

Territorial NEWSLETTER

ASEAN + 5

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

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Chairman's Pen



T S Bhasin

In this issue of the newsletter on ASEAN+5, we highlight the recent 19th round of RCEP negotiations concluded in Hyderabad with considerable uncertainty over the prospects of the deal. India is being widely made out to be the 'spoiler' as it is still unwilling to provide as much tariff concessions as the rest of the RCEP wants. But India might have to eventually concede much greater cuts as pressure builds up to conclude talks. The RCEP which has acquired significant symbolic value given its identity as an ASEAN+ economic architecture. The RCEP is envisaged as the 'mother' of all ASEAN+1 FTAs as it draws into its fold ASEAN and all the six countries that are its FTA partners.

Pulling off such a humongous architecture that would clearly be the largest FTA in the world as of now. It is agreed by all that a good RCEP agreement has immense potential to deliver on new economic opportunities including job creation that are much needed in today's world of uncertainty. However since RCEP covers not just goods but also services and investments, any uncritical endorsement of such a comprehensive free trade regime can prove to be disastrous as unbridled globalization can play havoc on the domestic economy. Thus the relative strengths and weaknesses of all the nations involved in the regional partnership need to be assessed in order to assess the relative gains and losses for India.

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

India has become rather secretive about its negotiating stance in the Regional Comprehensive Economic Partnership (RCEP) — a trade bloc of 16 countries (Asean plus Japan, China, South Korea, India, Australia and New Zealand) which accounts for over 40 per cent of the world's population and output. It is observed that it might not be possible to finalize the RCEP by year end as scheduled, although other nations involved are pushing hard to complete the negotiations.

The RCEP which is viewed as an alternative to the Trans-Pacific Partnership were first launched in 2012 and are scheduled to be finalized by year end. It is hoped and opined by

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India that RCEP would offer a forward looking alternative in the face of growing protectionism in the world. It is expected that RCEP would create significant opportunities for India to integrate with the advanced economies in Asia and the Pacific and enable the latter to participate further in the global value chains. It is believed that RCEP can help reduce the overlaps among Asian FTAs, rationalise rules of origin, and promote FDI flows and technology transfers by multinational corporations.

However so far negotiations on only two chapters namely small and medium enterprises, and economic and technical cooperation have been completed out of the twenty two chapters of the proposed trade agreement. So it is hoped that the agreement would be completed by the first half of 2018 if the talks are not concluded by year end.

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

Veil of secrecy

The 19th round of regional negotiations on trade was concluded in Hyderabad in August. The Regional Comprehensive Economic Partnership (RCEP) comprises of the 10-ASEAN countries and the six nations with which ASEAN bloc has bilateral Free Trade Agreements (FTAs). These countries include Australia, New Zealand, China, Japan, South Korea and India. is expected to augment free trade.

The protagonists of RCEP trade arrangement argue that such partnership will expand the frontiers of external market for India beyond United States and European Union. With the growing protectionist and neo-protectionist trends across the American coast, such an exploration of new trade arrangements is sought to be presented as an immediate imperative for India.

There are both positive and negative outcomes of any such free trade agreements for domestic economy. Any commitment to further tariff reductions can result in flood of foreign goods into the Indian market seriously undermining the domestic production.

However, the domestic economy can also benefit from increased market access. The devil lies in the detail. The fine print needs to be perused. The relative strengths and weaknesses of the players in the regional partnership need to be assessed. Thus, the relative gains and losses for India can be arrived at.

The RCEP will be an umbrella agreement that covers trade in goods, services and investments. Thus, any uncritical endorsement of such a comprehensive free trade regime can prove to be disastrous as unbridled globalisation can play havoc on the domestic economy.

The agreement includes aspects like standards, intellectual property, economic and technical co-operation besides disputes settlement.

India is already feeling the heat of unequal competition from cheaper Chinese goods. Any further reduction in tariff as part of RCEP can further intensify this trend. However, India hopes to benefit from liberalised trade in services as it feels more competent in this emerging sector.

There are always two contending schools of thought on the virtues of free trade. Free trade creates competition in the domestic economy thereby enhancing the capabilities of domestic production which has been hitherto marred by excessive protectionism.

