

# 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 this issue of newsletter we highlight the course corrections in India's foreign policy – the renaming of the Look East Policy (LEP) to Act East Policy (AEP). India's land based connectivity options are consequently blocked westward and thus this course correction had begun in the early 1990s. The change of nomenclature from the LEP to the "Act East Policy" is recognition of the fact that India's trade has shifted eastwards – over 50% now. The task now is to take this renewed vision further to enhance greater trade and investment with the ASEAN countries.

The change in approach from a 'Look East' policy to an 'Act East' policy announced by our Honourable PM Sri Narendra Modi aimed to increase engagement with the ASEAN since India always seemed to be one step behind China in its dealings with ASEAN politically, geopolitically and economically. Through this India aims to compete with China's economic influence in ASEAN, as well as increase its influence in member countries.

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



India have realised the strategic importance of ASEAN, and have taken substantial positive steps towards building closer relationships. The 'Act East Policy' (AEP) is an integral part of this new changing climate in the region.

Digital connectivity and infrastructure are crucial for boosting links with the ASEAN countries and taking it ahead. Building infrastructure connecting the two regions emerges as an important element in India's engagement with South East Asian countries. The AEP can significantly factor in ending the geographical isolation of Northeast India and transforming it into a foothold for India to the booming ASEAN

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markets and its extended neighbourhood. Given the economic potential as well as the geopolitical importance of the Southeast Asia regions, Northeast region lies at the core of India's AEP. The focus should be now on economic development and addressing 'trust deficit' of the region.

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.

## From 'Look East' and 'Act East', India must 'think big' and 'act big'

India's Republic Day this year marked a significant change in the country's foreign policy outreach. That day, in a historic first, leaders of all ASEAN states were together attending India's republic anniversary.

India shares deep cultural and historical ties with ASEAN countries. But that gets hardly reflected in the commercial sphere. This is despite extensive research showing much big impact of ethnographic and even anthropological links on trade and investment flows.

Renewing those olden ties has been a long time coming and a delayed awakening. This has led to a gradient of slogans from 'Think East' to 'Act East'. We would like to augment it to 'Think East, Act East, and Think Big and Act Big', if India were to pivot this subaltern Asian regional integration.

For this, India the elephant must confront China the dragon.

In early 2000s, India, Australia, China, Japan, Korea and New Zealand entered into a trade framework agreement with ASEAN. Barring Japan, an overcautious India was the last country to finalise the services agreement and to form an ASEAN-India free trade area.

Except China, no dialogue partner has been able to realise the potential of these agreements so far. China's percentage share with ASEAN in both exports as well as imports increased significantly. For others, things have been more stagnant.

India's exports and imports shares also increased but the change pales in comparison with China. Yet, there remains a big potential in the short to medium term as tariffs by the ASEAN countries would be eliminated by 2018.

Let us consider for example the case of Nuclear Reactor (HS-84), which is one of the top products imported by ASEAN with imported value (deflated) of \$114 billion in 2016, much higher than India's global export of reactors of \$12 billion. Could high tech products like nuclear reactors be India's calling in ASEAN? This is where the 'think big' and 'act big' appendage to the paradigm comes. In today's world, it is China and Korea's 'think big-act big' formula that works where robots greet visitors to winter Olympics at Incheon airport.

China could even force a market fundamentalist like Trump to think of raising public support for fifth generation technologies. When in India, just a short bullet train corridor is being discussed in relation to 'aloo-subzi' corridor.

Ignoring the big technology leap for India in the short to medium term, we developed 'trade potential' indicators. Defined as the lower of a country's global exports and its partner country's global imports, minus the actual trade between the two countries. It considers exports and imports as country's supply and demand potential, respectively. The indicator helps to estimate the 'maximum possibility of trade' between the two countries and serves as the starting point for further research.

Supply bottlenecks are what would make trade potential more of a heuristic bound. For a big leap, India must move up the manufacturing and technology frontier, with greater propensity and capacity to export products like electrical machinery, nuclear reactors, iron and steel, and vehicles.

Electrical machinery and nuclear reactors are top imports of ASEAN for which the export potential of India is around \$17 billion for 2016. Together with remaining top products, this potential goes up to \$91 billion.

So what steps can India take to realise this potential? Some fixes are straightforward and approach of China offers important lessons. In many ways, it is infrastructure and connectivity-related.

