

Territorial NEWSLETTER

ASEAN + 5

EPCINDIA
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 the recently concluded “24th Auckland Round on Regional Comprehensive Economic Partnership (RCEP) negotiations” where most of the RCEP members, including Japan, South Korea, Australia and New Zealand tried to get the words “substantial conclusion” included in the joint declaration of the summit.

“The words ‘substantial conclusion’ have a legal connotation. If countries agree to it, then there is no way of getting out of it, and the decision then has to be announced to the media and placed before Parliament for clearance. India refused to take on this commitment at the summit, and insisted that the words ‘substantial progress’ be used instead.

The China factor primarily is making India tread cautiously. It is not possible for India to give the same level of concessions to a country like China — which has been flooding the market with cheap goods — that it may give to the ASEAN. This has been made clear to all RCEP members, and India and China are trying to reach an agreement on market access through bilateral talks.

Before committing to RCEP, India would also want to be satisfied in the area of services, where offers have not yet matched the ambitions demonstrated in the area of goods.

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

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NEWSLETTER – ASEAN

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In the Auckland Round on Regional Comprehensive Economic Partnership (RCEP) negotiations India was initially alone in opposing the pact by the year-end. But eventually some members, including Vietnam, the Philippines and Malaysia joined in, and said that things were not ripe enough. So we are hopeful that in the upcoming Singapore Summit, Prime Minister Modi will now not be under pressure to commit to agree to a package agreement by the year-end.

Indian negotiators still believe that until and unless the demands with regard to trade in services, investment and also concerns related to SMEs is addressed, the RCEP would be facing an invisible deadlock. Opening up services sector would help the Indian economy and partly offset the effect that would be felt from the cheap products from relatively cheaper production and export centres. However, there is still a silver lining that RCEP would be concluded in 2019.

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.

24TH RCEP AUCKLAND ROUND: CHANGING GLOBAL ENVIRONMENT INTENSIFIES TRADE NEGOTIATIONS

The recently concluded 24th Auckland Round on Regional Comprehensive Economic Partnership (RCEP) negotiations witnessed a remarkable change among member countries commitment towards concluding talks on the regional free trade agreement.

This was emphasized by leading trade negotiators from New Zealand and India who participated in the negotiations in Auckland which was held from October 18-27, 2018.

Current global uncertainties driving the change

The officials from both countries were absolutely clear that changing global trade environment was one of the catalysts towards increasing convergence in multi-countries trade negotiations.

Mr Mark Trainor , New Zealand’s leading trade negotiator on RCEP, asserted that trade negotiations have intensified markedly on account of global trade challenges.

India’s lead RCEP-trade negotiator Sudhanshu Pandey, Additional Secretary, Ministry of Commerce and Industry, who was leading the team of Indian negotiators, was more forthright. He said, “Globally when suddenly unilateralism and protectionism is rising, it’s very important to show inclusiveness, and plurilateral approach towards each other to ensure that local economies, regional global chain prosper, and greater regional economic integration happens.” “We need to make sure that all countries benefit from this process.”

Auckland Round on RCEP negotiation

The Auckland round was held three months after the last Ministerial-level meeting of member countries held in August in Singapore, and had huge expectations, given a long time is taken in concluding a final agreement.

The RCEP countries, according to New Zealand government statistics, in March 2018, accounted for almost 32 per cent of world GDP, at US\$27 trillion, and 28 per cent of global trade, while covering more than 3.5 billion people.

Trade Analysis & Statistics

Trade Analysis & Statistics

India’s total engineering exports to ASEAN+5 country wise during April-October of 2018-19 stood at US\$ 8.61 billion. Some major highlights of the cumulative engineering exports from India to ASEAN+5 during April- October 2018-19 are given below:

- ❖ During April-October2018-19, India’s engineering exports to ASEAN+5 stood at US \$ 8612.25 million which is 18.5% of the total global engineering exports of India during the same period.
- ❖ India’s cumulative engineering exports to ASEAN+5 during April-October2018-19 have dropped by 2.9% in comparison to the previous period.
- ❖ Singapore topped the list once again for Indian cumulative engineering exports during April-October2018-19 and Malaysia for monthly exports for October2018. Major items of export to Malaysia in October 2018 were Aluminium and aluminium products, Iron & Steel and Electric machinery & equipments.
- ❖ Cambodia recorded the highest growth of 369.3% in April-October2018-19 compared to April-October2017-18 among the fifteen countries.
- ❖ Lao ranked second in growth, recording a growth of 160.2% in April-October2018-19 compared to April-October2017-18 among the fifteen countries.