The contrarian view is that increased market access to foreign players will ruin the domestic producers leading to deindustrialisation. The veracity of these two competing and contradicting views are actually sector-specific, depending on the levels of capacity and capability in the domestic economy.

Globalisation and liberalisation have come to stay. There is no charity in trade. India should learn to compete and negotiate. Free trade cannot be one-way street.

India should give some and take some. Any informed debate over the impact of RCEP on Indian economy is possible only when the particulars of the negotiations are kept in public domain.

The government that represents the people of India in such multilateral talks is duty-bound to lift the veil of secrecy surrounding such negotiations so critical for India's economy and its people.

RCEP talks: India stands firm on market access in govt contracts, rejects binding commitments

Backed by the 10-member ASEAN group, India managed to restrict the scope of talks on government procurement to exchange of information and transparency amongst members and exclude commitments on market access at the recent round of Regional Comprehensive Economic Partnership (RCEP) negotiations in Hyderabad.

In the area of goods, pressure remained high on India to go beyond its present offer of eliminating tariffs on 80 per cent items. "With the ASEAN strongly backing India, the negotiating team managed to ensure that market access commitments are not part of the government procurement agreement being negotiated.

While New Zealand, South Korea and Japan were trying to push for negotiations on market access commitments in government procurement, China did not take any stand.

Local preference

Although India allows foreign players to participate in government procurement bids, roughly valued at \$300 billion annually, it is free to make its own rules and give preferences to local players. It will lose the freedom once it gives binding commitments in market access to other countries, which New Delhi is not ready for.

"India gives preferences in government procurement to a number of categories within the country such as the small-scale sector and women entrepreneurs. However if it gives market access commitments to other RCEP members, it may stand to lose the freedom to give preferences to domestic interest groups. India has not given market access commitments in government procurement to any of its free trade agreement partners including ASEAN, Japan and South Korea precisely because it wanted to protect its policy making space. Neither is the country a signatory of the government procurement agreement of the WTO.

India had agreed to include a chapter on government procurement in the RCEP due to pressure from some members; however it does not mean that it has to agree to open up government procurement.

But, agreeing on transparency and exchange of information could lead to problems in the future if countries insist on discussions on new rules in the area of government procurement with other members prior to its finalisation.

“The Indian negotiators are fully aware of the negative fall-outs of agreeing to discuss new rules before they are implemented. The country thus will have to see to that such a provision does not get incorporated into the agreement.

The support of ASEAN in keeping out market access commitments from the government procurement pact is proving to be very useful to India. “In fact, at the negotiations in Hyderabad, it appeared that the ASEAN was more averse to any commitments on market access than India. Thus it suited India fine.

The RCEP, once implemented, could be one of the largest free trade bloc in the world with a GDP of over \$22 trillion (about 40 per cent of world trade) and a population of 3 billion (45 per cent of world population).

Trade Analysis & Statistics

Trade Analysis & Statistics

India’s total engineering exports to ASEAN+5 country wise during April-September of 2017 stood at US\$ 7.3 billion. Some major highlights of the cumulative engineering exports from India to ASEAN+5 during April-September 2017 are given below:

- ❖ During April-September 2017, India’s engineering exports to ASEAN+5 stood at US \$ 7342.9 million which is 20.3% 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 24.2%.
- ❖ 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 in imports from India during April-September 2017 compared to April-September 2016 among the fifteen countries.
- ❖ Vietnam, Myanmar and Thailand recorded positive growth in imports of more than 50% from India during the said period among the fifteen countries.

