

# Territorial NEWSLETTER

## ASEAN + 5

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

Issue: November 2017

### Chairman's Pen



**T S Bhasin**

In this issue of the newsletter on ASEAN+5, we dwell on the issue of delay in finalization of the mega trade deal RCEP and whether the delay in finalizing the agreement is beneficial for business in India or not. The proposed RCEP represent almost half of the world population, 31.6 percent of global output and about 28.5 percent of global trade. Reaching a consensus on the ambitious agreement has been both complex and challenging, given the economic diversity of the participating countries. The participating countries are now tasked with consolidating existing Asean+1 FTAs partnerships and building new economic linkages between the regional bloc's free trade agreement (FTA) partners, which is a mammoth task taking into consideration the different levels of development of the participating countries.

It is believed that some more time will be needed for the countries to arrive at a conclusion as the finalization process involves 16 economies and their level of development. In spite of the challenges, it said that the RCEP has the potential to be an inclusive agreement with a balanced agenda for growth in the area of trade liberalization and protection of both consumer and worker rights.

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 disagreements over tariffs have been the reason behind the delay in finalization of the RCEP negotiations. The process of negotiation has moved forward with 19 rounds of negotiations already taken place, however many 'stumbling blocks remain'.

It is noted that while most of the participating countries have existing FTAs (free trade agreements) with one another, some do not. So more time will be required for non FTA countries to negotiate from scratch, which in turn will have an impact on the time needed to finalize the RCEP negotiations. Some countries prefer a simple manufacturing-oriented trade deal, while other members are pushing for liberalization of the services sector and freedom of movement for skilled workers. Thus the varying demands and interests of the 16 group of countries are complicating the finalization process.

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

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NEWSLETTER – ASEAN

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## 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.

## RCEP NEGOTIATIONS: WILL INDUSTRY BENEFIT?

The demise of the Trans Pacific Partnership (TPP) due to the US pull out has slowed down the speed of negotiations for the RCEP. The original objective was to have the 16-nation Regional Comprehensive Economic Partnership (RCEP) Agreement in place by the end of 2017, so that countries could benefit.

But now the urgency to complete the negotiations is found to be missing. RCEP member countries include the 10 countries of ASEAN, Japan, South Korea, China, Australia, New Zealand and India. The question is whether the delay in finalising the agreement is beneficial for business in India? To answer this question, there is a need to look at the benefits Indian industry has garnered following the various free trade agreements that have already been signed and are in operation.

The important trade agreements that were signed between 2009 and 2011 are the India-ASEAN agreements, the Japan-India Comprehensive Economic Partnership Agreement and South Korea-India Comprehensive Economic Partnership Agreement. These agreements that were the fall out of India's 'Look East' and now 'Act East' policy have not been very fruitful for industry in terms of market access.

The reasons are many. But the specific issues that have stopped Indian companies from accessing these markets include lack of understanding on how the FTAs may be used effectively, inverted duty structures that have made some products uncompetitive, strict standards and regulations in these markets that have to be complied and finally the lack of comfort among Indian companies to move from traditional markets in the West to new markets in the East. Therefore, the RCEP negotiations need to be handled with care if India wants to get into the agreement to gain market access. As long as the objective is only geo-political and not economic then the current interest and participation by industry in these negotiations is enough.

But if industry in India views these negotiations as being critical to remain competitive in the region there is an urgent need for providing some strategic inputs to the negotiators. The three main areas where the manufacturing sector needs to provide inputs will be on tariff preferences to be provided and requested from other trade partners, rules of origin (RoO) that help countries get tariff preferences when their goods access

other member country markets and finally the need for greater transparency and harmonisation in standards and regulations on products across the 16 participating countries.

There will also be a need for better understanding on how the negotiations on rules that cover issues such as anti-dumping and subsidies are negotiated. On tariffs, industry may want to move away from the very limited objective of barring imports to studying how some strategic opening can build competitiveness, as well, for industry in India. The idea should be to ensure that India, without doubt, has to follow a strict standards regime to stop low-cost substandard imports.