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

Values in US\$ million

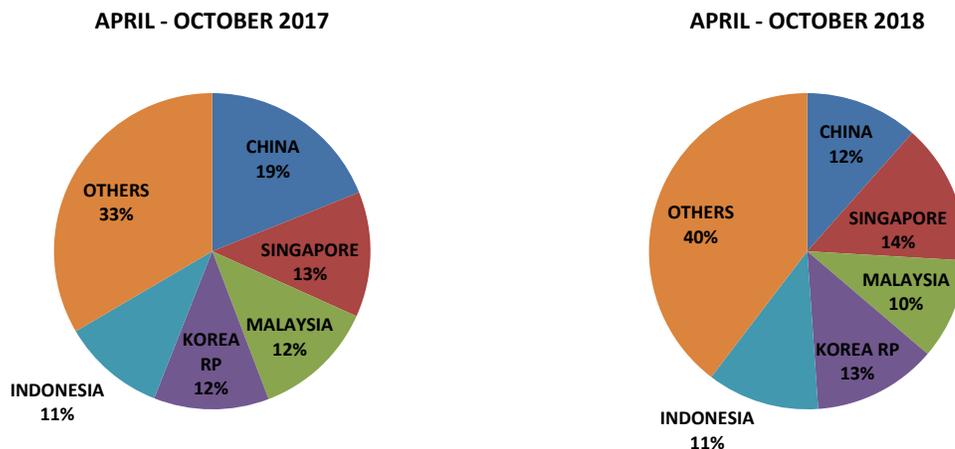
| COUNTRY | April-October 2017-18 | April-October 2018-19 | Growth (%) |
|---------|--------------------------|--------------------------|------------|
|---------|--------------------------|--------------------------|------------|

| | | | |
|-----------|---------|---------|--------|
| SINGAPORE | 1135.12 | 1239.09 | 9.16 |
| KOREA RP | 1044.50 | 1089.58 | 4.32 |
| CHINA | 1678.19 | 993.82 | -40.78 |
| INDONESIA | 937.10 | 988.86 | 5.52 |
| THAILAND | 689.17 | 957.77 | 38.97 |

Source: DGCI&S, Government of India

A comparison of top 5 nations which had the highest demand for Indian engineering products in April-October2017 and its subsequent change in April-October2018 is shown in the pie chart below:

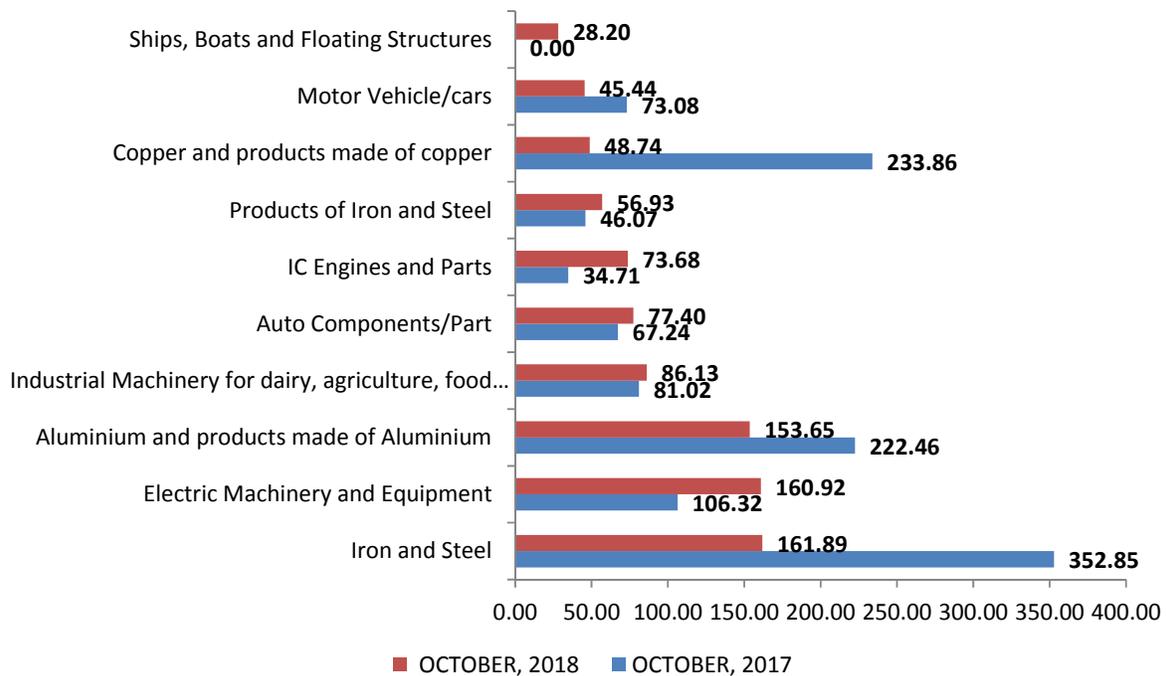
Fig 3: Change in Engineering Export among the top 5 ASEAN+5 countries (April-October2018 viz-a-viz April-October2017)



