Even without an FTA, India faces a total trade deficit of 3.45 lakh crore in 2015-16 with China. If India has to cut duties on 92 per cent of goods in RCEP, India will face threats from both ASEAN and China.

But manufacturing woes will not end there. E-commerce commitments, if any, will allow companies such as Alibaba from China to displace Indian manufacturing especially in the SME segment. Further, India is being asked to eliminate export restrictions on minerals and raw material by Japan and South Korea; this may threaten domestic raw material availability for industrialization and encourage over-mining.

It seems India may agree to binding e-commerce rules in RCEP. This will have several implications including compromising government revenues by losing potential customs duties, compromising regulation and control over the new and emerging trading space, threatening data privacy and security not only of individuals but also of the government, and compromising regulation across a number of government ministries including that of the finance, commerce and industry, health and education, labour and so on. For example, by giving away control over data, the Government may compromise potential future industrial policy and lose control over financial policy.

India seems to have resisted the pressure to agree to specific commitments in goods, services, and investment and other areas in Hanoi. But a push for negotiations to be concluded by this year seems to have been agreed, even if not in very specific terms. Conclusion this year will be highly premature. India needs to assess its own choices and weigh the impact on its whole policy space vis-a-vis the narrow base of the advantages that RCEP seems to offer.

## Trade Analysis & Statistics

### Trade Analysis & Statistics

India's total engineering exports to ASEAN+5 country wise during April-May of 2017-18 stood at US\$ 2.03 billion. Some major highlights of engineering exports from India to ASEAN+5 for the month of May 2017 and cumulative exports during April-May 2017 are given below:

- ❖ In May 2017, India's engineering exports to ASEAN+5 stood at US \$ 992.17 million which is 16.4% of the total global engineering exports of India during the same period.
- ❖ India's engineering exports to ASEAN+5 dropped for both monthly as well as on a cumulative basis.
- ❖ China topped the list for Indian engineering exports for both monthly as well as cumulative exports. During April-May 2017, major engineering products exported to the country include Copper and products, Iron and Steel, IC Engines and parts, Zinc and products and Electric machinery & equipments etc.
- ❖ China recorded huge positive growth in imports from India in May 2017 compared to May 2016 among the fifteen countries.

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

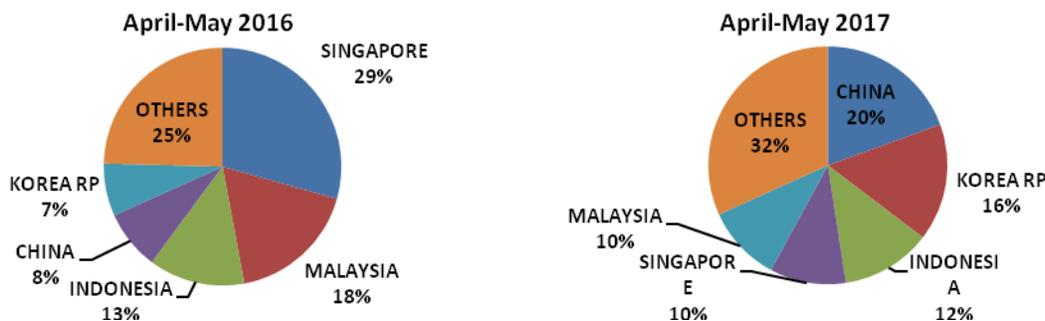
Values in US\$ million

COUNTRY	APRIL-MAY 2016	APRIL-MAY 2017	Growth (%)
CHINA P RP	187.30	394.79	110.77
KOREA RP	164.64	321.57	95.3
INDONESIA	301.70	248.23	-17.7
SINGAPORE	677.31	210.30	-68.9
MALAYSIA	407.59	209.23	-48.7

