

# Territorial NEWSLETTER

## ASEAN + 5

**EPCINDIA**  
ENGINEERING THE FUTURE

Vaniya Bhavan (1st Floor)  
1/1 Wood Street,  
Kolkata - 700016  
[www.eepcindia.org](http://www.eepcindia.org)

The Association of Southeast Asian Nations + China, Japan, Korea, Australia and New Zealand

Issue: May 2019

### Chairman's Pen



In this issue of newsletter we discuss the India-Vietnam bilateral trade scenario. The two countries had established strategic partnership in 2007 and upgraded it to Comprehensive Strategic Partnership in 2016. Vietnam supported India's "Act East" policy and welcomed its stance on the East Sea in the past.

The series of exchange of high level visits from both sides is a clear indication of the commitment of the two countries to further strengthen the Comprehensive Strategic Partnership. India-Vietnam economic relationship has significant headroom for growth.

Close cultural ties and similarities in the economic growth dynamics between India and Vietnam makes navigating these markets easier for investors based in either of the two nations. Competitive labor costs, a large growing middle class, and the ease of setting up – are all major draws for investors looking at both Vietnam and India.

India's 'Make in India' manufacturing program offers attractive incentives for Vietnamese businesses, and India is rapidly implementing ease of doing business reforms; meanwhile, connectivity between the South Asian and ASEAN region continues to expand.

Both governments urge businesspersons to take advantage of various opportunities in different priority sectors within the two economies, including hydrocarbons, power generation, renewable energy, energy conservation, infrastructure, pharmaceuticals, and machine tools.

Taken together, there is no denying that ample scope exists for enhancing economic engagement between India and Vietnam

**Ravi Sehgal**

## Message from Chairman, Committee on Trade with ASEAN countries



In this issue of newsletter we highlight the growing India-Vietnam trade relation. India and Vietnam are working together towards increasing the two-way trade to \$ 15 billion by 2020 from the current \$14 billion and accelerate economic and investment cooperation.

India constantly discusses with its Vietnamese counterparts ways to enhance the robust bilateral engagement on political, defence, security, and energy fronts. Several delegations level talks have led to the agreement of setting up of investment promotion activities, especially in information technology, energy, renewable energy, infrastructure, hi-tech agriculture, innovation, and oil and gas production.

Both India and Vietnam are trying to raise the trade value to \$ 15 billion by suggesting detailed plans to carry out trade dismantling trade barriers. Vietnam is slated to become the world's third fastest growing market for international passengers and freight. While the aviation industry in Vietnam is still in its formative stages, the government is keen to promote investment and has liberalized rules for this sector. This could be an interesting prospect for Indian companies.

Both Vietnam and India stress the importance of better regional connectivity for tourism and trade to prosper. The two sides now propose to expedite talks on extending the India-Myanmar-Thailand Trilateral Highway up to Vietnam through Cambodia and Laos.

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

**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.

## Vietnam is a strategic pillar of India's Act East Policy

The visit of Venkaiah Naidu, Vice President of India, to Vietnam on the Vesak day, a celebration to mark the birth, death and enlighten day of Lord Buddha tells a lot about the growing relations between the two countries. Vice President Naidu, on the invite of his counterpart in Vietnam, was due to deliver the keynote address at the 16th UN Day of Vesak Celebrations in Ha Nam province.

Vietnam is considered a civilizational friend and trusted partner, a strategic pillar of India's Act East Policy and our key interlocutor in ASEAN. The exchange of high-level visits from both the sides will further strengthen the Comprehensive Strategic Partnership. India and Vietnam, today, have a strong bilateral relationship based on mutual trust, understanding, convergence of views on regional and international issues.

Significantly Buddhism has been a strong bond uniting our two peoples and nations. Indians reached the shores of this beautiful country two millennia ago with the message of Lord Buddha, of peace and compassion. The remains of the Champa civilization attest to the exchanges of people, goods, ideas and philosophies.

