

Territorial NEWSLETTER ASEAN

EPCINDIA
ENGINEERING THE FUTURE

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



Issue I: September 2015

Chairman's Pen



ASEAN-India dialogue relations have grown rapidly from a sectoral dialogue partnership in 1992 to a full dialogue partnership in December 1995. The relationship was further elevated with the convening of the ASEAN-India Summit in 2002 in Phnom Penh, Cambodia. Since then the ASEAN-India Summit has been held annually. The Leaders adopted the ASEAN-India Vision Statement on 20th December, 2012 in New Delhi and declared that the ASEAN-India Partnership stands elevated to a Strategic Partnership.

The India ASEAN Free Trade Agreement (FTA) was signed in Bangkok on August 13, 2009, and came into effect from January 1, 2010. The FTA collectively covers a market of nearly 1.8 billion people and proposes to gradually slash tariffs for over 4,000 product lines. Exports to the region account for more than 10% of our global exports.

I hope this newsletter of the Territorial Committee for Trade with ASEAN countries helps our exporters understand the ASEAN economy better and reap full benefits.

Anupam Shah

Message from Chairman, Committee on Trade with ASEAN countries



India and ASEAN are increasingly becoming relatively more important in each other's trade baskets. The current FTA was restricted to only trade in goods. But FTA related to trade in services and investments is expected to come into force this year which will boost our trade ties with the ASEAN countries.

In this first edition of the newsletter we present a snapshot of India's engineering products traded with the ten ASEAN countries. We also compile tender information and key news items on ASEAN.

We are hopeful that the newsletter will give productive information to our readers.

PK Shah

Territorial
NEWSLETTER – ASEAN

EPCINDIA
ENGINEERING THE FUTURE
www.eepcindia.org



Basic Facts

Area: 4,435,618 Sq. Km

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.

India – ASEAN FTA

India's engagement with the Association of South East Asian Nations (ASEAN) started with its "Look East Policy" in the year 1991. ASEAN has a membership of 10 countries namely Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. India became a Sectoral Dialogue Partner of ASEAN in 1992 and Full Dialogue Partner in 1996. In November 2001, the ASEAN-India relationship was upgraded to the summit level.

After 23 meetings of the ASEAN-India Trade Negotiating Committee (TNC), India and the ASEAN had signed the following Agreements on 13th August 2009:-

- (i) Trade in Goods Agreement along with its Annexes.
- (ii) Agreement on Dispute Settlement Mechanism.
- (iii) Protocol to Amend the Framework Agreement.
- (iv) Understanding on Article 4 of the Agreement on Trade in Goods Agreement.

The initial framework agreement was signed on 8 October 2003 in Bali, Indonesia and the final agreement was on 13 August 2009. The free trade area came into effect on 1 January 2010. All the ASEAN countries have implemented the above Agreement.

India – ASEAN Bilateral Trade

The bilateral relations between India and ASEAN represent a diversified trade pattern with the ten different countries. Total merchandise trade (both export and import) witnessed significant jump in 2011, i.e., immediately succeeding the year of FTA inception and remained around that level in 2012 and 2013. Trade deficit is seen to have increased over the last three years.

Table1: India ASEAN bilateral trade

US\$ Billion

Year	2012-13	2013-14	2014-15
India's Export to ASEAN	33.01	33.13	31.81
India's Total Export to World	300.40	314.41	310.57
India's export share to ASEAN w.r.t. World	10.99	10.54	10.24
India's Import from ASEAN	42.87	41.28	44.71
India's Total Import from World	490.74	450.20	448.03
India's Import Share from ASEAN w.r.t World	8.74	9.17	9.98
Total Trade with ASEAN	75.87	74.41	76.53

Source: DGCI&S, Government of India

Table2: India's Engineering Export pattern to ASEAN

US\$ million

Principal Commodity	2012-2013	2013-2014	2014-2015
Ships, Boats and Floating Structures	2018.93	1695.29	1899.89
Industrial Machinery	994.05	1064.97	1315.59
Non-Ferrous Metals and Products made of Non Ferrous Metals	810.58	728.18	1288.58
Iron and Steel and Products Made of Iron and Steel	1429.33	1559.93	1093.07
Auto and Auto Components	1135.24	771.18	911.05
Miscellaneous	772.98	689.68	677.74
Aircrafts, Spacecrafts and Parts	182.27	537.35	497.4
Electric Machinery and Equipment	306.91	330.08	358.75
Grand Total	7650.29	7376.66	8042.07

Source: DGCI&S, Government of India

Following are the interesting facts which can be derived from this table.

