

Territorial NEWSLETTER ASEAN

EEPCINDIA
ENGINEERING THE FUTURE

Vaniya Bhavan (1st Floor)
International Trade Facilitation
Centre (ITFC)
1/1 Wood Street,
Kolkata - 700016
www.eepcindia.org



Volume V: January 2016

Chairman's Pen



In this issue of the Territorial Newsletter we brief on the launch of the three mega-regional negotiations, namely Trans-Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP) and Regional Comprehensive Economic Partnership (RCEP) which are under way. India is a negotiating partner country in RCEP. The scale of these mega trade deals can potentially change the face of world trade and thus could result in a redefinition of the rules of international trade by 2020.

India is going through a crucial phase of RCEP negotiations. It needs to tread cautiously as apparently offers made by member countries of RCEP, even if it is generous, can prove to be meaningless if it doesn't lead to India's access in important sectors of a particular member country. The Newsletter also discusses the barriers and way forward for India in the light of ongoing negotiations.

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

T S Bhasin

Message from Chairman, Committee on Trade with ASEAN countries



In this edition of the 'Newsletter on ASEAN', we focus on the ongoing mega regional trade deals and India's stand especially in context of RCEP. It is opined that these mega trade agreements, once concluded and implemented, will set the stage for a new generation of global trade and investment rules.

Since India has not sought for membership in of the two mega trade deals, namely (TPP) and TTIP, it is very important for India to negotiate a successful agreement with RCEP members to counter the former two ambitious agreements. Each accounts for a major share in global GDP and trade.

This newsletter will give the readers a brief idea of the upcoming mega trade negotiations and help them to understand the dynamics of future global trade.

PK Shah

Territorial
NEWSLETTER – ASEAN

EEPCINDIA
ENGINEERING THE FUTURE
www.eepcindia.org



ASEAN Basic Facts

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.

Mega Trade Agreements

The Trans-Pacific Partnership Agreement (TPP), is a trade agreement between 12 countries including Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam. The TPP agreement has been concluded but is not yet ratified for implementation by the participating countries. As per 2014 statistics of the WTO, the TPP countries account for 22.5 per cent of global trade in goods and commercial services.

The Transatlantic Trade and Investment Partnership (TTIP) is under negotiations between the member countries, including European Union and the US.

The Regional Comprehensive Economic Partnership (RCEP) is a proposed free trade agreement (FTAs) between the 10 member states of ASEAN and the six states with which ASEAN has existing FTAs namely Australia, China, India, Japan, South Korea and New Zealand. The negotiations for RCEP which once concluded could result in the largest trading bloc in the world with a combined GDP of \$21 trillion

A cardinal principle for WTO negotiations is consensus. However the slow progress at the WTO has been accompanied by the growth of the above mentioned mega-regional trade agreements.

These mega-negotiations include topics that are not regulated by the World Trade Organization and that are important for international production networks. The agenda is becoming increasingly sophisticated, with a view to harmonizing the operating rules of various production networks to facilitate the operations of multinationals in North America, Europe and Asia.

The ongoing mega-regional negotiations will have considerable impact on the geographical distribution and governance of world trade and investment flows over the next few years. Till date, redefinition of the rules of international trade has taken place on the periphery of the WTO, and without tackling some of the pending issues on the trade agenda that are the most interesting to developing countries.

These trade negotiations could result in the non-member countries facing restricted access to knowledge and innovation opportunities provided by new technologies, if the positions of the lobbies observed so far in the main economies prevail.

Mega-regionalism initiatives pose the challenge of improving the international economic standing of the non-member countries. This, however, could help creation of subregional value chains and delay progress towards harmonised trade and investment practices under the WTO industrial policy practices.

Origin and goal of RCEP

The RCEP was first proposed at the November 2011 ASEAN leaders summit in Bali, Indonesia. While the partnership would expand ASEAN's role in coordinating regional trade, the RCEP's key purpose is to reconcile two long-standing proposals into a large region-wide trade agreement: the East Asia Free Trade Agreement, which includes ASEAN, the People's Republic of China (PRC), Japan, and the Republic of Korea; and the Comprehensive Economic Partnership for East Asia, which has added Australia, India, and New Zealand. The RCEP bridges the two proposals by adopting an open accession scheme. Negotiations among the 16 parties began in early 2013 and were scheduled to be concluded by the end of 2015. Negotiations, however, are still on.

The goal is to achieve a modern and comprehensive trade agreement, and the agenda covers trade in goods, services, investment, economic and technical cooperation, and dispute settlement. Compatibility with WTO trade rules on goods and services is also a principle for RCEP negotiations.