It would not be enough to have a strict standards regime alone but also have a strong compliance mechanism that is also applicable to the domestic industry. On issues such as rules of origin, industry needs to work on the whole production cycles and provide inputs to the negotiators to bring home useful RoO criteria for industry sectors with export interests.

One area where India is focused its attention for the present in the RCEP is on obtaining a fairly healthy offer from other countries in the area of services. But given the aversion of other member countries to movement of professionals the negotiations are not moving fast enough for India.

India is making it evident to other member countries that a lack of progress in services could hamper progress in the area of goods as well. India is seeking to balance the gains and losses between the goods and services negotiations. Industry can help the Government by providing some important inputs for the services negotiations. It is important for industry to realize that 50 per cent of any manufactured goods consist of the services element and, therefore, a strong services outcome is very important for India's economic growth.

RCEP negotiations have the required ingredients for delivering a very strong benefit for industry in India. But there is an urgent need for industry to provide some substantial inputs across the board rather than tinker with some incremental inputs in select sectors.

## Trade Analysis & Statistics

### Trade Analysis & Statistics

India's total engineering exports to ASEAN+5 country wise during April-November of 2017 stood at US\$ 10.5 billion. Some major highlights of the cumulative engineering exports from India to ASEAN+5 during April-November 2017 are given below:

- ❖ During April-November 2017, India's engineering exports to ASEAN+5 stood at US \$ 10477.80 million which is 21.4% 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 28.2%.
- ❖ China topped the list 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 also recorded huge positive growth of more than 100% in imports from India during April-November 2017 compared to April-November 2016 among the fifteen countries.

- ❖ Among the CLMV countries barring Laos, all the other three countries recorded positive growth in imports of more than 25% from India during the said period among the group of four countries.

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

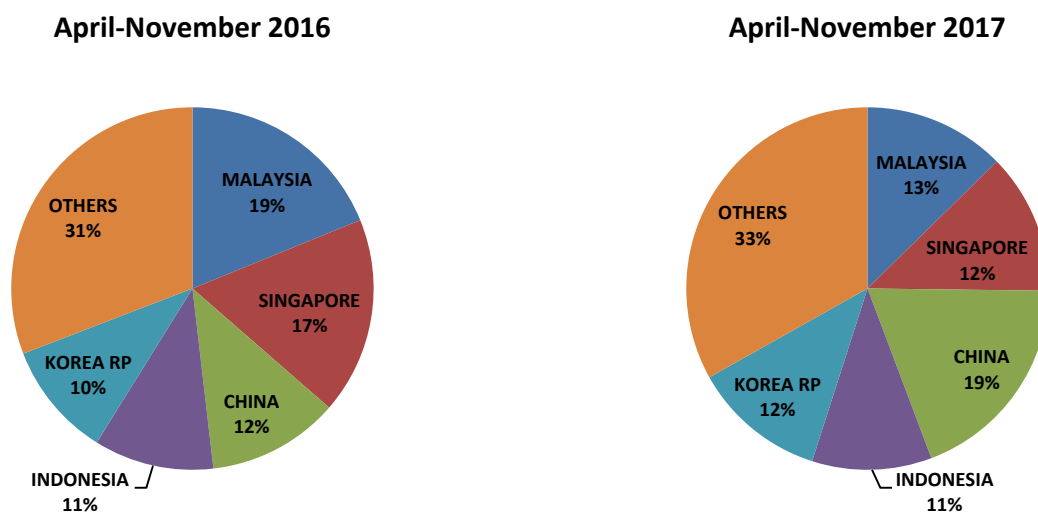
Values in US\$ million

COUNTRY	APRIL-NOVEMBER 2016	APRIL- NOVEMBER 2017	Growth (%)
CHINA	960.44	1998.93	108.1
MALAYSIA	1538.76	1325.40	-13.9
SINGAPORE	1435.60	1314.47	-8.4
KOREA RP	841.70	1248.91	48.4
INDONESIA	874.17	1117.89	27.9