- Growth rate of exports of industrial machinery and electric machinery and equipments have remained positive over the last three years.
- Maximum growth in exports in 2014-15 over the period in 2013- 2014 is registered in case of Non-Ferrous Metals and Products made of Non Ferrous Metals (76.96%) followed by Industrial machinery (23.53%).
- There has been a significant fall in export of Iron and Steel and Products Made of Iron and Steel and Aircrafts, Spacecrafts and Parts over the period 2014-2015 in contrast to 2013-2014.
- Marginal decrease is also observed in the miscellaneous items.

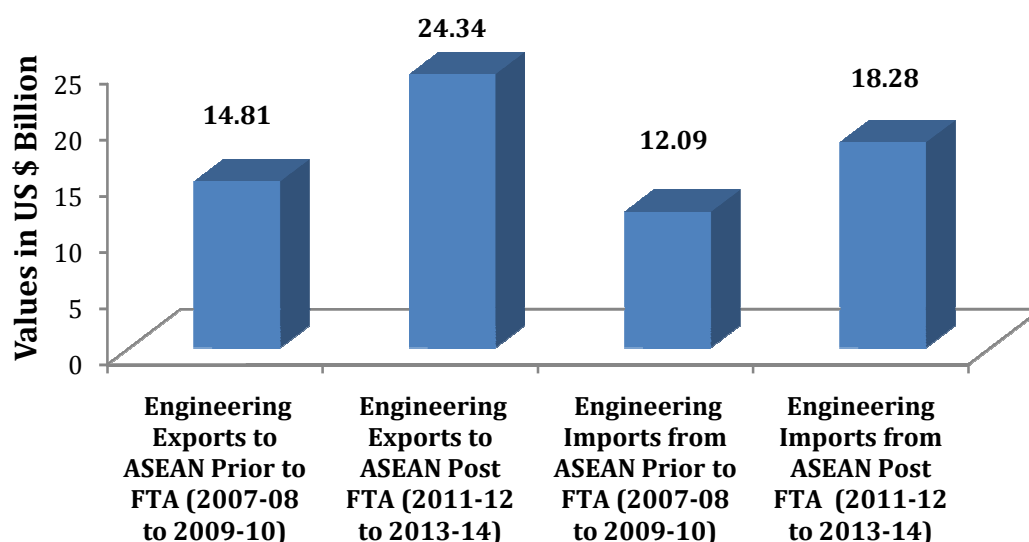
Review of India-ASEAN FTA

The India-ASEAN FTA which started from January 2010, is restricted to 'goods' and under which tariff liberalization was to gradually cover 75% of the two way trade between India and the ASEAN member countries. Total engineering trade has increased between India and the ASEAN region following the FTA implementation from US\$ 7.84 billion in 2007-08 to US\$ 14.82 billion in 2014-15. Both India and the ASEAN

members have gained substantial access to each other's markets following the implementation of the FTA. However, it is clearly seen from the trade figures that the market access gained by India in case of engineering goods is substantially higher compared to ASEAN's access in India. The Balance of Trade (BOT) is in favour of India in case of the engineering sector with US\$ 1.26 billion in 2014-15 viz-a-viz the ASEAN countries.

The following figure 1 shows the comparative effect on engineering exports to ASEAN from India and engineering imports from ASEAN by India.

Fig 1: India's Engineering Exports & Imports with ASEAN



Source: DGCI&S, Government of India

We notice that along with exports our imports from ASEAN countries have also increased. The FTA has had a positive impact on the imports into India due to duty reductions by India, which helped to reduce input costs. This reduction in input cost is seen as an opportunity for making Indian products more competitive and hence expanding consumer demand.

The country wise engineering exports to the ASEAN countries is shown in the following table no3

Post FTA India's engineering exports to ASEAN countries have increased substantially. Barring Thailand, India registered positive trade surplus for all the other countries of ASEAN for most of the years.