Why RCEP is Vital for the Indian business?

Mega regional trade deals are in vogue in an otherwise fragile global economy. In an environment of falling aggregate demand, these trade deals are seen as a means to insulate economies from market uncertainties.

From India's point of view, the RCEP presents a decisive platform which could influence its strategic and economic status in the Asia-Pacific region and bring to fruition its "Act East Policy." It is expected to be an ambitious agreement bringing the five biggest economies of the region – Australia, China, India, Japan and South Korea – into a regional trading arrangement.

It would be the world's largest trading bloc covering a broad spectrum of issues such as trade in goods, services, investment, competition, intellectual property rights, and other areas of economic and technical cooperation. Together, the RCEP group of countries accounts for a third of the world's gross domestic product, and 27.4 per cent and 23.0 per cent of the world's goods and services trade, respectively.

It is interesting to note that, compared with the TPP and TTIP groups of countries, India's trade share with the RCEP group of countries as a percentage of its total trade has increased over the past decade and half, underlining the importance of its trade with key countries in this group.

For India, the RCEP offers ample opportunity. There are three immediate benefits that its trade policymakers should note. First, the RCEP agreement would complement India's existing free trade agreements with the Association of South East Asian Nations and some of its member countries, as it

would deal with Japan and South Korea. It can address challenges emanating from implementation concerns vis-à-vis overlapping agreements, which is creating a “noodle bowl” situation obstructing effective utilization of these FTAs.

In this respect, the RCEP would help India streamline the rules and regulations of doing trade, which will reduce trade costs. It will also help achieve its goal of greater economic integration with countries East and South East of India through better access to a vast regional market ranging from Japan to Australia. The RCEP can be a stepping stone to India’s “Act East Policy.”

This is particularly important because India is not a party to two important regional economic blocs: the Asia-Pacific Economic Cooperation and the Trans-Pacific Partnership. The RCEP would enable India to strengthen its trade ties with Australia, China, Japan and South Korea, and should reduce the potential negative impacts of TPP and TTIP on the Indian economy.

Second, the RCEP will facilitate India’s integration into sophisticated “regional production networks” that make Asia the world’s factory. The RCEP is expected to harmonize trade-related rules, investment and competition regimes of India with those of other countries of the group. Through domestic policy reforms on these areas, this harmonization of rules and regulations would help Indian companies plug into regional and global value chains and would unlock the true potential of the Indian economy. There would be a boost to inward and outward foreign direct investment, particularly export-oriented FDI.

Third, India enjoys a comparative advantage in areas such as information and communication technology, IT-enabled services, professional services, healthcare, and education services. In addition to facilitating foreign direct investment, the RCEP will create opportunities for Indian companies to access new markets. This is because the structure of manufacturing in many of these countries is becoming more and more sophisticated, resulting in a “servicification” of manufacturing. India is well placed to contribute to other countries in RCEP through its expertise in services, not only consolidating the position of the region as the world’s factory but also developing it as the world’s hub for services.

It is vital for India to ensure that the RCEP is truly comprehensive and does not just focus on market access for goods. Keeping these benefits in mind, India will need second-generation reforms of its domestic economic policies, including those that reform its factor markets, to make its trade more competitive. These reforms will help India better access other markets, and will mitigate some of the repercussions for the Indian economy arising from the other two mega regional agreements.

Barriers to success and way forward

There are several barriers to realizing these benefits. First, the RCEP risks achieving only limited trade and investment liberalization if parties with different levels of development and interests negotiate exclusions to protect sensitive sectors. Furthermore, murky non-tariff protectionism (e.g., public procurement schemes, export subsidies, and incentives for “green protectionism”) may increase as countries attempt to shield domestic firms from foreign competition. Second, the RCEP will need to improve its coverage of new trade issues such as competition policy, and environment and labor standards. These problems are increasingly being addressed by the most comprehensive trade

agreements internationally. Third, there is a risk that firms, particularly small and medium-sized enterprises (SMEs), may under-use the RCEP due to a limited understanding of its legal provisions. Lastly, many countries will find it difficult to pay for physical infrastructure and improve trade facilitation so that goods and services can be transported smoothly across RCEP member countries. RCEP negotiations should focus on a template with the best features of existing Asian FTAs (including existing ASEAN+1 FTAs), set a clear timetable for concluding negotiations, and involve the private sector in the negotiations. Afterward, significant outreach and business services will be needed for SMEs to lower the cost of using the RCEP. Implementation of domestic structural reforms can help lock-in the benefits of liberalization through RCEP. Expanding the Asian Bond Market Initiative and supporting public-private partnerships for infrastructure projects are also useful to increase regional infrastructure financing

