

# Territorial NEWSLETTER ASEAN

**EEPCINDIA**  
ENGINEERING THE FUTURE

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## Chairman's Pen



**T S Bhasin**

ASEAN region is arguably the second most successful regional organisation after the European Union, and it offers a range of opportunities both for intra-regional and extra-regional trade and investment. In this volume of the Territorial Newsletter, we brief on India's Northeast and the potential it holds in boosting our trade with ASEAN. Northeast India being the bridge between two sub-regions of Asia-South Asia and Southeast Asia needs to be taken more seriously to improve trade and

investment relations between India and ASEAN. One major step which could significantly boost trade is establishing and strengthening existing road and rail networks between the two regions. In fact, it can be a game changer for India's northeast, as was stated by the External Affairs Minister Sushma Swaraj during the Delhi Dialogue in February 2016.

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

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



**P K Shah**

In this edition of the 'Newsletter on ASEAN', we highlight on the importance of India's Northeast which borders Myanmar, the only ASEAN nation to share a land boundary with India. The recent infrastructure projects undertaken by our Government have raised hopes in boosting the trade between India and ASEAN. With a combined population of over 622 million, ASEAN has a vast consumer base. So building Northeast will definitely help in augmenting our trade with ASEAN.

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

## ASEAN Basic Facts

**Area:** 4,435,618 Sq. Km

**Member Countries:** Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

**Population:** 625 million (2013 estimate)

**GDP:** USD 2.6 trillion

**Climate:** Hot, humid, rainy (mostly May to November); dry season (mostly December to April);

**Natural resources:** Tin, petroleum, copper, natural gas, arable land, gold, hydropower, offshore oil and gas deposits.

## India's Northeast: A rugged link to ASEAN

Prime Minister Narendra Modi's 'neighbourhood first' and 'Act East' policies got a fresh boost with the recently concluded four-day visit to India by Myanmar's State Counsellor Aung San Suu Kyi. The two leaders gave out enough indications they were pursuing a development partnership that would take bilateral ties to a higher level.

Prime Minister Modi said India's financial commitment of US\$1.75 billion is 'people centric', meaning the development projects were aimed at the welfare of the people of Myanmar. In fact, Northeast India, sharing a 1,640 km-long land border with Myanmar, holds the key in this development partnership. This makes it imperative to take a close look at this far-eastern Indian frontier and the linkages that can be established through Myanmar to ASEAN.

### Revitalising the 'Act East' Policy

It has been two years since India announced the transformation of its moribund two-decade-old 'Look East' Policy into what is now called the 'Act East' Policy (AEP). Incidentally, India made the new nomenclature, AEP, public during the East Asia Summit held in Myanmar in November 2014.

It is now clear that the AEP holds a prime place in India's new proactive policy, because it not only looks at boosting commerce, connectivity and cultural ties with ASEAN, but is also looking beyond to South Korea, Australia, Japan, and Mongolia. High-level visits by Indian leaders to these nations since 2014 have shown that it would no more be just lip service.

In consolidating its ties with ASEAN and beyond, India's Northeast, known for its rugged landscape and constant turmoil from home-grown ethnic insurgencies, is critical because of the geographic contiguity it provides to India and Myanmar. This region of eight provinces with a population of 40

million shares a total of over 5,400 km of borders with five neighbours — Bangladesh, Bhutan, China, Myanmar and Nepal — while it is connected with mainland India only by the narrow 22 km Siliguri corridor in the state of West Bengal called the ‘Chicken’s Neck’.

## **Building Bridges**

India recognises that increased commerce and improved connectivity with ASEAN can alter the currently stagnant economy in India’s Northeast. On the eve of his departure to Laos to attend the 14th India-ASEAN Summit, Prime Minister Modi said, “ASEAN is a key partner for our Act East Policy, which is vital for the economic development of our northeastern region”.

In fact, the Indian Government appears to be going ahead with a new geo-political thinking that looks at the space occupied by the Northeast to be theoretically spreading far beyond the international borders. The fact that the Northeast borders Myanmar, the only ASEAN nation to share a land boundary with India, is a testimony to the region’s importance and critical value in India’s foreign policy priorities. The geographical reality is Northeast India is the bridge between two sub-regions of Asia-South Asia and Southeast Asia.