Table3: Bilateral engineering trade between India and ASEAN countries

US\$ Million

Trade Flow	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Exp to Singapore	1467.46	2580.49	2042.87	1937.6	4903.34	3192.54	2933.59	2484.83
Imp from Singapore	1967.81	2059.36	1879.52	1237.79	1800.74	1925.2	1621.17	1615.61
BOT	-500.35	521.13	163.35	699.81	3102.6	1267.34	1312.42	869.22

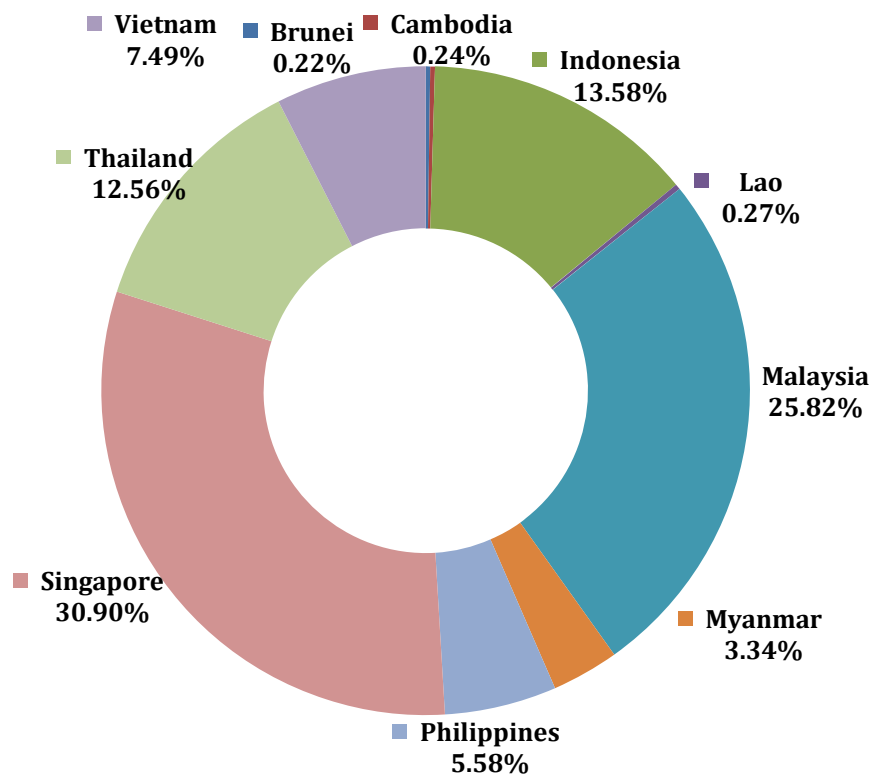
Trade Flow	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Exp to Malaysia	746.18	1681.28	974.35	1591.06	955.04	1087.79	898.99	2076.14
Imp from Malaysia	642.85	925.66	572.68	1027.67	1404.7	1235.85	1491.91	1749.88
BOT	103.33	755.62	401.67	563.39	-449.66	-148.06	-592.92	326.26
Exp to Indonesia	573.06	567.37	753.59	1050.38	1604.42	1114.63	897.7	1092.33
Imp from Indonesia	235.57	200.45	296.64	799.72	483.17	458.91	764.41	497.37
BOT	337.49	366.92	456.95	250.66	1121.25	655.72	133.29	594.96
Exp to Thailand	582.25	654.67	496.6	840.28	818.89	1262.99	1067.51	1010.17
Imp from Thailand	993.66	1061.63	968.53	1584.13	1782.57	2107.47	1921.35	2290.94
BOT	-411.41	-406.96	-471.93	-743.85	-963.68	-844.48	-853.84	-1280.77
Exp to Vietnam	271.36	276.16	221.75	699.87	367.19	403.87	662.39	602.42
Imp from Vietnam	27.73	28.61	56.41	139.81	350.38	285.6	298.32	521.26
BOT	243.63	247.55	165.34	560.06	16.81	118.27	364.07	81.16
Exp to Philippines	157.1	223.06	210.43	256.18	320.26	333.81	513.77	448.95
Imp from Philippines	74.54	45.96	43.81	74.45	107.32	135.21	96.6	90.15
BOT	82.56	177.1	166.62	181.73	212.94	198.6	417.17	358.8
Exp to Myanmar	91.76	104.23	79.42	80.22	318.1	219.43	336.98	268.78
Imp from Myanmar	0.1	0.08	0.16	0.52	2.75	0.52	0.1	0.39
BOT	91.66	104.15	79.26	79.7	315.35	218.91	336.88	268.39
Exp to Laos	1.64	6.49	10.85	7.65	10.58	11.59	23.41	21.76
Imp from Laos	0.02	0.4	0	0.08	0.15	0.52	0.03	9.53
BOT	1.62	6.09	10.85	7.57	10.43	11.07	23.38	12.23
Exp to Cambodia	6.56	7.69	2.87	8.75	12.71	14.77	31.13	19.32
Imp from Cambodia	2	0.07	0.06	0.01	0.04	0.73	0.16	4.2
BOT	4.56	7.62	2.81	8.74	12.67	14.04	30.97	15.12
Exp to Brunei	1.2	1.39	14.22	6.56	1.42	8.87	11.19	17.37
Imp from Brunei	0.18	9.5	0.26	0.36	1.13	0.65	0.03	0.11
BOT	1.02	-8.11	13.96	6.2	0.29	8.22	11.16	17.26