The talks between VP Naidu and Vice President of Vietnam Dang Thi Ngoc Think covered the whole range of bilateral and multilateral cooperation. They agreed to further strengthen bilateral cooperation in defence and security, peaceful uses of atomic energy and outer space, science and technology, oil and gas, renewable energy, infrastructure development, agriculture and innovation-based sectors.

The Ambassador of Vietnam to India, in an interaction to Foreign Correspondents said that relations with India thrives on 6 pillars. Political which includes regular exchange of high level visits, Defence and security, Economic, Scientific cooperation, and education and people to people ties. In a significant move the post of Ambassador of Vietnam to India has been upgraded from joint secretary to ministerial level in order to substantiate comprehensive partnership between Vietnam and India.

### Economics and trade

The bilateral economic engagement during the last few years between India and Vietnam has facilitated business and industry to harness the growing opportunities in both countries and in the region. Bilateral trade stood at nearly US \$14 billion last year having doubled from US Dollars 7.8 billion three years ago. It is targeted to reach US Dollars 15 billion by 2020.

### India-Vietnam Bilateral Trade

Values in US\$ Million	2014-15	2015-16	2016-17	2017-18	2018-19
India's Exports to Vietnam	6257.88	5265.99	6786.56	7813.08	6507.38
India's Imports from Vietnam	3003.35	2560.39	3320.56	5018.55	7192.23
Trade Balance	3254.53	2705.6	3466	2794.53	-684.85
India's Engineering Exports to Vietnam	602.41	614.2	1129.92	1169.49	1174.99
India's Engineering Imports from Vietnam	521.26	492.18	824.59	1360.72	1329.89
Engineering Trade Balance	81.15	122.02	305.33	-191.23	-154.9

Source: [www.commerce.nic.in](http://www.commerce.nic.in)

However, while the strategic complementarities are clear at the government-to-government level, this still hasn't percolated down to the people-to-people or business-to-business levels. As a result, India and Vietnam are moving fast on defence collaboration which is within the governments' remit. Indian public sector companies like BHEL and ONGC are already present in Vietnam in strategic sectors such as power and energy. But the private sector needs to up its game. And this is where we need very specific business plans based on market studies, consumer profiles and production value chains. That in turn requires better people-to-people understanding between the two countries. India and Vietnam need to be connected both at the mind and heart.

## Trade Analysis & Statistics

### Trade Analysis & Statistics

India's total engineering exports to ASEAN+5 country wise during April-April-May 2019-20 stood at US\$ 3.15 billion. Some major highlights of the cumulative engineering exports from India to ASEAN+5 during April-May 2019-20 are given below:

- ❖ During April-May 2019-20, India's engineering exports to ASEAN+5 stood at US \$ 3147.40 million which is 22.9 % of the total global engineering exports of India during the same period.
- ❖ The share of India's cumulative engineering exports to ASEAN+5 April-May 2019-20 has increased significantly in comparison April-May 2018-19.
- ❖ India's cumulative engineering exports to ASEAN+5 during April-May 2019-20 has increased by 27.6 % in comparison to the previous fiscal. This is commendable as the engineering exports from India saw a decline in shipment in April-May 2019-20 over the same period last fiscal.
- ❖ Malaysia which had bounced back last month after a long gap, recorded once again as the top export destination during April-May 2019-20 viz-a-viz April-May 2018, registering the highest growth of 193.37 %. Major items of export to Malaysia in April-May 2019 were Ships, Boats and Floating Structures, Aluminium and products made of Aluminium and Iron and Steel etc.
- ❖ After recording repeated positive and highest cumulative growth in the previous fiscal Lao recorded negative growth in April-May 2019-20 compared to April-May 2018-19.

