

# Territorial NEWSLETTER

## ASEAN + 5

**EEPCINDIA**  
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



In this issue of newsletter we highlight on India's participation in the mega trade deal RCEP and the delay in the conclusion of the RCEP negotiations. India has been somewhat hesitant in joining the RCEP, unwilling to cut tariffs and open its market wider in the face of strong opposition from its farm sector and domestic industries like steel and textiles.

India is especially guarded as the pact includes China, its key trading partner as well as competitor. Opening up its market to China has been India's main concern about joining RCEP.

India has achieved some success regarding some of its other concerns, such as getting the other RCEP countries to liberalize their services markets and allow for a more free movement of service sector professionals. While RCEP may appear to be a multilateral deal, negotiations between China and India lie at its heart. Other countries have now accepted that fact, allowing India to also negotiate separately with China, as well as Australia and New Zealand, under a "bilateral pairing mechanism." For Beijing, this is an opportunity to demonstrate not just its continuing commitment to free trade but also its willingness to make trade fairer than it's been in the past. If the 2019 deadline is to mean anything, then both India and China will have to think very hard about where their national interests really lie

The pact is seen as vital to securing the region's continued prosperity, especially after a trade war broke out between its vital trading partners US and China.

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



In order to conclude the already-delayed RCEP (Regional Comprehensive Economic Partnership) agreement, ASEAN countries have proposed to tone down the extent to which India will have to open up its economy to be part of the free trade area.

“The ASEAN countries are keen to have India as part of the partnership and have made India a concessional offer of opening up only about 83 per cent of its market, as compared to the original 92 per cent that the RCEP agreement stipulated.

India has also raised concerns about opening up its market to China. China is India’s largest trading partner and also the country with which it runs a massive trade deficit of \$63 billion. China has also restricted India’s imports through opaque regulatory practices.

India’s concerns about further opening its market to China and skewing the trade deficit between them further, the RCEP allows for bilateral agreements also to be made so India can perhaps open up to China gradually and not in one go.

As India runs a significant trade deficit with China, it is planning to press for a better deal with the latter as a part of the negotiations that are currently going on for Regional Comprehensive Economic Partnership (RCEP) agreement. Moreover, India is also seeking more time to eliminate duties on Chinese goods as part of the deal. Thus the delay in finalization of concluding the RCEP agreement is obvious.

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.

## RCEP delayed to 2019

The completion of the Regional Comprehensive Economic Partnership (RCEP) has been delayed once again to 2019. Nevertheless, leaders at the recently concluded ASEAN Summit noted that negotiations have advanced to the final stage.

The RCEP encompasses 25 percent global gross domestic product (GDP), 45 percent of the total population, 30 percent of global income and 30 percent global trade. Led by the Association of Southeast Asian Nations (ASEAN), it is one of the most useful strategic opportunities for the 16 countries – ASEAN-10, India, China, Japan, South Korea, Australia and New Zealand – to realize an integrated regional economic agreement.

The potential that the RCEP has is immense. If completed, it stands to be the largest trade and investment agreement since the General Agreements on Tariffs and Trade (GATT) Uruguay Round in 1994 which established the World Trade Organization (WTO). Ultimately, such a robust trade regime could lead to the grander aspiration of a Free Trade Area of the Asia-Pacific (FTAAP).

One of the main factors hindering the RCEP's early conclusion is India's unwillingness to compromise on tariff lines. Lower tariffs could open up the country especially to China, who would flood the formers markets and likely derail India's Make In India initiative.

Make In India is a national manufacturing agenda created to transform India into a global design and manufacturing hub to boost the economy and create jobs.

Already, India is finding it difficult to boost the Make In India effort due to its competition from Chinese manufacturing. China enjoys a manufacturing surplus and is known to dump its products across the world, including in India. India's trade deficit with China in the 2017-18 fiscal year was US\$63 billion – accounting for half of India's trade deficit.

The RCEP's current form risks puts India in a more vulnerable situation.

# PROGRESS OF THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)



## What has been agreed upon so far?

- Economic and Technical Cooperation
- Small and Medium Enterprises
- Customs Procedures and Trade Facilitation
- Government Procurement
- Institutional Provisions
- Standards, Technical Regulations and Conformity Assessment Procedures
- Sanitary and Phytosanitary Measures

## Issues hindering RCEP completion

- The largest RCEP members do not have FTAs with each other
- Reluctance to compromise between participating economies
- Prevailing bilateral issues between RCEP members
- Fears of trade deal imbalance

Pushback has also surfaced from Malaysia. Under its new administration, the country intends to re-evaluate all trade deals negotiated by the previous government and RCEP has since entered its crosshairs.