Source: DGCI&S, Government of India

But it is also to be believed that India's manufacturing sector have not been able to capitalize the benefits of the FTA. This is further aggravated with the lower duties offered by ASEAN to China, through the China-ASEAN FTA. The net effect of any trade agreement crucially depends on the ability of the Government to redistribute

some of the increased wealth gained from this trade agreement to those industries negatively affected by the agreement. So the onus rests on the Government of India to fulfil its FTA goals.

Fig 2: India's engineering export share to ASEAN Countries (%) in 2014-15



Source: DGCI&S, Government of India

Important facts

- Singapore is the top most export destinations among the ASEAN countries for Indian engineering exports. Top three items exported includes Ships, Boats and Floating Structures, Non-Ferrous Metals and Products made of Non Ferrous Metals and Aircrafts, Spacecrafts and Parts.
- Malaysia ranks second importing above US \$2 billion worth of engineering goods.
- Indonesia ranks third as an importer of engineering goods and registered a growth of 21.7% during the period 2014-15 over the period in 2013- 2014. Top three items exported to Indonesia includes Iron and Steel and Products Made of Iron and Steel, Industrial Machinery and Auto and Auto Components.
- Even though Brunei ranks the lowest among the top export destinations of Indian engineering goods, the growth in exports have increased by more than 55% in 2014-15 over 2013-14.

Impediments in doing business in ASEAN countries

Impediments in initiating business with ASEAN are as follows:

- Most issues relate to labour norms, licensing processes, registration, and quotas, especially with countries like Indonesia, Philippines, Thailand and Malaysia.
- Banking related impediments highlighted movement of funds to and fro India, as major bottleneck, specifically with CLMV countries.
- Some exporters experience problems during sales and distribution, find related aspects of connectivity, logistics costs and customs practices among other problems. This is especially true in case of Myanmar, Philippines, Indonesia and Vietnam which are not having direct marine and air connectivity with India.
- Regulatory environment, rules of origin, legal infrastructure is the other concern areas which require transparency in policies.

News in Focus

➤ Invest in smart cities, ports, railways: India to ASEAN

External Affairs Minister Sushma Swaraj on Wednesday invited the Asean countries to invest in key infrastructure projects like smart cities, roads, highways, railways and ports, and said enhancing connectivity with the 10-member bloc was a key strategic priority of the government.

More Information>> Source: <http://www.indiagazette.com/index.php/sid/230973577>

➤ India signs FTA in services, investments with Asean

India has signed the free trade agreement (FTA) in services and investments with the 10-member Association of Southeast Asian Nations (Asean), two years after the discussions on the pact concluded.

More Information>> Source: <http://indianexpress.com/article/business/business-others/india-signs-fta-in-services-investments-with-asean/>

➤ India, Myanmar to remove bottlenecks to boost trade

India and Myanmar today agreed to enhance trade and investment between the countries by removing bottlenecks such as lack of good connectivity and banking arrangements.