Top 5 nations which had the highest demand for Indian engineering products during April-May 2019 in absolute values include:

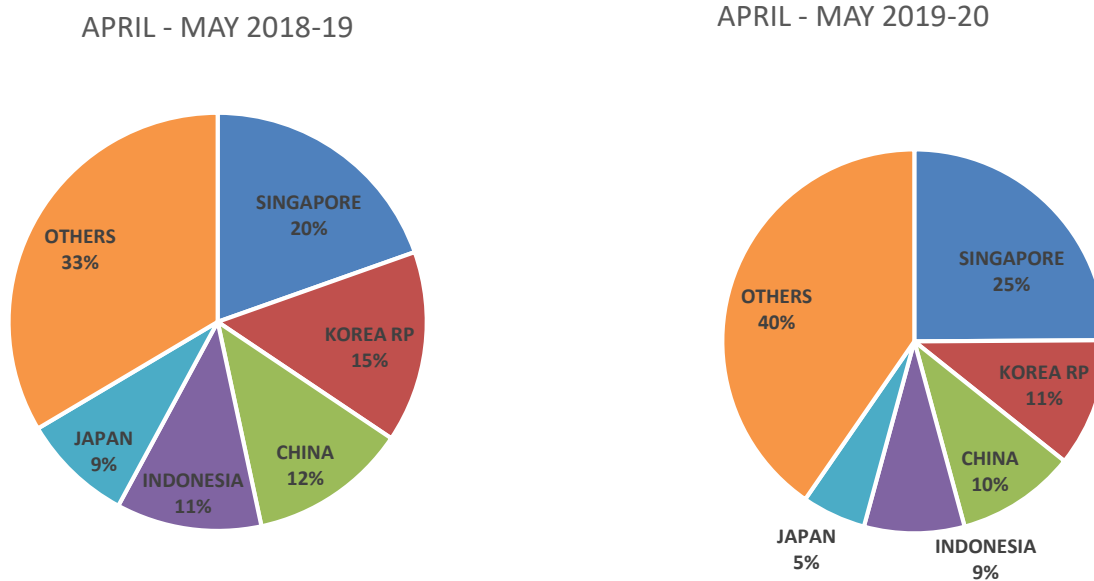
Values in US\$ million

COUNTRY	April-May 2018	April-May 2019	Growth (%)
SINGAPORE	483.06	783.79	62.26
MALAYSIA	158.30	464.42	193.37
KOREA RP	365.60	340.25	-6.93
CHINA	301.76	316.83	4.99
THAILAND	209.20	281.35	34.49

Source: DGCI&S, Government of India

A comparison of top 5 nations which had the highest demand for Indian engineering products in April-May 2018-19 and its subsequent change in April-May 2019-20 is shown in the pie chart below:

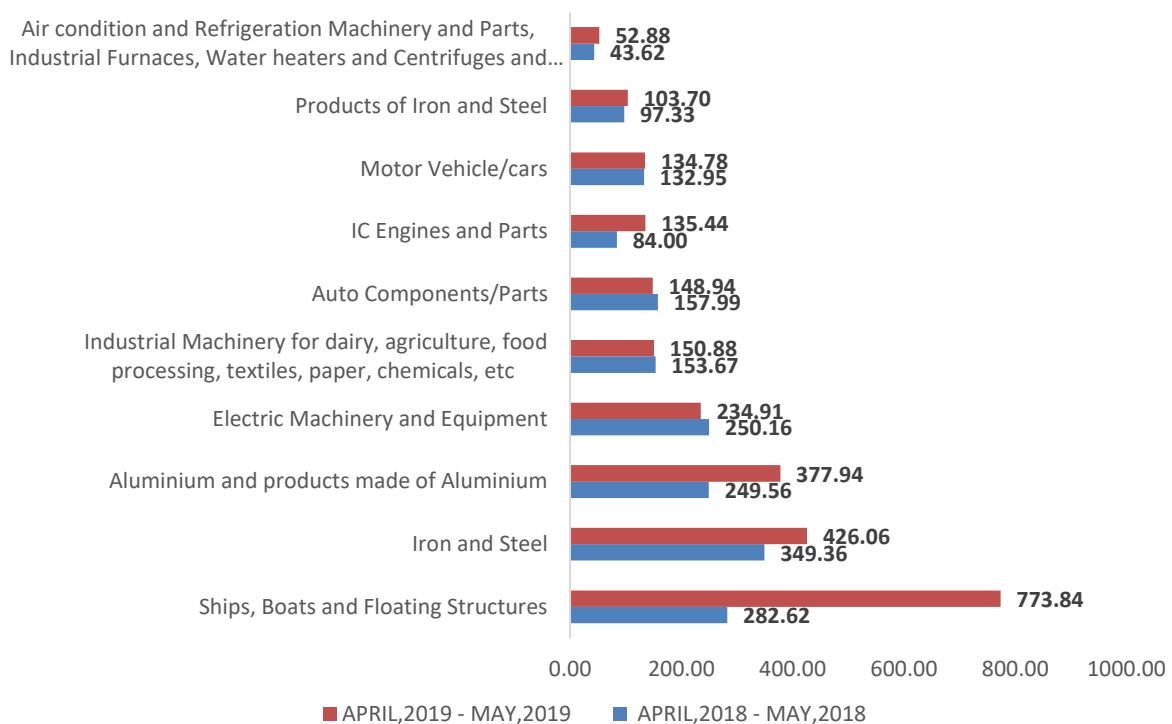
**Fig 3: Change in Engineering Export among the top 5 ASEAN+5 countries (April-May 2018-19 viz-a-viz April-May 2019-20)**