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

Values in US\$ million

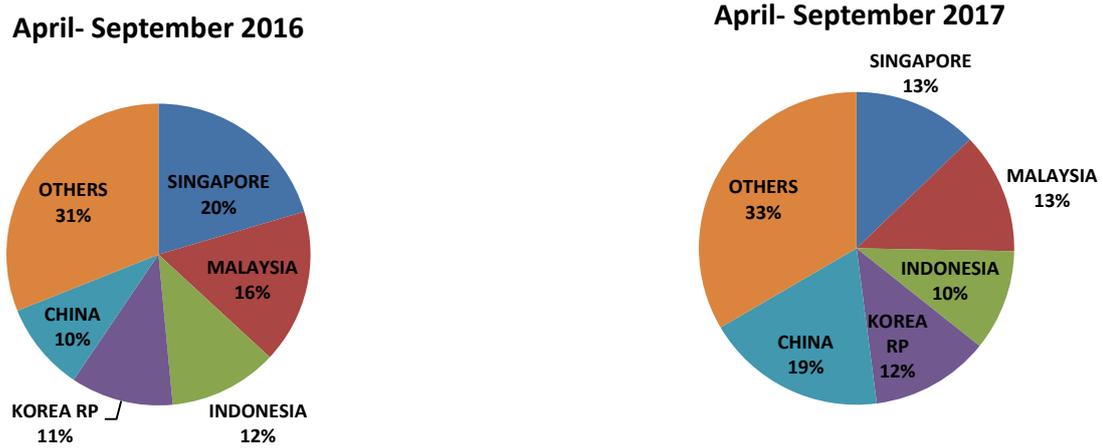
COUNTRY	APRIL-SEPTEMBER 2016	APRIL- SEPTEMBER 2017	Growth (%)
CHINA	562.8	1367.4	143.0
SINGAPORE	1206.5	936.7	-22.4
MALAYSIA	976.4	919.5	-5.8
KOREA RP	644.9	896.7	39.0

INDONESIA	684.8	767.3	12.0
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Source: DGCI&S, Government of India

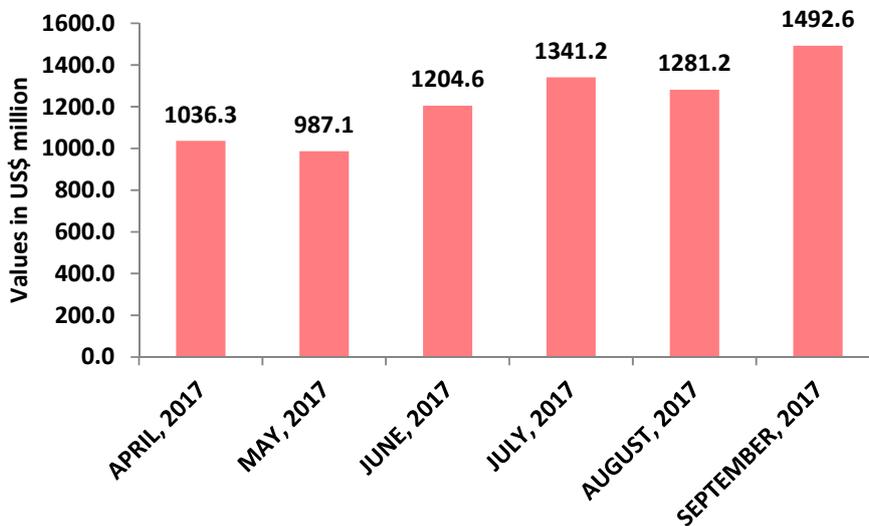
A comparison of top 5 nations which had the highest demand for Indian engineering products during April-September 2016 and its subsequent change in April-September 2017 is shown in the pie chart below:

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



Source: DGCI&S, Government of India

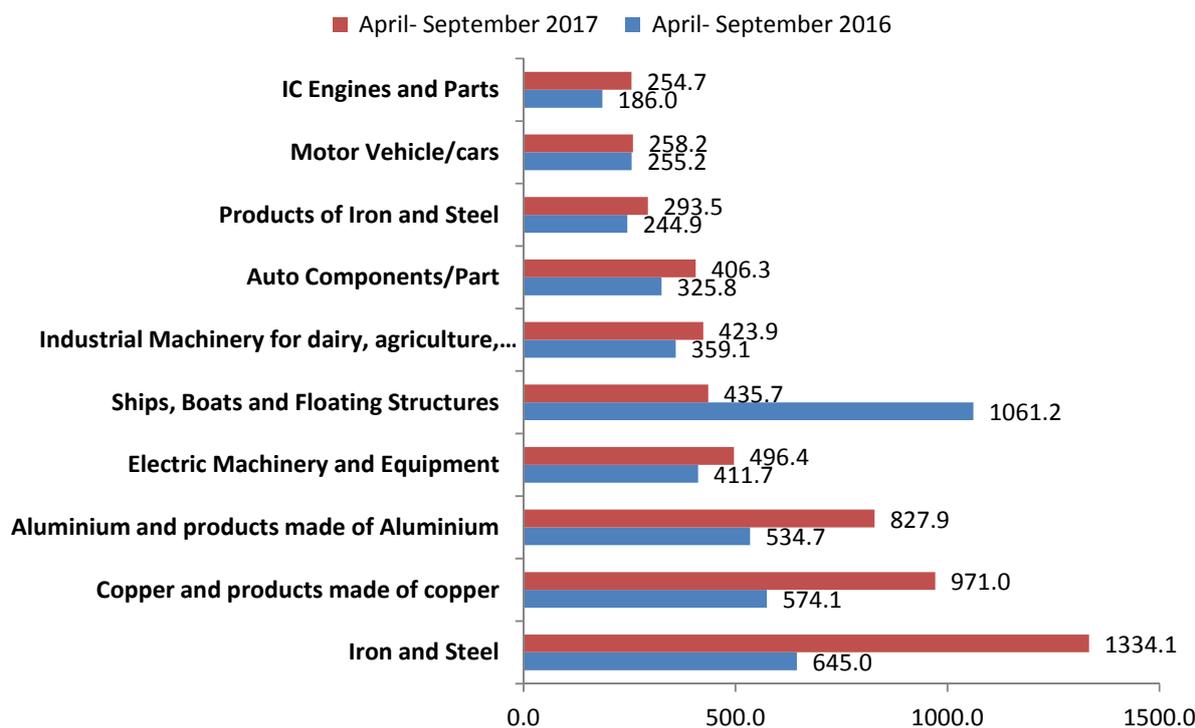
Fig 2: Trend in Total Engineering Export in ASEAN +5 during April-September 2017 (Month wise)



Source: DGCI&S, Government of India

Top 10 engineering panels exported to ASEAN+5 during April-September 2017 viz-a-viz April- September 2016 are provided in bar diagram.

Fig 2: Top 10 engineering panels exported to ASEAN+5 in April- September 2017 viz-a-viz April- September 2016



Source: DGCI&S, Government of India

News in Focus

❖ RCEP meeting in September likely to discuss India's proposal on services pact

Under pressure to substantially increase its tariff offer under the proposed Regional Comprehensive Economic Partnership (RCEP) trade negotiations, India has made a counter-proposal to make the bilateral services agreement between Australia and New Zealand free trade agreement (FTA) the basis of the services agreement under RCEP.

The proposal made during the Hyderabad round of negotiations last month is likely to be taken up for discussion in next month's RCEP ministerial in the Philippines, according to a commerce ministry official, who spoke under condition of anonymity.

RCEP is a grouping of 10 members from the Asean grouping, India, China, Japan, South Korea, Australia and New Zealand, which has been negotiating a trade deal since May 2013. Asean stands for the Association of South East Asian Nations.

Read more: <http://www.livemint.com/Politics/8X13ma2MORxLgImfDrc6N/RCEP-meeting-in-September-likely-to-discuss-Indias-proposal.html>

❖ **India, RCEP and the WIPO Internet Treaties: Time For a Rethink**

The recently concluded negotiations of the Regional Comprehensive Economic Partnership (RCEP) in Hyderabad has drawn considerable flak from civil society on the opaque nature of the negotiations, as well as on substantive issues.

The RCEP is a proposed mega-regional Free Trade Agreement (FTA) between the ten member states of the Association of Southeast Asian Nations (ASEAN) and six other countries with which ASEAN has free trade agreements. Termed as a viable alternative to the Trans-Pacific Partnership Agreement (TPP), the RCEP is decisive for India to execute its Act East Policy, a strategic initiative to boost its hegemony in Southeast Asia.