Source: DGCI&S, Government of India

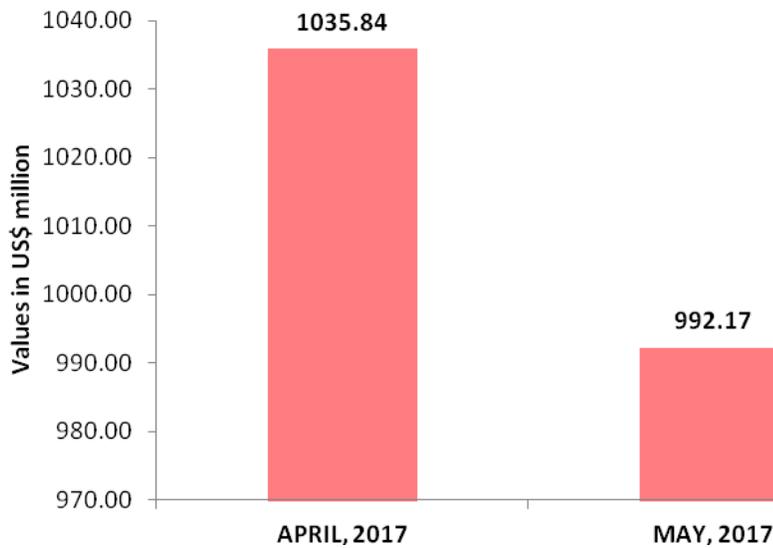
A comparison of top 5 nations which had the highest demand for Indian engineering products during April-May 2016 and its subsequent change in April-May 2017 is shown in the pie chart below:

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



Source: DGCI&S, Government of India

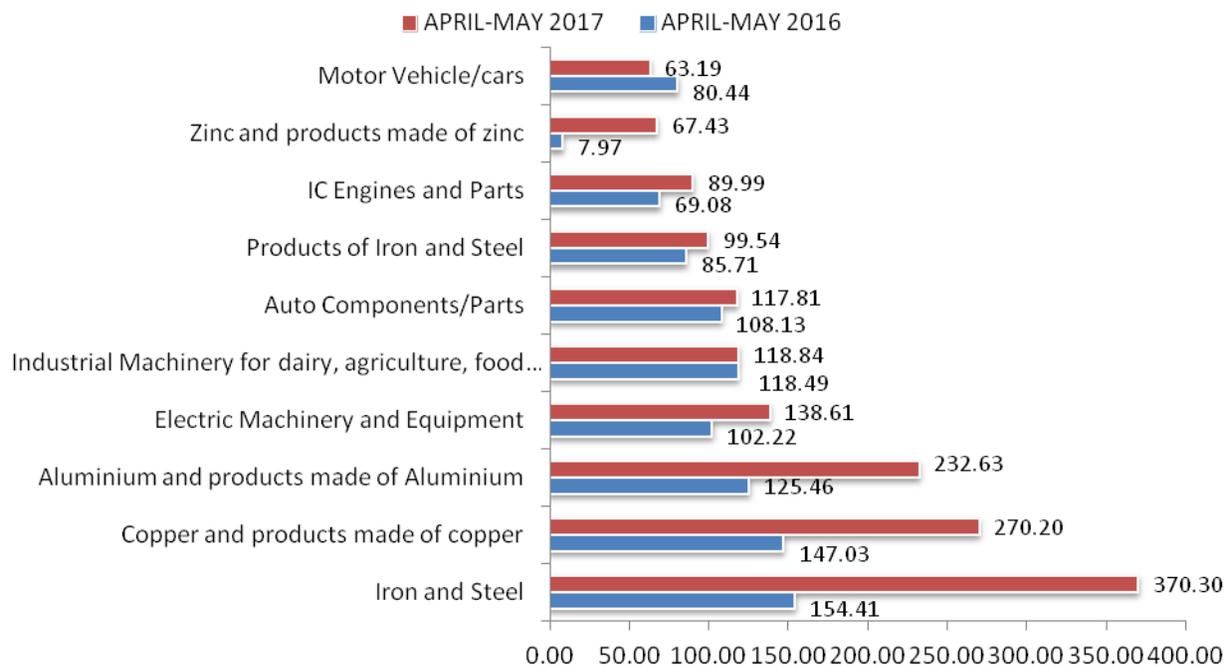
**Fig 2: Trend in Total Engineering Export in ASEAN +5 during April-May 2017 (Month wise)**



Source: DGCI&S, Government of India

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

**Fig 2: Top 10 engineering panels exported to ASEAN+5 in April-May 2017 viz-a-viz April-May 2016**



Source: DGCI&S, Government of India

### ❖ Study proposes creation of North-East Corridor

An A.T. Kearney-FICCI study has proposed the creation of a North-Eastern Corridor to tap the full potential of connectivity proposals under implementation between India and its Eastern neighbours, including Bangladesh, Bhutan, Nepal and Myanmar.

The North-Eastern region, spread over nine per cent of the country's total land mass, contributes only 3 per cent to the country's GDP.