Malaysian Prime Minister, Dr Mahathir Mohamad had said on the side-lines of the ASEAN Summit that his government will not sign any lopsided trade deal. This was in response to a report by the Malaysian National News Agency (BERNAMA) - citing an unnamed source – that if Malaysia feels that it isn't getting a fair deal, it cannot possibly sign the trade deal by its latest 2019 deadline.

The trade deals were said to have a “severe impact to peoples and the society” and its negotiations which were shrouded in secrecy impeded meaningful participation from relevant stakeholders, only favouring large corporations and businesses.

Nevertheless, compared to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the RCEP is relatively modest, prescribing lower and more limited regulatory standards. As most of the 16 participating economies are developing nations, this represents an opportunity that's too valuable to be passed up.

However, what must be kept in mind is the people's welfare and interests. In hammering out such mammoth trade deals, it is far too often the case that large corporations and more advanced countries get the larger slice of the pie – most times at the expense of the interests of smaller nations.

## Trade Analysis & Statistics

### Trade Analysis & Statistics

India's total engineering exports to ASEAN+5 country wise during April-November of 2018-19 stood at US\$ 9.80 billion. Some major highlights of the cumulative engineering exports from India to ASEAN+5 during April-November 2018-19 are given below:

- ❖ During April-November 2018-19, India's engineering exports to ASEAN+5 stood at US \$ 9802.29 million which is 18.8% of the total global engineering exports of India during the same period.
- ❖ India's cumulative engineering exports to ASEAN+5 during April-November 2018-19 has dropped for the second time, by 6.3% in comparison to the previous period.
- ❖ Like the previous month, Singapore topped the list once again for Indian cumulative engineering exports during April-November 2018-19 and Malaysia for monthly exports for November 2018. Major items of export to Malaysia in November 2018 were Aluminium and aluminium products, Iron & Steel Industrial Machinery and Aircraft, Spacecraft and parts.
- ❖ Cambodia, like before recorded the highest growth of 327.3% in April-November 2018-19 compared to April-November 2017-18 among the fifteen countries.
- ❖ Lao ranked second in growth, recording a growth of 155.9% in April-November 2018-19 compared to April-November 2017-18 among the fifteen countries.