Source: DGCI&S, Government of India

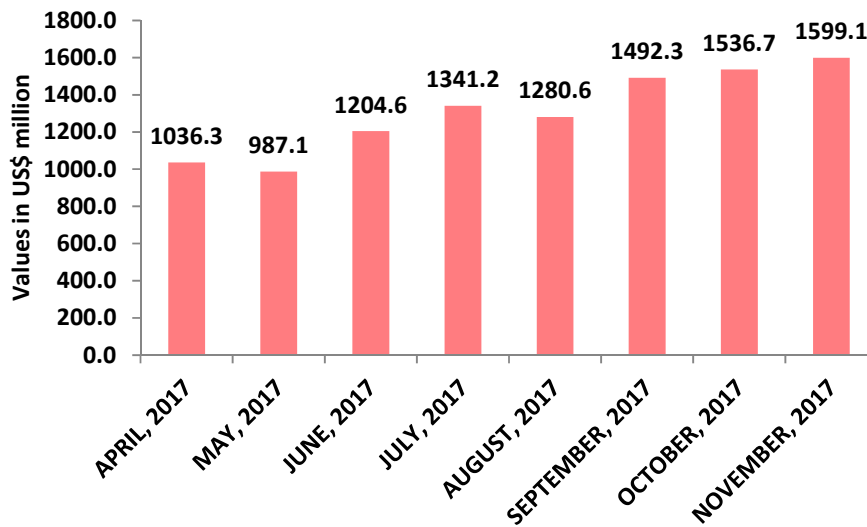
A comparison of top 5 nations which had the highest demand for Indian engineering products during April-November 2016 and its subsequent change in April-November 2017 is shown in the pie chart below:

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



Source: DGCI&S, Government of India

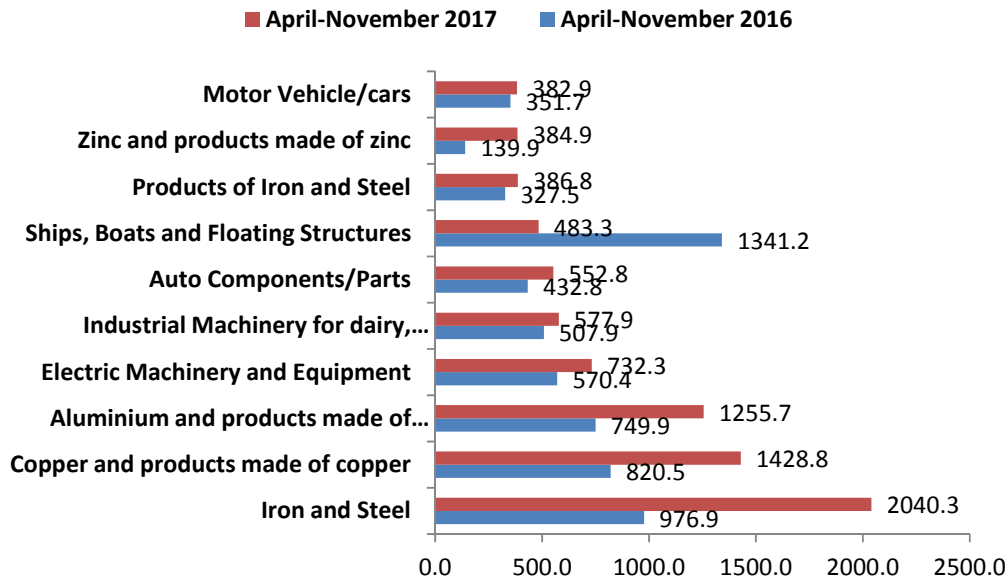
Fig 2: Trend in Total Engineering Export in ASEAN +5 during April-November2017 (Month wise)



Source: DGCI&S, Government of India

Top 10 engineering panels exported to ASEAN+5 during April-November2017 viz-a-viz April- November2016 are provided in bar diagram.