Source: DGCI&S, Government of India

Top 10 engineering panels exported to ASEAN+5 during October2018 viz-a-viz October2017 are provided in bar diagram.

Fig 4: Top 10 engineering panels exported to ASEAN+5 in October2018 viz-a-viz October2017



Source: DGCI&S, Government of India

News in Focus

❖ India-Australia CECA talks under ‘slow period’ now

Negotiations between India and Australia on the Comprehensive Economic Cooperation Agreement (CECA) are in a “slow period” currently and it is quite understandable as both the countries are heading into general elections, said Australian High Commissioner Harinder Sidhu in New Delhi on Wednesday.

While releasing the report titled ‘An India Economic Strategy to 2035’, Sidhu said: “We are going through that process right now, the CECA, and it is never a steady pace. These things move quickly for a while and then they slow down and then they move again. We are just in a slow period at the moment. It is quite understandable, India is going into an election and Australia is going into election. We expect some slowing down in these kinds of arrangements.”

Read more: <https://indianexpress.com/article/business/economy/india-australia-ceca-talks-under-slow-period-now-5298343/>

❖ India and Japan reaffirm relations

The leaders of Japan and India are reaffirming their ties amid growing worries about trade and regional stability. Indian Prime Minister Narendra Modi, who arrived on Saturday, met with Japanese Prime Minister Shinzo Abe at a resort area near Mount Fuji yesterday. Modi is also visiting a nearby plant of major Japanese robot maker Fanuc.

Relations with China are a major issue shared by Modi and Abe, as their cooperation may balance China's growing regional influence and military assertiveness.

"The India-Japan partnership has been fundamentally transformed and it has been strengthened as a 'special strategic and global partnership'," Modi told Kyodo News.

Read more: <https://www.thestar.com.my/news/regional/2018/10/29/india-and-japan-reaffirm-relations-leaders-meet-amid-trade-and-security-worries/>

❖ Lack of FTA reciprocity, non-tariff barriers have hit India's refined copper exports: Study

Lack of reciprocity in India's existing free trade agreements (FTA), inverted duty structure, hidden subsidies in Asean economies like cheap electricity provision and non-tariff barriers in developed countries have hit India's exports of refined copper, a study has said.

"FTAs are meant to increase bilateral trade. However, India's FTAs with Asean and Japan have only resulted in increasing our imports with either stable or declining exports leading to the rising trade deficit," the Indian Institute of Foreign Trade said in a study 'Impact of FTAs on Indian copper industry'.

Read more at: <https://economictimes.indiatimes.com/news/economy/foreign-trade/lack-of-fta-reciprocity-non-tariff-barriers-have-hit-indias-refined-copper-exports-study/articleshow/66345532.cms>

TBT Notifications

- ✓ **Singapore has issued legislative amendments and draft legislative amendments concerning motorized personalized mobility devices (PMDs).**

This has reference to TBT notification no. G/TBT/N/SGP/46 dated 18th September 2018, issued by the Land Transport Authority (LTA). The products mentioned in this notification falls under the HS Code 871160.

For more details, please follow the links:

https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=248160,248146,248161,248108,248101,248102,248100,248103,248105,248106&CurrentCatalogueIdIndex=2&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=False&HasSpanishRecord=False

- ✓ **Indonesia has issued addendum to the earlier issued draft decree on mandatory implementation of Indonesian National Standard for bicycle.**

This has reference to TBT notification no G/TBT/N/IDN/36/Add.2 dated 3rd December 2018, issued by the Directorate General of Transportation Equipment and Telematics Industries, Ministry of Industry. The products mentioned in this notification falls under the HS Code 8712.

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=250135&CurrentCatalogueIdIndex=0&FullTextHash=371857150

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