India should enhance its connectivity with ASEAN instead of dragging its feet. Connectivity through road, rail, maritime and air can foster trade integration between ASEAN and India. Developing well-connected quality ports, projects including Kaladan Multi-Modal Transit Transport and India-Myanmar-Thailand Trilateral Highway (expected by the year 2019) are welcome steps in this regard.

ASEAN-India Air Connectivity Report of ASEAN-India Centre at RISDC highlights the importance of ASEAN-India Air Transport Agreement, which will enhance air connectivity, and carry tourist and business travellers, high-value fragile goods and perishable commodities in shorter time.

Alongside, India must focus on encouraging and adopting trade facilitation measures like simplification and harmonisation of trade procedures, setting regional single windows for custom clearance, recognition of custom transit documents and proper coordination between border authorities.

We believe, that trade facilitation and enhanced connectivity can help India realise its untapped export potential with ASEAN. Yet, the full realisation of the potential would only happen when India ups the game on industrial products and technology.

## Trade Analysis & Statistics

### Trade Analysis & Statistics

India's total engineering exports to ASEAN+5 country wise during April-May of 2018-19 stood at US\$ 2.47 billion. Some major highlights of the cumulative engineering exports from India to ASEAN+5 during April- May 2018-19 are given below:

- ❖ During April-May 2018-19, India's engineering exports to ASEAN+5 stood at US \$ 2467.84 million which is 17.7% 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 22.6%.
- ❖ Singapore topped the list once again for Indian cumulative engineering exports as well as monthly exports for May 2018. Major engineering products exported to the country include Aircrafts, Spacecrafts and parts, Ships and boats and floating structures, and Electrical machinery. It recorded huge positive growth of almost 150% in imports from India during April-May 2018-19 compared to April-May 2017-18 among the fifteen countries.
- ❖ For the first time Cambodia recorded the highest growth of almost 338% in April-May 2018-19 compared to April-May 2017-18 among the fifteen countries.

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

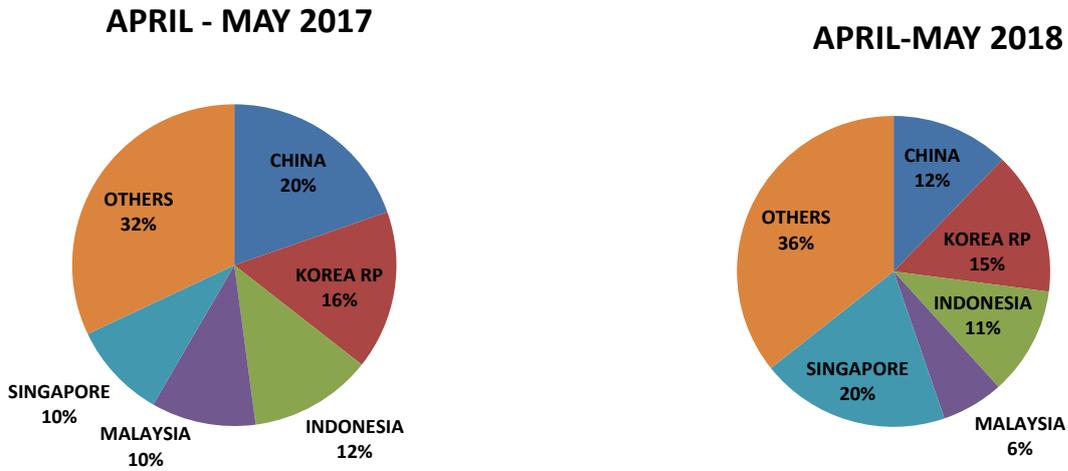
Values in US\$ million

COUNTRY	April-May 2017-18	April-May 2018-19	Growth (%)
SINGAPORE	194.1	483.1	148.9
KOREA RP	321.2	366.5	14.1
CHINA	395.5	301.8	-23.7
INDONESIA	247.3	277.4	12.2
JAPAN	150.5	212.2	41.0