More Information>> Source: http://articles.economictimes.indiatimes.com/2015-02-17/news/59232325_1_border-trade-bilateral-trade-industry-minister-nirmala-sitharaman

➤ Vietnam to cut tariffs

Vietnam is set to reduce or eliminate tariffs on certain products as part of the India-Asean free trade agreement - a move that will benefit India.

More Information>> Source: http://www.telegraphindia.com/1150129/jsp/business/story_10539.jsp#.Vel05qRCfhd

➤ **Indonesia keen to beef up trade ties with India**

The bilateral trade between the two countries stood at about \$16 b in 2014.

More Information>> Source: <http://www.thehindu.com/business/Industry/indonesia-keen-to-beef-up-trade-ties-with-india/article7151364.ece>

➤ **India-Indonesia business forum launched to boost trade and investment**

An India Business Forum has been launched here to boost trade and investment between India and Indonesia.

More Information>> Source: http://twocircles.net/2012jul19/indiaindonesia_business_forum_launched_boost_trade_and_investment.html#.VelwnaRCfhc

➤ **Indonesia looks to Indian investments beyond natural resources**

Indonesia is keen on attracting Indian investments in manufacturing and value added processing than just in exploitation of its natural resources, according to Mr Andi M. Ghalib, the Indonesian Ambassador to India.

More Information>> Source: <http://www.thehindubusinessline.com/economy/policy/indonesia-looks-to-indian-investments-beyond-natural-resources/article3342616.ece>

➤ **Singapore Minister S. Iswaran calls on Indian Prime Minister Modi**

Minister in the Prime Minister's Office S. Iswaran has called on Indian Prime Minister Narendra Modi in Gujarat.

More Information>> Source: <http://www.straitstimes.com/asia/south-asia/singapore-minister-s-iswaran-calls-on-indian-prime-minister-modi>

➤ **India affirms commitment to boost engagement with ASEAN**

India today affirmed its commitment to provide momentum to its engagement with the "close-knit" ASEAN community, as the 10-member economic bloc agreed on a new action plan in areas like IT and healthcare.

More Information>> Source: http://articles.economictimes.indiatimes.com/2015-08-05/news/65243605_1_asean-summit-new-action-plan-asean-india-summit

➤ **Now, flights from Goa to Malaysia, ASEAN countries**

With an eye on capturing the tourist potential in Goa and in Malaysia, AirAsia Berhad launched a direct flight between Goa and Kuala Lumpur, Malaysia, through three weekly direct flights.

More Information>> Source: <http://timesofindia.indiatimes.com/city/goa/Now-flights-from-Goa-to-Malaysia-ASEAN-countries/articleshow/48834198.cms>

Tender information in ASEAN

Prior information Notices

Title	Deadline
Construction materials and supplies Estimated Cost: PHP 4,999,980	06-Oct-2015
Construction of Road Work Equipment Manufacturing Industry for the Materials of Gravel, Cement, Iron Bars, Wood, Sand and the Land Stones for the Road Construction	28-Sep-2015
Supply Of Labor & Materials For The Repair Of Perimeter Fence, Catwalk At Ciw Estimated Cost: PHP 1,732,469	06-Oct-2015
Supply Slab And Awning, Repair Gutter And Setting Aluminium And Other Related Work	22-Sep-2015
Construction materials and supplies Estimated Cost: PHP 8,621,252	19-Oct-2015
Construction materials and supplies Estimated Cost: PHP 15,211,800	06-Oct-2015
Construction materials and supplies Estimated Cost: PHP 3,807,018	06-Oct-2015
Construction materials and supplies Estimated Cost: PHP 3,191,810	06-Oct-2015
Purchase of Construction Equipment Manufacturing Industry Buying Cements, Iron Bars, Wood Materials, Chipping and Transportation for the Materials to the Construction Sites at Magway	18-Sep-2015
Supply of Construction Equipment Manufacturing Industry Materials of Paddles, Sement and Iron Bars for the Construction Sites in Nyaung U Township. at Nyaung-U.	18-Sep-2015

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

<http://www.tendersinfo.com/searchresult#>

EEPC India ASEAN Territorial Newsletter

Contact: Priyanka Chakraborty

Email: pchakraborty@eepcindia.net

Phone no: 033-40120312