So far, only a few ideas have moved from the drawing board to the ground and these are the transnational road and rail connectivity projects. Some of the flagship projects under the AEP include the India-Myanmar-Thailand Trilateral Highway, a 1,360 km highway joining Moreh in Manipur (India) to Mae Sot in Thailand through Bagan in Myanmar; Kaladan Multi-Modal Transit Transport Facility, connecting Indian ports on the eastern seaboard and Sittwe Port in Myanmar and then through riverine transport and by road to Mizoram (India), thus providing an alternate route for transport of goods to Northeast India; another rail link from Jiribam in Manipur to Hanoi in Vietnam passing through Myanmar, and revitalising the Stilwell Road, linking Assam with China’s Yunnan province.

These infrastructure projects built as a result of the AEP have raised hopes in Northeast India of a better future. Questions, however, are being raised as to how New Delhi would involve the local governments in the northeastern states in taking advantage of the connectivity projects. The people and the governments in Northeast India are major stakeholders in the entire idea of connectivity leading to enhanced commerce.

With dozens of insurgent groups operating in Manipur, one would also expect security to become a crucial part of the AEP because the newly named Asian Highway 1 that connects India to Myanmar via Manipur passes through stretches that are controlled by the rebels. India’s engagement with ASEAN now covers issues like security and counter-terrorism, besides defence cooperation.

## **Road Ahead with ASEAN**

The ties with Myanmar will be very critical for India if it is to consolidate relations and expand trade and connectivity with the rest of ASEAN. Myanmar’s president U Htin Kyaw chose India as the destination of his first state visit after the National League for Democracy (NLD) took over in March. However, it is also a fact that Aung San Suu Kyi made China her first port of call as State Counsellor and Foreign Minister.

Four Memorandums of Understanding were signed between India and Myanmar during President Kyaw’s visit—two of them concerning the India-Myanmar-Thailand Trilateral Highway, one on

renewable energy and the other on traditional medicine. In order to give the final push in the Trilateral Highway project, India is constructing as many as 69 bridges in Manipur.

The volume of trade between India and Myanmar is far from encouraging. India's total investment in Myanmar, for instance, was a little more than US\$224 million during the 2015-2016 fiscal year—significantly lower than the investments of other countries in the neighbourhood like China. Significantly, no new Indian investments were made during the first four months of the 2016-2017 fiscal year. According to Myanmar's Ministry of Commerce, total trade volume between the two nations touched \$1.17 billion while the Myanmar-China trade stands at \$10.9 billion.

Landlocked Northeast India, with rising unemployment, continued ethnic aspirations, and insurgencies that are still potent despite a number of peace agreements, needs a development corridor. The road and railway link through Myanmar to ASEAN could well provide that corridor and be the turning point. The AEP provides the scope to alter things. In this potential game changer, India's Northeast could play the role of a catalyst, something the people and the local governments hope for. Whether this awareness leads to the creation of an entrepreneurial class which can usher in progress in one of South Asia's hottest insurgency theatres remain to be seen.

### Trade Trend Analysis

India's total engineering exports to ASEAN during November 2016 stood at 852.9 USD million which is 17.7% of the total global engineering exports of India during the same.

India's engineering exports to ASEAN in November 2016 increased by more than 63% compared to November 2015. Malaysia recorded huge positive growth in November 2016 over November 2015 among the ten countries.

The ASEAN countries which feature in the top 25 export destinations for India in November 2016 export data include Malaysia, Singapore, Indonesia, Viet Nam and Thailand.

The top 5 ASEAN nations which had the highest demand for Indian engineering products during November 2016 in absolute values include:

**Table1: Top Five ASEAN destinations for Indian Engineering Exports**

Countries	Eng. Exports in November 2015 (USD Million)	Eng. Exports in November 2016 (USD Million)	Growth (%)
<b>MALAYSIA</b>	120.25	423.46	252.16
<b>SINGAPORE</b>	155.13	129.96	-16.23
<b>INDONESIA</b>	73.84	94.30	27.71
<b>VIETNAM</b>	56.73	84.89	49.63
<b>THAILAND</b>	54.05	68.64	27.00

Source: DGCI&S, Government of India

Top 10 engineering panels exported to ASEAN in November 2016 are provided in Table 2.