The region is now aspiring to change this narrative, riding on various trade and connectivity proposals floated by sub-regional or regional groupings, such as BBIN (Bangladesh, Bhutan, India, Nepal), BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation), etc. The recently submitted study mapped a total of 476 freight-carrying routes in the region. Of the total, 90 routes, connected to all seven North-East State capitals, and contribute 80 per cent of the total freight flow in the region. The North-Eastern Corridor will be connected to the upcoming East-West Corridor.

Read more: <http://www.thehindubusinessline.com/news/national/study-proposes-creation-of-northeast-corridor/article9736910.ece>

### ❖ India quietly boosts ASEAN ties as OBOR looms large

While just a week ago, several countries in Asia and South East Asia region were swept into the massive One Belt One Road (OBOR) initiative of China, India, in a quiet and unobtrusive manner, reached out to the \$2.6 trillion regional economy of ASEAN, under its Act East policy. Participating in the 25th year celebrations of India-ASEAN partnership, a delegation of innovators and start-ups to the ASEAN-India Biztech Expo and Conference, organised by AIBC (ASEAN-India Business Council), with the belief that the leap to the next growth phase will ride on the huge potential for SMEs and private sectors.

Read more: <http://economictimes.indiatimes.com/news/economy/foreign-trade/india-quietly-boosts-asean-ties-as-obor-looms-large/articleshow/58852129.cms>

### ❖ Economic partnership between India, ASEAN and FTA partners in 2017'

A comprehensive economic partnership between India, Asean and six Free Trade Agreement (FTA) partners will likely take place in 2017, an External Affairs Ministry official said here on Tuesday.

"A comprehensive economic partnership between India, Asean and six FTA partners is likely. We are hoping to complete it within this year," Joint Secretary in the MEA Anurag Bhushan said at 'Act East: India's Asean Journey' organised by the Indian Chamber of Commerce here.

Read more: [http://www.business-standard.com/article/economy-policy/economic-partnership-between-india-asean-and-fta-partners-in-2017-117053001540\\_1.html](http://www.business-standard.com/article/economy-policy/economic-partnership-between-india-asean-and-fta-partners-in-2017-117053001540_1.html)

### ❖ Threats to free trade 'cannot be taken lightly,' ASEAN chief warns

The chief of Southeast Asia's regional bloc on Monday pushed back against the emerging anti-globalization mood, stressing a commitment to continued economic integration and open trade.

Le Luong Minh, a veteran Vietnamese diplomat who became secretary-general of the Association of Southeast Asian Nations in 2013, was speaking to the annual Future of Asia conference in Tokyo. "What stands out the most from the current phenomenon is that globalization is now under threat" from those that used to be its strongest proponents, Minh said. "For a region so deeply embedded in global value chains, a threat to globalization and free trade cannot be taken lightly."

Read more: <http://asia.nikkei.com/Spotlight/The-Future-of-Asia-2017/Threats-to-free-trade-cannot-be-taken-lightly-ASEAN-chief-warns>

#### ❖ **Tata group conferred with the ASEAN-India Achievement and Excellence Award**

The Tata group was felicitated with the prestigious ASEAN-India Achievement and Excellence Award by the ASEAN India Business Council (AIBC). The honour was given in recognition of the contribution made by the Tata group in strengthening bilateral economic relations between ASEAN (Association of Southeast Asian Nations) and India.

The award was received by K.V. Rao, Resident Director, ASEAN, Tata Sons, on behalf of the Tata group from Y.B Dato' Seri Ong Ka Chuan, Second Minister of International Trade and Industry of Malaysia, in a ceremony held at Kuala Lumpur.

Read more: <https://www.indiablooms.com/finance-details/7268/tata-group-conferred-with-the-asean-india-achievement-and-excellence-award.html>

#### ❖ **Exploring vast potentials of Indian market**

INDIA, long considered a sleeping economic giant, is now undoubtedly cementing its position as among the world's major economies. As of the fourth quarter of 2016, it enjoyed the distinction of being the world's fastest-growing major economy, with growth rates averaging over 7 percent.

Undoubtedly, India has become an attractive export market with balance of trade skewing sharply to the advantage of its major partners. The Philippines, also one of the world's consistently fastest-growing economies, lags behind other countries that trade with India. India is ranked as the Philippines's 20th trading partner with balance of trade sharply in India's favor, at 75 percent to 25 percent. This only means trade opportunities for India and the Philippines are vast and for the taking.