Source: DGCI&S, Government of India

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

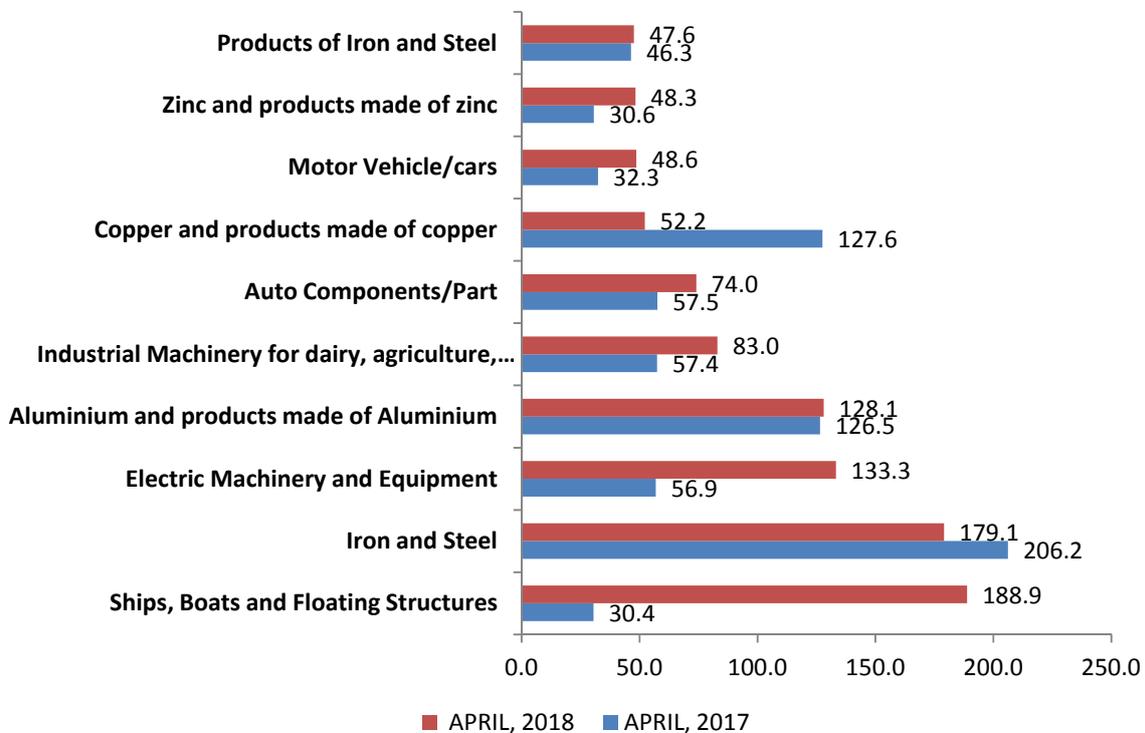
**Fig 1: Change in Engineering Export among the top 5 ASEAN+5 countries (April-May 2018 viz-a-viz April-May 2017)**



Source: DGCI&S, Government of India

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

**Fig 2: Top 10 engineering panels exported to ASEAN+5 in May 2018 viz-a-viz May 2017**



Source: DGCI&S, Government of India

### ❖ Parker Says RCEP Deal Could Boost NZ-India Trade

With the Free Trade Agreement between New Zealand and India remaining a non-starter even after a decade, all eyes are now on leveraging the Regional Comprehensive Economic Agreement (RCEP), which includes ten countries of the ASEAN (Association of Southeast Asian Nations) grouping, as a practical alternative.

The India New Zealand Business Council (INZBC) signed a landmark agreement with the ASEAN New Zealand Business Council at an event in Auckland on Friday.

Batting for the RCEP as the way forward and a win-win for all parties concerned was NZ Minister for Trade and Export Growth David Parker, chief guest at the jointly hosted event. (He is also Attorney General, Minister for Economic Development, the Environment, and is Associate Minister of Finance.)

Mr Parker used the term 'pluri-lateral agreement' to describe a trade deal that countries with a common interest would forge to benefit all parties involved, such as RCEP. As well as the ten ASEAN countries, RCEP includes New Zealand and India besides a few others.

Read more: <https://www.indianweekender.co.nz/Pages/ArticleDetails/7/9506/New-Zealand/Parker-says-RCEP-deal-could-boost-NZ-India-trade>

### ❖ Boosting Asean ties: Modi to visit Indonesia, Malaysia, Singapore

As part of India's efforts to boost ties with Southeast Asia under its Act East Policy, Prime Minister Narendra Modi will visit Indonesia, Malaysia and Singapore from May 29 to June 2.

"Prime Minister's official engagements in Jakarta and Singapore include bilateral meetings with the leadership, delegation level talks, meetings with the business and Indian communities," the External Affairs Ministry said in a statement on Monday.

It said Indonesia, Malaysia and Singapore, three countries of the Association of Southeast Asian Nations (Asean) regional bloc, are Strategic Partners of India.

"India attaches high importance to its relations with the Asean region and is committed to deepening its relationship with individual Asean member states, within the framework of the government's Act East Policy," the statement said.