**Table2: Top Ten Engineering Panels exported to ASEAN**

Panels	India's Exports in November 2015 (USD Million)	India's Exports in November 2016 (USD Million)	Growth (%)
"Ships Boats and Floating structures"	33.55	278.53	730.23
Iron and Steel	28.06	93.96	234.82
Aluminium and products	26.30	76.26	190.00
Industrial Machinery	37.33	53.65	43.73
Motor Vehicle/cars	45.49	49.97	9.85
"Aircrafts Spacecrafts"	7.71	49.07	536.13
Electric Machinery and Equipments	36.47	42.17	15.62
Zinc and products made of Zinc	29.38	37.13	26.37
Auto Components/Part	37.00	28.29	-23.53
Products of Iron	25.29	22.26	-11.99

Source: DGCI&S, Government of India

## News in Focus

### ➤ India to talk tough at RCEP trade meet

After agreeing to forgo its own proposal of a three-tier system of tariff concessions to member states under the ongoing negotiations for the Regional Comprehensive Economic Partnership (RCEP) trade agreement at the Laos ministerial in August, India is again set to play hardball on services negotiations at the upcoming RCEP ministerial at Cebu in the Philippines starting Thursday.

"The Asean (Association of Southeast Asian Nations) grouping led by Singapore remains inflexible when it comes to services negotiations. We are going to tell the RCEP member countries that we will reveal details of our approach in goods negotiations once other members show progress in services negotiations," a commerce ministry official said, speaking on condition of anonymity.

Earlier, India proposed a three-tier tariff reduction plan, depending on whether it has a free trade agreement with the member country or not. Under the plan, it proposed 80% tariff cuts to the 10 Asean countries, 65% to South Korea and Japan and 42.5% tariff liberalization to China, Australia and New Zealand, with which it does not have free trade agreements.



**More Information >> Source:** <http://www.livemint.com/Politics/mOzWKi4gvcNzK7KkBTqJWI/India-to-talk-tough-at-RCEP-trade-meet.html>

➤ **RCEP: India gets Trade Ministers on board on 'single undertaking' for goods, services**

India has managed to convince its partner countries negotiating the Regional Comprehensive Economic Partnership (RCEP) to insert the words 'single undertaking' for both goods and services in the joint statement of the second inter-sessional Trade Ministers meeting in Cebu last week.

This will ensure that the pact on services is signed jointly with the one on goods and the country does not lose its negotiating plank for services.

"We were concerned when the first ministerial meeting in Laos earlier this year did not mention 'single undertaking' in the declaration as it led to the possibility of a separate agreement in goods being carved out, leaving services for later. We pursued the matter and ensured that the important words get incorporated this time in Cebu," a government official told BusinessLine.

The RCEP, which has 16 members including the 10-member ASEAN, India, China, Japan, South Korea, Australia and New Zealand, aims to create one of the largest free trade blocs in the world as the countries account for 45 per cent of the world population and over \$21 trillion of gross domestic product.

Need for 'deviations'

India also asserted the need for 'deviations' in goods that would enable it to give lower concessions to countries such as China, New Zealand and Australia with which it does not have free trade pacts. "India has demanded the flexibility to protect more items against high tariff cuts in the case of certain countries, including China, and also longer implementation period," the official said.

A single undertaking, as promised in the latest joint statement of RCEP Trade Ministers, means that the final agreement would see pacts in all the three core areas of goods, services and investment being signed simultaneously. New Delhi had lost out on the chance to strike a good deal in services with the ASEAN in the free trade agreement signed between the two, as it had agreed to seal a pact in goods first. This resulted in no bargaining chip left for the country when it negotiated a deal in services.

**More Information >> Source** <http://www.thehindubusinessline.com/economy/rcep-india-gets-trade-ministers-on-board-on-single-undertaking-for-goods-services/article9316063.ece>

➤ **Call for improved maritime trade of east coast with ASEAN nations**

Former diplomat and author G Parthasarathy today called for a greater regional integration and stronger economic cooperation with SAARC (South Asian Association for Regional Cooperation) nations.

Even as the vast east coast of India is facing the fastest growing economies in the world, the maritime trading activities of this part of the country with the Southeast Asian Nations is very negligible.

Recalling the rich maritime heritage of the ancient Kalinga, Parthasarthy said the people of Odisha should ponder what went wrong with that tradition after nearly 70 years of independence. He was speaking at the 16th Harischandra Baxipatra memorial lecture here.

"I don't see any other states as rich with a maritime history as Odisha. We must ask ourselves where we stand now and why," the former Ambassador to Myanmar said.

Asserting that the East Coast has the potential to be a trade hub of oil, gas and petroleum products, Parthasarthy said the government should focus on improving and expanding connectivity with SAARC nations and increased economic partnership with Southeast Asian countries including Myanmar and Thailand.

He said that the total value of India's trade with all the other SAARC members, put together, is less than a third of its total trade with just China.