Source: DGCI&S, Government of India

Top 10 engineering panels exported to ASEAN+5 during April-May 2019-20 viz-a-viz April-May 2018-19 are provided in bar diagram.

**Fig 4: Top 10 engineering panels exported to ASEAN+5 in April-May 2019-20 viz-a-viz April-May 2018-19**



Source: DGCI&S, Government of India

## News in Focus

### ❖ Asean in 2040: Bolder and stronger?

When Asean was set up in August 1967, the founding fathers did not bother to make sure their newly formed organisation would survive for 52 years, as it already has. All they wanted to do at the time was to make sure they got together, looked each other in the eye and pledged to meet again next time. They had to increase their level of comfort with one another as they were trying to avoid future conflicts and looking for more cooperation. No war, make progress. That was a sufficient vision then.

As Asean gets older, more and more people are curious if it can survive into the future, say over the next 20 years. During the Cold War, Asean survived by its adaptive ability to juggle its relations with all major powers. After the fall of the Berlin Wall, the world has undergone big changes, and the international order has come under severe pressure to accommodate emerging powers near and far. Lately, these repercussions have proved to be so disruptive that the international community has had trouble grappling with them.

Read more: <https://www.bangkokpost.com/opinion/opinion/1673168/asean-in-2040-bolder-and-stronger->

❖ **Way forward for RCEP: Need to focus on eliminating problems plaguing manufacturing sector and exports**

While our negotiators bargain hard for an inclusive and balanced Regional Comprehensive Economic Partnership, domestically we must focus on eliminating niggles our manufacturing sector and exports are facing. The first phase of 'Make in India' was promising. We saw eagerness from foreign companies setting up plants and assembly units in India. The next phase may well focus on transforming this initiative to 'Make for India' where the needs of the external market, but more importantly the domestic market, are met through production in India.

The Regional Comprehensive Economic Partnership (RCEP)—the proposed free trade agreement between 10 ASEAN member states and their six FTA partners, namely India, Australia, China, Japan, New Zealand and South Korea—talks have been under way for over six years now, with over 25 rounds of negotiations between all FTA partner countries. The 16 member countries have now set a deadline of end-2019 to conclude the negotiations. The trade bloc comprising the ASEAN, Australia, China, India, Japan, South Korea and New Zealand accounts for 25% of global GDP, 30% of global trade, 26% of FDI flows, and 45% of the total population. From India's point of view, RCEP is critical. RCEP countries account for almost 27% of India's total trade. Exports to RCEP countries account for about 15% of India's total exports, and imports from RCEP countries comprise 35% of India's total imports.

Read more: <https://www.financialexpress.com/opinion/way-forward-for-rcep-need-to-focus-on-eliminating-problems-plaguing-manufacturing-sector-and-exports/1570262/>

**EEPC India ASEAN+5 Territorial Newsletter**

Contact: Priyanka Chakraborty  
Email: [pchakraborty@eepcindia.net](mailto:pchakraborty@eepcindia.net)  
Phone no: 033-40120363