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

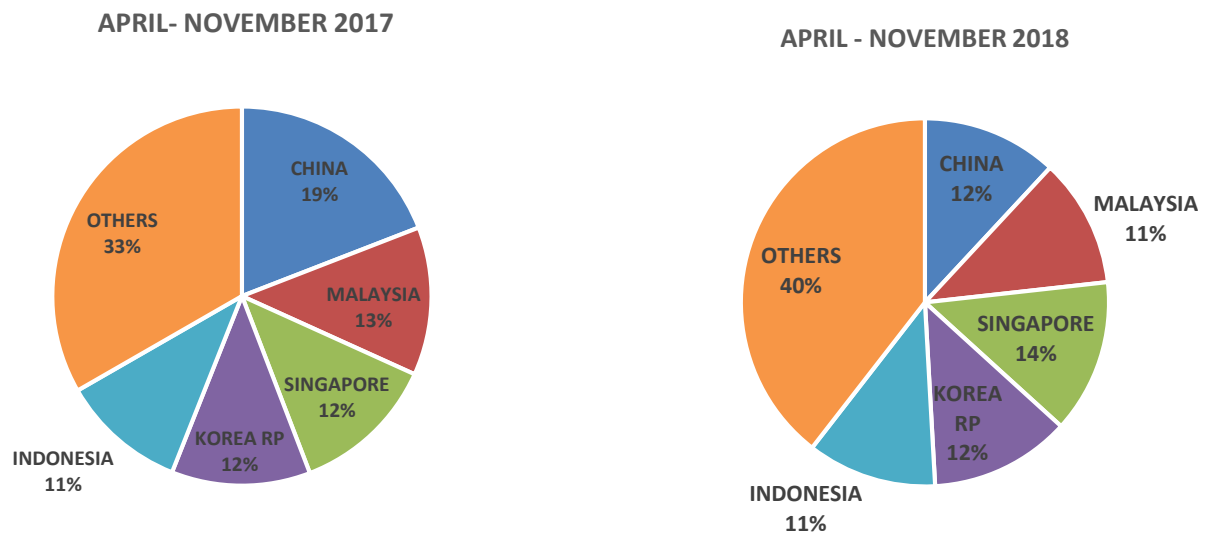
Values in US\$ million

COUNTRY	April-November 2017-18	April-November 2018-19	Growth (%)
SINGAPORE	1297.62	1324.13	2.04
KOREA RP	1239.81	1212.55	-2.20
CHINA	2000.00	1168.13	-41.59
INDONESIA	1118.22	1117.06	-0.10
MALAYSIA	1324.17	1109.63	-16.20

Source: DGCI&S, Government of India

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

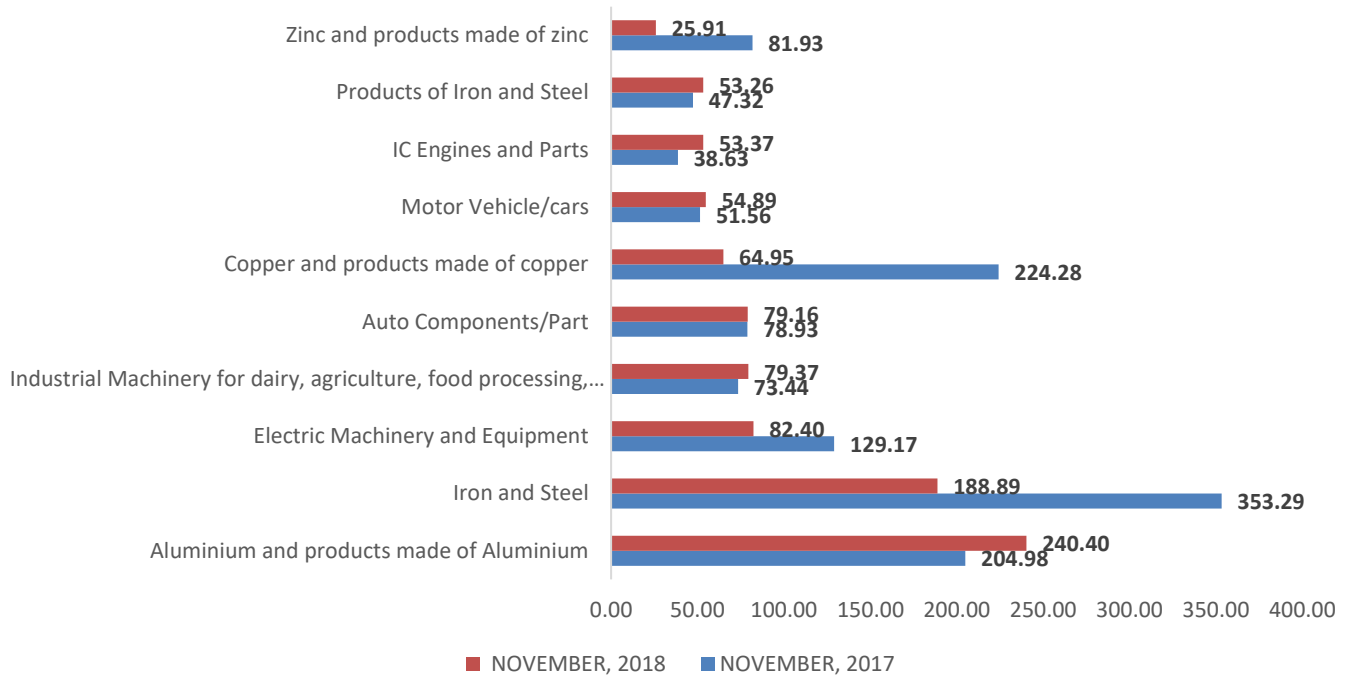
**Fig 3: Change in Engineering Export among the top 5 ASEAN+5 countries (April-November 2018 viz-a-viz April-November 2017)**



Source: DGCI&S, Government of India

Top 10 engineering panels exported to ASEAN+5 during November2018 viz-a-viz November2017 are provided in bar diagram.