Fig 2: Top 10 engineering panels exported to ASEAN+5 in April- November2017 viz-a-viz April- November2016



Source: DGCI&S, Government of India

## News in Focus

### ❖ Dispur to set Act East in motion

The Assam government will bring out its own action plan in sync with the Centre's Act East Policy on Friday. The action plan will be released by chief minister Sarbananda Sonowal at Maniram Dewan Trade Centre here. An official of the department of Act East Policy affairs, which was set up recently, said the state government under Sonowal's leadership, has been working tirelessly towards fulfilling the vision of Prime minister Narendra Modi which envisages the Northeast as the centre of its active and multifaceted engagement with Southeast Asia.

The official said Sonowal has already given a clarion call to develop Assam as the country's economic expressway to Asean and the state is no longer just the gateway to the Northeast but it is the gateway to Southeast Asia under the policy.

Though the action plan has not been made public, one of its planks will be the proposal to Asean to set up consulate offices in Guwahati and other towns like Jorhat or Dibrugarh. The Assam government will impress upon the external affairs ministry to work in association with the Indian embassies in Asean countries for promoting tourism in northeastern states.

Read more: [https://www.telegraphindia.com/1171002/jsp/northeast/story\\_175737.jsp](https://www.telegraphindia.com/1171002/jsp/northeast/story_175737.jsp)

### ❖ PM vows to foster ASEAN-India strategic ties

As a close friend of India and the current co-ordinator ASEAN-India ties, Việt Nam will spare no effort to foster strategic partnership between the two sides, Prime Minister Nguyễn Xuân Phúc said yesterday.

He made the statement during a reception held in Hà Nội yesterday for Sunil Lanba, Chairman of the Chiefs of Staff Committee and Chief of the Naval Staff of India.

Praising the outcomes of talks between senior officers of the two armies, Phúc said he firmly believes that on the back of efforts and strong consensus between the two countries' leaders and people, ties between Việt Nam and India will further progress in diverse areas.

Read more: <http://www.recyclingtoday.com/article/steelmint-vietnam-thailand-india-ferrous-scrap-steel-recycling/>

### ❖ Swaraj, Singaporean foreign minister vow to boost defence, trade ties

External affairs minister Sushma Swaraj and her Singaporean counterpart Vivian Balakrishnan on Tuesday held extensive talks to boost bilateral cooperation in key sectors such as defence, security and trade.

In the talks held under the framework of Joint Ministerial Committee, both sides discussed a wide range of issues of shared interests and mutual concern, the Ministry of External Affairs (MEA) said in a statement. It said cooperation in political, defence and security fields, trade and investment, tourism and connectivity were among other major issues discussed during the talks.

The MEA said the two sides also reviewed the commemoration of the celebration of the 50th anniversary of ASEAN and 25 years of India-ASEAN dialogue partnership.

“They also exchanged views on issues of mutual interest at regional and multilateral levels, including cooperation at UN and international organisations,” it said.

Read more: <https://www.hindustantimes.com/india-news/swaraj-singaporean-foreign-minister-vow-to-boost-defence-trade-ties/story-QLmtiyNoyMfgwEl6STXwGO.html>

#### ❖ **Viet Nam, India hold strategic talks**

Deputy Foreign Minister Nguyễn Quốc Dũng and his Indian counterpart Preeti Saran co-chaired the ninth political consultation and sixth strategic dialogue at the deputy foreign ministerial level between Viet Nam and India in Hà Nội yesterday.

The two sides showed their appreciation at the growing traditional friendship between the two countries over the past years, especially since the two sides set up their comprehensive strategic partnership in September 2016, and over the course of many high-level visits.

They lauded the efforts of agencies and localities from both countries in organising diverse activities to mark the Vietnam-India Friendship Year 2017, the 45th anniversary of diplomatic ties and the 10-year bilateral strategic partnership.

Both sides agreed to foster collaboration to prepare for upcoming visits of senior leaders, and promote bilateral cooperation mechanisms, including the Joint Committee and Joint Sub-Committee on Trade.

Read more at: <http://vietnamnews.vn/politics-laws/416212/viet-nam-india-hold-strategic-talks.html#PSRIRSLRWxRgHfMf.97>

#### ❖ **Asean Needs to Improve Trade, Security Cooperation With India: Jokowi**

The Association of Southeast Asian Nations and India need to strengthen cooperation in regional security and maritime affairs, President Joko "Jokowi" Widodo said during the 15th Asean-India Summit in Manila, Philippines on Tuesday (14/11).