The leaked Intellectual Property (IP) chapter of the RCEP indicates a looming threat for India's hard-won public health safeguards as enshrined in its patent law. As rightly indicated by healthcare activists, inclusion of these provisions in the treaty text should be vehemently opposed by India. However, not every aspect of the leaked IP chapter is perhaps against India's interest.

A particular case-in-point is that of acceding to the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty (collectively known as the WIPO Internet Treaties) as a precursor for signing the RCEP. The WIPO Internet Treaties lay down an international framework for protecting unauthorized access to and use of creative works on the internet and other digital networks. They were adopted by the member states of the World Intellectual Property Organization (WIPO) in 1996 to meet the challenges due to advances in information technology, particularly the internet.

Read more: <https://thedi diplomat.com/2017/08/india-rcep-and-the-wipo-internet-treaties-time-for-a-rethink/>

❖ **This Republic Day, not one guest but 10 – Asean leaders**

India has collectively invited all leaders of the Association of Southeast Asian Nations (ASEAN), the group of ten countries in that region, to be the chief guests at its 2018 Republic Day celebrations. All ten countries have, "in principle", accepted they will send their heads of state or government to the event.

This is the first time that more than one head of state or government will be part of the Republic Day celebrations. In whatever manner protocol etiquette plays out, the fact that ten leaders from South-East Asia will stand shoulder-to-shoulder with President Ram Nath Kovind and Prime Minister Narendra Modi behind a bullet-proof enclosure on January 26, is enough to make heads turn.

The unusual step is being taken to commemorate not only the 70th year of India's independence, but also the 50th anniversary of the creation of ASEAN earlier this month. India and ASEAN will also celebrate 25 years of its partnership, when its Look East policy was launched by Prime Minister P V Narasimha Rao in 1992. With so many anniversaries under its belt, images of the ASEAN Ten — Singapore, Malaysia, Brunei, Myanmar, Thailand, Indonesia, Laos, Cambodia, Vietnam and the Philippines — taking the salute together on Republic Day will be enough to make this a significant moment in Delhi's diplomatic calendar.

Read more: <http://indianexpress.com/article/india/this-republic-day-not-one-guest-but-10-asean-leaders-4798688/>

❖ Laos, India further enhance trade, investment, tourism cooperation

This was the message highlighted when Minister to the Prime Minister's Office, Alounkeo Kittikhoun, met with a delegation from the Asean-India Business Council (AIBC) in Vientiane last week, according to the Ministry of Foreign Affairs.

The delegation was led by the Chief Minister of Manipur, India, Shri N Biren Singh.

During the meeting, Singh revealed the outcome of the AIBC meeting to commemorate the 25th Anniversary of Asean-India Dialogue Relations, held in Vientiane on August 7.

The meeting gave Asean and Indian businesses the opportunity to exchange views and promote trade, investment and tourism.

Read more: <http://www.nationmultimedia.com/detail/aec/30323733>

❖ India under pressure to ease protection of industry, agriculture at RCEP talks

India will be under a lot of pressure to raise its offer on eliminating tariffs on goods at the trade ministers' meeting of Regional Comprehensive Economic Partnership (RCEP) countries in the Philippines next month, after senior officials of the 16-member grouping failed to reach a compromise on the issue at the last round in Hyderabad.

"In Hyderabad, all members put unrelenting pressure on India to increase its commitment in goods. With Singapore, which already has zero tariffs on almost all items, heading the negotiating group on goods, members were just not ready to hear about India's sensitivities. "A team from the PMO took stock of the situation prior to the Hyderabad meet, but more difficult decisions need to be taken before the trade ministers' meeting," a government official told BusinessLine.

What makes the situation more tense for India is the fact that the RCEP, which includes the 10-member Asean, China, India, South Korea, Japan, Australia and New Zealand, is serious about concluding the pact sometime in 2018 and, therefore, wants offers to be concluded this year.

"It is clear that the time of dilly-dallying is over. A final decision on how much market opening India can cope with has to be taken and effectively communicated. It is now mostly a political call," the official said.