Read more: <http://www.businessmirror.com.ph/exploring-vast-potentials-of-indian-market/>

#### ❖ **India, ASEAN working on regional security architecture: Swaraj**

India is working with ASEAN to evolve "regional security architecture" in the Asia Pacific with the aim of finding collaborative solutions to emerging and non-traditional challenges, External Affairs Minister Sushma Swaraj said today.

Discussing various aspects of India's strategic partnership with the powerful bloc, Swaraj said ASEAN-India trade was back on track after two years of slow growth with an increase of 8 per cent in 2016-17.

In her address on India-ASEAN partnership at the Research and Information System, a think tank, the minister listed terror financing, arms smuggling, human trafficking, money laundering and cyber crime as major challenges facing the region. India and ASEAN, she added, had been working to combat them.

Read more: <http://www.dailyexcelsior.com/india-asean-working-regional-security-architecture-swaraj/>

### ❖ **Sushma Swaraj bats for RCEP conclusion to boost trade with ASEAN**

External Affairs Minister Sushma Swaraj Thursday said that bilateral trade between India-ASEAN has picked up after two years of slow growth even as she batted for concluding the Regional Cooperation Economic Partnership (RCEP) talks.

“While the ASEAN-India Free Trade Area is fully functional from July 2015, we are also actively engaged in the Regional Comprehensive Economic Partnership negotiations involving ASEAN and its six FTA partners, which, when finalised, will be the largest regional trading arrangement, accounting for about 40 per cent of the world trade,” Swaraj said while addressing ‘ASEAN-India Partnership’ event organised by RIS.

Read more: <http://www.thehindubusinessline.com/economy/sushma-swaraj-bats-for-rcep-conclusion-to-boost-trade-with-asean/article9733260.ece>

### ❖ **India to organize commemorative Asean summit to mark 25 years of partnership**

India will organize a commemorative India-Asean (Association of Southeast Asian Nations) summit in New Delhi to mark 25 years of partnership with the economically vibrant grouping this year or early next year.

The commemorative summit is part of a series of events including ministerial-level meetings, a business summit, a car rally and a sailing expedition, Indian foreign minister Sushma Swaraj said in a speech on India-Asean partnership on Thursday.

Read more: <http://www.livemint.com/Politics/f7LFYEFtIS61J0m0v0hQkl/India-to-organize-commemorative-Asean-summit-to-mark-25-year.html>

### ❖ **Indian diaspora in ASEAN recognises importance of fostering deep historical linkages Swaraj**

External Affairs Minister Sushma Swaraj (EAM) on Thursday said that India diaspora living in ASEAN countries recognises the salience of fostering ties between New Delhi and the nations of the association.

Swaraj speaking at the keynote address on ASEAN-India partnership said, “Large and vibrant Indian diaspora in ASEAN countries, recognize salience of further fostering of deep historical and cultural linkages.”

In an event celebrating 25 years of multi-faceted ASEAN India partnership, Swaraj further stressed on reinforcing the partnership further.

Read more: <http://www.dnaindia.com/india/report-indian-diaspora-in-asean-recognises-importance-of-fostering-deep-historical-linkages-swaraj-2480340>

## Business opportunities

Location	Title	Deadline
Malaysia	Maintenance Service Contract For Three (3) Units Of Air Compressor Machine And Three (3) Units Air Dryer Machine At Ktmb Bukit Tengah And Padang Besar Depot For The Period Of 12 Months.	25-Jul-2017
China	Beijing Municipal Administrative Unit 2017 - 2010 Official Car Fixed-point Maintenance Of Government Procurement Projects	27-Jul-2017
China	Three Factory Vibration Welding Equipment	28-Jul-2017
Philippines	Supply And Delivery And Installation Of 4 Units 2.5hp Split Type Wall Mounted Inverter Air Conditioner	26-Jul-2017
Singapore	School Of Electrical & Electronic Engineering At Nanyang Technological University	27-Jul-2017
Malaysia	Supply And Deliver Of Horizontal Directional Drilling	28-Jul-2017
Malaysia	Supply And Deliver Equipment Bc700xl Vermeer Machine For Brush Chipper 6 "equipment For Use Golf Resort.	28-Jul-2017
Thailand	Providing Vehicles And Transporting 2.	21-Jul-2017
Thailand	Construction Of Rod Brake (brake Shoe) Of High Phosphorus Diesel Trams, Buses And Goods Vehicles.	31-Jul-2017
Japan	1) Check Valve With Meter Packing 25 Mm 50,000 Units 2) Check Valve With Meter Packing (for Stepped Type Use) 25 Mm 14,000 Units	12-Sep-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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