Read more: [https://www.business-standard.com/article/news-ians/boosting-asean-ties-modi-to-visit-indonesia-malaysia-singapore-118052800491\\_1.html](https://www.business-standard.com/article/news-ians/boosting-asean-ties-modi-to-visit-indonesia-malaysia-singapore-118052800491_1.html)

### ❖ Modenas to capture pole position via tie-up with India's Bajaj

Modenas is set to recapture pole position in the local motorcycle market and expand its ASEAN footprint following its strategic tie-up with renowned Indian company Bajaj Auto Ltd.

Prominent economist Dr Yeah Kim Leng said the local motorcycle manufacturer's strategic partnerships with global firms was the way forward to achieve economies of scale, ramp up production capacity and penetrate regional and global markets given Malaysia's relatively small market size.

"The immediate target is to take advantage and compete regionally as trade barriers are being reduced significantly under the ASEAN Economic Community," he said in an interview here today.

Malaysian companies, whether manufacturing or services, should look abroad given the intense competition in the motorcycle sector, said Dr Yeah, who is also Director of Economic Studies at Sunway University.

Read more: <https://www.nst.com.my/business/2018/06/376180/modenas-capture-pole-position-tie-indias-bajaj>

#### ❖ **AITGA fuels Vietnam-India trade and investment ties**

NDO - Tariff cuts under the ASEAN-India Trade in Goods Agreement are forecast to be a key driver in raising the Vietnam-India bilateral trade turnover, and a climb in Indian investment into the Southeast Asian nation in the future.

According to the Trade Department, under the Indian Embassy in Vietnam, in addition to the improvements in Vietnam's business climate and the huge demand for consumption and growth, further import tariff slashes under the ASEAN-India Trade in Goods Agreement (AITGA), which is part of the ASEAN-India Free Trade Agreement (AIFTA), are helping Vietnam to attract more India exporters and investors.

Vietnam's General Statistics Office (GSO) reported that, in the first three months of the year, firms in Vietnam spent US\$1.035 billion importing products from India, far higher than the figure of US\$384.079 million in last year's corresponding period.

Read more: <http://en.nhandan.org.vn/business/item/6223902-aitga-fuels-vietnam-india-trade-and-investment-ties.html>

#### ❖ **Defence, trade may top PM Modi's agenda in Jakarta and Singapore**

Defence, security and trade are likely to be high on the agenda of Prime Minister Narendra Modi during his visit to Indonesia and Singapore from May 29 to June 1.

While this will be his first state visit to Indonesia, he has visited Singapore twice in 2015, first in March for the funeral of the legendary Lee Kuan Yew, the first Prime Minister of Singapore, and then again in August for a state visit.

Indonesia hosts the ASEAN secretariat and Singapore is the current chair of Asean. Indonesian President Joko Widodo had visited India as a state guest in December 2016, and then again in January 2018 for the ASEAN India commemorative summit, where he had extended the invitation to Modi to visit his country.

Read more: <http://www.newindianexpress.com/nation/2018/may/25/defence-trade-may-top-pm-modis-agenda-in-jakarta-and-singapore-1819232.html>

### ❖ RCEP nations to meet on July 1 amid pressure to conclude trade pact

Pressure is mounting on member countries including India for early conclusion of proposed free trade pact, RCEP, government sources said.

Trade ministers of 16 Regional Comprehensive Economic Partnership (RCEP) countries will meet on July 1 in Tokyo to take stock of the negotiations. Talks for the pact had started in Cambodian capital Phnom Penh in November 2012.

"There is a pressure to conclude the negotiations at the earliest. Lot of issues are yet to be ironed out in areas like goods and services," said a source.

Read more: <https://www.indiatoday.in/pti-feed/story/rcep-nations-to-meet-on-july-1-amid-pressure-to-conclude-trade-pact-1238810-2018-05-22>

### ❖ India ramps up Myanmar ties to gain foothold in ASEAN

India's External Affairs Minister Sushma Swaraj met with senior Myanmar officials during a two-day visit last week to discuss implementation of agreements signed during the visit of Prime Minister Narendra Modi last year, especially in investment and trade.

*The Myanmar Times* learned that among the issues Ms Swaraj discussed with Myanmar officials was ways to accelerate the completion of the much-delayed India-Myanmar-Thailand highway, which would facilitate the trade of goods among the three countries, as well as with other regional countries.