Read more: <https://www.thehindubusinessline.com/economy/india-under-pressure-to-ease-protection-of-industry-agriculture-at-rcep-talks/article9816441.ece>

❖ India makes pitch for improved business and transport links with ASEAN

India and Southeast Asia must step up efforts to boost bilateral trade and investment and improve road and sea transport links, Minister for State for Commerce and Industry Nirmala Sitharaman told the ten-nation ASEAN bloc here.

Addressing the four-day ASEAN-India Expo and Forum 2017, that concludes today, the Minister called for eliminating regulatory barriers to trade and investment "to achieve efficient and seamless movement of goods and services among the partner countries". "In spite of the progress made, we have a long way to go to realize the full potential of our trade and investment engagements.

I would reiterate India's request to proceed with the review process of ASEAN-India Trade in Goods agreement, which would facilitate, elimination of technical barriers to trade," she told government ministers

from Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic (PDR), Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. ASEAN accounts for 10.85 pc of India's total global trade and this has increased from US\$39.09 billion in 2007-08 to US\$71.69 billion in 2016-17.

Read more: <http://www.centralchronicle.com/india-makes-pitch-for-improved-business-and-transport-links-with-asean.html>

❖ **Report: Maritime connectivity crucial to India-Asean trade**

A robust maritime connectivity between India and Asean members is crucial for the realisation of the full potential of India-Asean trade, according to a Parliamentary Standing Committee on Commerce report titled 'Trade with Association of south-east Asian Nations (Asean)'. The report mentions that connectivity through the land route is of immense importance since it engages north-eastern India with the Asean members. The North-East can serve as a gateway to the Asean countries through Myanmar and further to Thailand, Laos, Cambodia and Vietnam. Maritime connectivity is the key to facilitate production networks and creation of global and regional value chains, says the report, which was presented in Rajya Sabha recently.

Read more: <http://www.financialexpress.com/economy/report-maritime-connectivity-crucial-to-india-asean-trade/833913/>

❖ **With the RCEP, Australia Has a Chance to Lead**

The now-defunct Trans-Pacific Partnership (TPP) was a chance for Australia to ensure that it became entrenched within the regional alliance framework in the Asia-Pacific and continue to economically integrate with its regional counterparts. It's therefore Canberra's geopolitical imperative to ensure it plays a leading part in the discussions involving the structure and peculiarities of the ASEAN-led Regional Comprehensive Economic Partnership (RCEP) – cementing itself as a bastion for the deal's governance, environmental standards and intellectual property measures that have plagued the RCEP to date. Australia must use its experience and influence in these areas to ensure it's a valued partner in the discussions, establishing itself as a credible and leading power in the Asia-Pacific in the wake of the United States' growing absence.

The RCEP is a proposal for a regional free trade area, initially involving the ten ASEAN member states and the countries that have existing Free Trade Agreements (FTA) with ASEAN – Australia, China, India, Japan, South Korea and New Zealand. The RCEP has the potential to deliver a comprehensive and high-quality mutually beneficial economic agreement that allows member nations to partner on a wide range of issues, including, but not limited to; trade and investment in goods and services, economic and heuristic cooperation, intellectual property and competition measures, and dispute and resolution mechanisms.

Read more: <https://thediplomat.com/2017/08/with-the-rcep-australia-has-a-chance-to-lead/>

❖ **Talks on India-Australia FTA continuing: Australian Minister**

Discussions on a free trade agreement between India and Australia, which had featured during talks between Prime Minister Narendra Modi and his visiting Australian counterpart Malcolm Turnbull in April this year, are on and a deal would be a win-win for both sides, Australia's Trade Minister said on Wednesday.

Speaking at a media round table here, Trade, Tourism and Investment Minister Steven Ciobo, referring to the bilateral Comprehensive Economic Cooperation Agreement (CECA), said: "Negotiations continue."

Ciobo, who met Commerce Minister Nirmala Sitharaman earlier in the day, said "Part of today's conversation was in trying to deliver upon the aspiration that our two leaders had with respect to an FTA between Australia and India."

Read more: http://www.business-standard.com/article/news-ians/talks-on-india-australia-fta-continuing-australian-minister-117083001238_1.html

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