RCEP and TPP: Next stage in Asian regionalism

According to a report by the Asian Development Bank (2008), “Asia’s economies are increasingly vital to each other and to the world. Asia’s output today roughly equals that of Europe or North America, and may well be 50% larger than theirs by 2020, in terms of purchasing power parity.” Moreover, with both the US and Europe continuing to post low GDP growth of 1% to 2.5% annually, the center of the recovery has shifted to Asia. These factors became apparent during the November 2012 ASEAN summit, when the world witnessed emergence of two different approaches to trade liberalization. One is the ASEAN-led Regional Comprehensive Economic Partnership (RCEP) and the other is the US-led TPP and TTIP.

RCEP is based on an open accession clause and welcomes participation of any ASEAN FTA partner that chooses to participate later. TPP, on the other hand, is being pushed as a “WTO-plus approach”. RCEP will be built on ASEAN’s experience and is expected to bring together all five of the ASEAN+1 FTAs into an integrated regional economic framework. It would be guided by the “ASEAN way” where objectives and commitments would be driven by a consensus decision process. RCEP is likely to be more accommodative to the development differences of the member countries, thus providing flexibility and adjusting mechanisms in reaching the common end-goals. In addition to liberalizing trade in goods, services, and investment, it will pay more attention to physical, institutional and people-to-people connectivity, narrow development gaps and be built to respond to new developments, such as the emerging international production networks.

On the other hand, in addition to the trade component in goods, services and investment, the TPP is said to have a more demanding set of commitments—intellectual property rights, labor standards, competition policy, investment rules, the environment, and the role of state-owned enterprises. These issues might not have any immediate direct trade-related aspects but are marketed to meet the challenges of the 21st century.

Trade Trend Analysis in RCEP

India’s total engineering exports to RCEP for 2015-16 (April-December) was 8954.3 USD million constituting a share of 19.8 % approx the global engineering exports of India.

The top 5 RCEP nations which had the highest demand for Indian engineering products during December

2015 in absolute values include:

Table1: Top Five RCEP destinations for Indian Engineering Exports

Countries	Eng. Exports in December 2014 (USD Million)	Eng. Exports in December 2015 (USD Million)	Growth (%)
CHINA P RP	400.05	203.83	-49.05
SINGAPORE	202.94	93.23	-54.06
MALAYSIA	133.07	93.79	-29.52
KOREA RP	95.21	145.04	52.33
JAPAN	57.65	68.66	19.10

Source: DGCI&S, Government of India

Top 10 engineering panels exported to ASEAN in October 2015 include

Table2: Top Ten Engineering Panels exported to RCEP

Panels	India's Exports in October 2014 (USD Million)	India's Exports in October 2015 (USD Million)	Growth (%)
Copper and products	226.22	145.41	-35.72
Aluminium and products	48.0	104.06	116.80
Iron and Steel	123.94	96.53	-22.11
Auto Components/Part	55.41	66.68	20.35
Industrial Machinery	75.64	65.61	-13.27
Electric Machinery	52.74	58.85	11.58
Motor Vehicle/cars	60.59	50.54	-16.59
Products of Iron	50.87	41.19	-19.02
Zinc and products	51.45	36.16	-29.71
Aircrafts Spacecrafts	236.54	35.87	-84.84

Source: DGCI&S, Government of India

EEPC India is organising its trademark exhibition Indian Engineering Exhibition or INDEE in Cambodia at Phnom Penh, Diamond Island (Koh Pich) Convention & Exhibition from 18th-20th February, 2016. The event will be organized under the Market Development Assistance (MDA) grant under the Focus ASEAN+2 programme of the Government of India. More than 80 Indian companies will be showcasing their products in this exhibition. They will exhibit products mainly from agricultural equipment including tractors and tillers, textile machinery, construction machinery, household appliances, automobiles and parts, electrical machinery and apparatus, renewable energy equipment and technology, food processing machinery, pharmaceutical machinery, medical devices, hand tools, machine tools, engine and turbine, pumps, casting and forgings, motorcycles and parts, steel pipes and tubes and fasteners.

This INDEE is expected to create a multiplier impact on the people of Cambodia as it would create more local employment opportunities in addition to creating better infrastructure for the people.