## TBT Notifications

### ✓ Cambodia has issued technical regulation on exhaust emission for motorcycle

Cambodia has issued technical regulation on exhaust emission for motorcycle. This has reference to TBT notification- G/TBT/N/KHM/12 dated 26th June 2018, issued by the Institute of Standards of Cambodia (ISC). The products mentioned in this notification falls under the HS Code 87141090.

**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=True&HasSpanishRecord=False&CatalogueIdList=246427,246357,246359,246361,246337,246338,246339,246340,246341,246342&CurrentCatalogueIdIndex=9&FullT](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=False&CatalogueIdList=246427,246357,246359,246361,246337,246338,246339,246340,246341,246342&CurrentCatalogueIdIndex=9&FullT)

### ✓ Cambodia has issued technical regulation on noise emission

Cambodia has issued technical regulation on noise emission. This Technical Regulation applies to the approval of vehicles of category M and N with regard to noise.

This has reference to TBT notification- G/TBT/N/KHM/17 dated 26th June 2018, issued by the Institute of Standards of Cambodia (ISC). The products mentioned in this notification falls under the HS Code 870899.

**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=True&HasSpanishRecord=False&CatalogueIdList=246343,246344,246345,246346,246347,246348,246349,246351,246352,246353&CurrentCatalogueIdIndex=4&FullT](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=False&CatalogueIdList=246343,246344,246345,246346,246347,246348,246349,246351,246352,246353&CurrentCatalogueIdIndex=4&FullT)

✓ **Cambodia has issued technical regulation on steering system**

Cambodia has issued technical regulation on steering system. This Technical Regulation applies to the steering equipment of vehicles of categories M, N and O. This has reference to TBT notification- G/TBT/N/KHM/21 dated 26th June 2018, issued by the Institute of Standards of Cambodia (ISC). The products mentioned in this notification falls under the HS Code 870894.

**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=True&HasSpanishRecord=False&CatalogueIdList=246343,246344,246345,246346,246347,246348,246349,246351,246352,246353&CurrentCatalogueIdIndex=8&FullT](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=False&CatalogueIdList=246343,246344,246345,246346,246347,246348,246349,246351,246352,246353&CurrentCatalogueIdIndex=8&FullT)

✓ **Cambodia has issued technical regulation on brake system**

Cambodia has issued technical regulation on brake system. This has reference to two TBT notifications- G/TBT/N/KHM/4 and G/TBT/N/KHM/5 dated 26th June 2018, issued by the Institute of Standards of Cambodia (ISC). The products mentioned in this notification falls under the HS Code 870830.

**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=True&HasSpanishRecord=False&CatalogueIdList=246427,246357,246359,246361,246337,246338,246339,246340,246341,246342&CurrentCatalogueIdIndex=1&FullT](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=False&CatalogueIdList=246427,246357,246359,246361,246337,246338,246339,246340,246341,246342&CurrentCatalogueIdIndex=1&FullT)

[https://docs.wto.org/dol2fe/Pages/FE\\_Search/FE\\_S\\_S009-DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=False&CatalogueIdList=246427,246357,246359,246361,246337,246338,246339,246340,246341,246342&CurrentCatalogueIdIndex=2&FullT](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=False&CatalogueIdList=246427,246357,246359,246361,246337,246338,246339,246340,246341,246342&CurrentCatalogueIdIndex=2&FullT)

✓ **Cambodia has issued technical regulation on seat belt anchorage and safety belt**

Cambodia has issued technical regulation on seat belt anchorage and safety belt. This has reference to two TBT notifications- G/TBT/N/KHM/6 and G/TBT/N/KHM/7 dated 26th June 2018, issued by the Institute of Standards of Cambodia (ISC). The products mentioned in this notification falls under the HS Code 870821.

**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=True&HasSpanishRecord=False&CatalogueIdList=246427,246357,246359,246361,246337,246338,246339,246340,246341,246342&CurrentCatalogueIdIndex=3&FullT](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=False&CatalogueIdList=246427,246357,246359,246361,246337,246338,246339,246340,246341,246342&CurrentCatalogueIdIndex=3&FullT)

[https://docs.wto.org/dol2fe/Pages/FE\\_Search/FE\\_S\\_S009-DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=False&CatalogueIdList=246427,246357,246359,246361,246337,246338,246339,246340,246341,246342&CurrentCatalogueIdIndex=4&FullT](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=False&CatalogueIdList=246427,246357,246359,246361,246337,246338,246339,246340,246341,246342&CurrentCatalogueIdIndex=4&FullT)

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