"Asean and India must strengthen cooperation in regional security and maritime affairs, also through the EAS [East Asia Summit] and IORA [Indian Ocean Rim Association]," Jokowi said, as quoted in a statement issued by the Cabinet Secretariat.

Jokowi also called on Asean member states and India to wrap up negotiations on the Maritime Transport Agreement.

The populations of Asean and India together make up around 2 billion, with a gross domestic product of \$4.5 billion.

Acknowledging huge economic potential, Jokowi observed that trade and investment between Asean and India are "still far from optimal."

In 2016, trade between Asean and India was valued at \$56.4 billion, 3.8 percent less than in 2015. However, in the same period foreign direct investment from India to Asean increased by 9.4 percent to \$1.05 billion.

Read more: <http://jakartaglobe.id/news/asean-needs-improve-trade-security-cooperation-india-jokowi/>

### ❖ ASEAN, India celebrate 25 years cooperation

A ceremony was co-organised in Jakarta, Indonesia, on November in celebration of 25-year ties between ASEAN and India by Vietnamese and Indian delegations to ASEAN.

Vietnam is the member state coordinating ASEAN's relations with India for 2015 - 2018.

Speaking at the event, head of the Vietnamese delegation Ambassador Nguyen Hoanh Nam thanked India's support for ASEAN development process, particularly the building of the ASEAN Community and implementation of joint commitments.

The diplomat said he believes the upcoming summit celebrating the 25-year dialogue partnership between the sides slated for January next year in New Delhi, India will put forth key decisions for the ties to thrive further toward effectiveness.

Indian Ambassador to ASEAN Suresh K. Reddy stressed ASEAN is an important partner of his country, adding that the partnership has experienced both difficulties and success in more than two decades of cooperation.

Read more: <https://en.vietnamplus.vn/asean-india-celebrate-25-years-cooperation/120516.vnp>

### ❖ India strengthens ties with Myanmar amid falling trade

Bilateral trade between Northeast India and Myanmar can be raised significantly to the benefit of businesses at both sides of the border, India Consul General Mr. Nandan Singh Bhaisorra said during a Mandalay meeting to strengthen economic ties between the two countries.

The meeting included businessmen from India as well as Mandalay region, Chin state and Sagaing Region. It was held ahead of the launch of the India-Myanmar Chamber of Commerce, which took place in Yangon on November 1.

While India is an important ally and facilitator for Myanmar in its dealings with the West, Myanmar is also significant for India when communicating with ASEAN, he said.

The move comes amid dwindling border trade between the two countries. During the 2016-17 fiscal year, border trade between India and Myanmar totaled \$76.4 million. For the first six months of the current 2017-18 fiscal year, trade amounted to \$32.7 million compared to \$48.2 million during the same period last year.

Read more: <https://www.mmtimes.com/news/india-strengthens-ties-myanmar-amid-falling-trade.html>

### ❖ RCEP summit: India under pressure to cut tariffs further

Prime Minister Narendra Modi is likely to participate in the Regional Comprehensive Economic Partnership (RCEP) Summit in Manila later in November where the country will face more pressure to improve its commitments for eliminating tariffs in goods and agree to an early conclusion of the mega trade deal.

"While officials at the recent negotiating round of RCEP in South Korea failed to agree on a joint statement that the heads-of-state from the RCEP countries would adopt in Manila, efforts would be made by members, including the ASEAN, to finalise crucial numbers and dates at the Summit meeting," a government official told BusinessLine.



## Mega trade deal

The RCEP is a mega trade and investment pact being negotiated by the 10-member ASEAN, India, China, South Korea, Japan, Australia and New Zealand, which could result in the largest free-trade bloc in the world accounting for almost half of the world's population, about 30 per cent of global GDP and over a quarter of world exports.

Read more: <https://www.thehindubusinessline.com/economy/rcep-summit-india-under-pressure-to-cut-tariffs-further/article9937276.ece>

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