**More Information >> Source:** <http://www.newindianexpress.com/nation/2016/nov/18/call-for-improved-maritime-trade-of-east-coast-with-asean-nations-1539735.html>

➤ **No new FTA signed in last 3 yrs: Nirmala**

India has not signed any new Free Trade Agreement (FTA) during the last three years, Parliament was informed today. Commerce and Industry Minister Nirmala Sitharaman, however, said that under the India-ASEAN framework agreement, the pacts on trade in services and investments were signed in November 2014 which became effective July 2015. "India has not signed any new FTA or preferential trade agreement during the last three years," she said in a written reply to the Rajya Sabha. In a Preferential Trade Agreement (PTA), two trading partners cut or eliminate duties on limited number of goods traded between them. It is followed by FTA which covers bulk of goods and also include services and investments. Replying to a separate question, she said there are several factors behind negative growth in exports which include fall in commodity and crude petroleum prices. "Fall in the prices of crude petroleum resulting in decline in unit prices of downstream products (a major exports sector for India) thereby impacting export realisations," she added.

**More Information >> Source:** [http://www.moneycontrol.com/news/economy/no-new-fta-signedlast-3-yrs-nirmala\\_8009561.html?utm\\_source=ref\\_article](http://www.moneycontrol.com/news/economy/no-new-fta-signedlast-3-yrs-nirmala_8009561.html?utm_source=ref_article)

➤ **HSBC: No need to worry about TPP**

There is no need to worry about the Trans-Pacific Partnership (TPP) trade pact which U.S. President-elect Donald Trump said would be scrapped after he takes office, as Vietnamese enterprises can benefit from other free trade agreements.

This is what HSBC Bank pointed out in a report called "Sad about the TPP, Look to the RCEP," which is a reference document for businesses and economists.

“We may now focus too much on the possibility of the death of the TPP to unnecessarily forget that negotiations for other free trade agreements (FTAs) are still going on,” said Pham Hong Hai, chief executive officer of HSBC Vietnam.

A bigger deal that can be mentioned is the Free Trade Area of the Asia Pacific (FTAAP), an initiative nurtured for 20 years by the Asia-Pacific Economic Cooperation (APEC) forum, linking 21 economies around the region including China and the U.S. The FTAAP covers 60% of global GDP and 50% of world trade. The bulk of the FTAAP document is complete and the final chapter is being worked on,” he noted.

Hai added that a smaller scale Asia focused deal is the Regional Comprehensive Economic Partnership (RCEP) which links the world’s three largest consumer markets (China, India, ASEAN), creating a free trade area between 16 Asian economies with around US\$22.4 trillion of GDP and about US\$10 trillion of total trade.

This deal will be particularly advantageous for ASEAN as it will reduce the incongruity across pre-existing FTAs and thereby strengthen the appeal of the region as a production base.

“I believe the new U.S. president has a mandate to boost U.S. growth and jobs and we at HSBC believe that free trade based on strong rules helps to boost prosperity. With or without the TPP, the U.S. is still a very important trade partner of Vietnam and Vietnam businesses need to watch out the movements closely while keeping a going forward spirit to take advantage of all the agreements that are in the pipeline. On the other hand, building a strong domestic market is the key that we need to do in parallel,” Hai said.

More Information >> Source: <http://english.vietnamnet.vn/fms/business/167639/hsbc--no-need-to-worry-about-tpp.html>

**Tender information in ASEAN**

*Prior information Notices*

Location	Title	Deadline
Philippines	Procurement Of 2 Units Motor Vehicle	20-Jan-2017
Philippines	Procurement Of Motorcycles	18-Jan-2017
Singapore	Spares For Helicopter Seahawk	19-Jan-2017
Singapore	Spares For Super Puma Helicopter	25-Jan-2017
Vietnam	Purchase Of Cars 16 Seats For Kien Tuong Thi Committee.	18-Jan-2017
Vietnam	Procurement Of Medical Equipment	17-Jan-2017
Thailand	Construction Of The Power Transmission System For Electricity From Private Power Plant	20-Jan-2017



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<b>Thailand</b>	Purchase Of Motor Cooling Fan Bracket Locomotive Gea. Number 1	23-Jan-2017
<b>Malaysia</b>	Works To Supply Valve Non Return Valve For Cooling System In The Desert Hvdc Transformer Station	26-Jan-2017
<b>Malaysia</b>	Maintenance System Of Mechanical And Electrical Comprehensive At Wisma Mbsa, Banquet Hall Auditorium And The Shah Alam City Council.	19-Jan-2017

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<http://www.tendersinfo.com/> and search for respective countries.

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