**Fig 4: Top 10 engineering panels exported to ASEAN+5 in November2018 viz-a-viz November2017**



Source: DGCI&S, Government of India

## News in Focus

### ❖ President Kovind addresses Vietnam India business forum

President Ram Nath Kovind has said, Goods and Services Tax, GST has made India, a country of 1.3 billion people, into One Nation, One Tax, and One Market for the first time in its history.

Read more: <http://www.newsonair.com/Main-News-Details.aspx?id=355565>

### ❖ Vietnam, India aim for US\$15 billion bilateral trade volume by 2020

Entitled "Building stronger ties for economic integration", the forum witnessed the participation of Indian President Ram Nath Kovind, Vietnamese Deputy Prime Minister Trinh Dinh Dung, and hundreds of Indian and Vietnamese enterprises.

The event held four sectorial sessions, including "Agri, Agro-processing, agro chemicals, food and food processing and food products", "Healthcare and Pharmaceuticals", "Power, Energy, Renewable Energy, Oil & Gas, Infrastructure" and "Service – Information Technology, Communications, Education, Aviation and Tourism".

Read more: [https://en.nhandan.org.vn/business/item/6858902-vietnam-india-aim-for-us\\$15-billion-bilateral-trade-volume-by-2020.html](https://en.nhandan.org.vn/business/item/6858902-vietnam-india-aim-for-us$15-billion-bilateral-trade-volume-by-2020.html)

#### ❖ **Australia promises to step up trade with India**

Australia on Thursday said it would ratchet up its trade and investment with India and start a consulate general in Calcutta by early next year to take care of its growing business with India's east-based mining industry.

Australian Prime Minister Scott Morrison on Thursday announced that his government would "raise Australian investment in India ten-fold" to \$100 billion.

Sharing the stage with President Ram Nath Kovind at the India Business Summit organised by the Australian Financial Review here, Morrison indicated that his country would focus on four sectors in its trade and investment ties with India — resources, education, agri-business and tourism.

Read more at: <https://www.telegraphindia.com/business/australia-promises-to-step-up-investment-in-india-ten-fold-to-100bn-open-consulate-general-in-calcutta/cid/1676260>

#### ❖ **India's investors invited to explore opportunities in Malaysia**

Malaysia is inviting investors from India to further explore its vast business and investment opportunities as it is in the midst of moving into the ranks of a developed nation.

Deputy International Trade and Industry Minister Ong Kian Ming said in terms of investments, Malaysia's economy continued to evolve and capitalise on opportunities arising from global trade patterns and higher market integration.

"In 2017, Malaysia recorded approved investments amounted to US\$45.8 billion (RM197.1 billion) in overall economic sectors, including services, manufacturing and primary sectors.

Read more at: <https://www.malaymail.com/news/money/2018/11/27/indias-investors-invited-to-explore-opportunities-in-malaysia/1697530>

#### ❖ **Trilateral highway with Myanmar, Thailand to be ready in about 2 years**

Anurag Bhushan, Joint Secretary (ASEAN-ML), Ministry of External Affairs, on Thursday said the Centre is looking to complete the work on the India-Myanmar-Thailand Trilateral Highway in the next couple of years. He added that the government is looking at the possibility of extending it to other countries also.

The 1,360 km long trilateral highway will connect Moreh, India with Mae Sot, Thailand via Myanmar and is expected to boost trade and commerce in the ASEAN-India Free Trade Area.



Read more at: <https://www.thehindubusinessline.com/economy/logistics/trilateral-highway-with-myanmar-thailand-to-be-ready-in-about-2-years/article25624095.ece>

## TBT Notifications

- ✓ **Japan is proposing partial amendments of the regulations for wireless devices operating in close proximity to the human body.**

This has reference to TBT notification no. G/TBT/N/JPN/617 dated 3rd January 2019, issued by the Ministry of Internal Affairs and Communications. The products mentioned in the notification falls under the HS Codes- 852550 and 852560.

**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=False&HasSpanishRecord=False&CatalogueIdList=250678,250661,250662,240089,250713,250653,250654,250657,250684,250712&CurrentCatalogueIdIndex=7&Full](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&HasEnglishRecord=True&HasFrenchRecord=False&HasSpanishRecord=False&CatalogueIdList=250678,250661,250662,240089,250713,250653,250654,250657,250684,250712&CurrentCatalogueIdIndex=7&Full)

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