For more details please visit the official website www.indeecambodia.com

News in Focus

➤ ASEAN leaders to speed up progress in RCEP:

Asean leaders plan to speed up progress for the Regional Comprehensive Economic Partnership (RCEP) given its important role in achieving closer economic integration.

More Information >> Source: <http://www.thesundaily.my/news/1617533>

➤ India not seeking membership in TPP, TTIP: Nirmala Sitharaman

India has not sought membership in either of the two mega trade deals, Trans-Pacific and Trans-Atlantic, the government informed Parliament today.

More Information >> Source: http://www.business-standard.com/article/pti-stories/india-not-seeking-membership-in-tpp-ttip-nirmala-115120900665_1.html

➤ RCEP talks: India formulating requests for improved market access:

New Delhi is comparing market access offers made by member countries of the proposed Regional Comprehensive Economic Partnership (RCEP) — including the 10-member ASEAN and China — with India's industry demands in order to frame requests that could result in improved offers from the partner countries.

More Information >> Source: <http://www.thehindubusinessline.com/economy/policy/rcep-talks-india-formulating-requests-for-improved-market-access/article8102937.ece>

➤ **India offers no duty cuts on steel to China, Australia under RCEP:**

India has not offered any duty cut on steel to China, Australia and New Zealand as part of the ongoing negotiations for the Regional Comprehensive Economic Partnership (RCEP) agreement.

More Information >> Source: <http://www.pressreader.com/india/the-financial-express/20160101>

➤ **India and Japan ink three agreements for cooperation in Railway Sector:**

India and Japan have signed an MoU on 12th December, 2015 on cooperation and assistance in the Mumbai - Ahmedabad High Speed Rail Project (referred by many as Bullet Train project). The two countries have also entered into two comprehensive technological cooperation agreements on 11th December 2015, for modernization and upgradation of Indian Railways.

More Information >> Source: http://www.business-standard.com/article/news-cm/india-and-japan-ink-three-agreements-for-cooperation-in-railway-sector-115121400174_1.html

➤ **Japan and India sign deals on bullet train, nuclear energy:**

Japan and India agreed several high-profile deals on Saturday (Dec 12) on high-speed rail, defence technology, and a memorandum of understanding on civil nuclear cooperation, Indian Prime Minister Narendra Modi said.

More Information >> Source: <http://www.straitstimes.com/asia/east-asia/japan-and-india-sign-deals-on-bullet-train-nuclear-energy>

➤ **Modi to raise banking cooperation issue with Singapore Prime Minister:**

During Prime Minister Narendra Modi's forthcoming visit to Singapore, the contentious issue of cooperation in banking will feature prominently in the talks.

More Information >> Source: <http://www.thehindubusinessline.com/money-and-banking/modi-to-raise-banking-cooperation-issue-with-singapore-prime-minister/article7896687.ece>

➤ **Singapore, India sign strategic partnership to boost cooperation in key areas:**

India and Singapore on Tuesday (Nov 24) signed a joint declaration on a Strategic Partnership which will expand cooperation between the two countries in key areas such as connectivity and economic cooperation.

More Information >> Source: http://www.channelnewsasia.com/news/singapore/singapore-india-sign/2288124.html?cid=cna_editorspick_070814

Tender information in ASEAN

Prior information Notices

Location	Title	Deadline
Singapore	General aircraft tools	12-Feb-2016
Cambodia	Supply Of 01 Vehicle Station Wagon Toyota Prado	17-Feb-2016
Vietnam	Purchase of Equipment Protection and Low-Voltage Switchgear	19-Feb-2016
Philippines	Purchase of brand new vehicle (suv) 2	22-Feb-2016
Philippines	Delivery of 1 unit generator set	23-Feb-2016
Malaysia	Supply and Delivery %Cooper Clad Steel Earth Rod Assembly% to Sesb Central Store, Kolombong.	24-Feb-2016
Malaysia	Supply of 33kv Cable Lines Up Down for the Proposed Work - Work on the Road Upgrading of Stadium Rock Hill Tambun Friends to toll Plaza	29-Feb-2016
Philippines	Procurement of solar lights	01-Mar-2016
Malaysia	Supply and Delivery of Test Equipments for Transmission Substation Division.	03-Mar-2016
Indonesia	Supply and Installation for Extension of 150 kV Transformer	15-Mar-2016

For more contract notices, Please register with Tenderinfo and follow the link:

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

EEPC India ASEAN Territorial Newsletter

Contact: Priyanka Chakraborty

Email: pchakraborty@eepcindia.net

Phone no: 033-40120312