

Territorial NEWSLETTER Europe

EEPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



Ravi Sehgal

The resuscitation of trade talks between India and EU for free trade pact, formally called a broad-based trade and investment agreement (BTIA), which started in 2007 but were unofficially suspended in 2013, exudes the commitment of both sides in improving trade relations, paving the way forward for an ameliorating Indo-EU trade. As per the reports, economies in central and Eastern Europe are holding strong positions to defy the euro zone weakness with good growth forecasts. The accommodative macroeconomic policies and improving financial intermediation being the driving force behind the region's rebound are will provide an array of opportunities for Indian engineering exporters. Along with the above developments, the visits of the Foreign Ministers of Denmark, France and Romania in the month of November and December put forward the gravity of both the sides, India and EU, to augment bilateral trade and investments. These are few of the multitudinous developments which augur well for the bilateral trade between India and EU. With the Indian Government welcoming the release of the Joint Communication on the EU's vision for a strategy on India, "A Partnership for Sustainable Modernisation and Rules-based Global Order", India asserts the allegiance to engage with the EU on a robust bilateral agenda.

I hope that our readers will enjoy reading this newsletter.

Territorial Chairman's Message



R P Jhalani

In this edition of the 'Newsletter on Europe', we analyze India's engineering export trend with the Europe. It is noteworthy that though, November 2018 has sustained the good export figures but ironically all of the top five countries – Germany, UK, Italy, Belgium and France recorded negative growth in November 2018 in imports of engineering products from India. With regard to exports in the top 20 panels, it is observed that 15 panels recorded positive growth during April, 2018- November, 2018 period. Overall trend seems to be quite positive for India.

I am hopeful that the Newsletter will give fruitful information to our readers and help them in taking informed business decisions.

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NEWSLETTER – Europe

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Basic Facts: EU

Area: 4, 324, 782 Sq. km

Population: 511.50 million (2016)

GDP: USD 18.31 trillion (2016)

Currency: Euro

Climate: cold temperate; potentially subarctic in the north to temperate; mild wet winters; hot dry summers in the south

Natural resources: Iron ore, natural gas, petroleum, coal, copper, lead, zinc, bauxite, uranium, potash, salt, hydropower, timber

India-EU attempts to re-start free trade talks stumble on old issues

Both India and EU may now hold talks on specific areas to help resolve matters. There may be no early resolution to the deadlocked negotiations between India and the EU on the proposed bilateral free trade pact but the efforts have begun afresh.

A recent meeting between senior officials of the two sides in Brussels to get talks re-started failed to result in a break-through, a government official stated to Business Line. “Old issues which led to the collapse of talks such as market access for wines and spirits and automobiles and inclusion of environment in the talks remain sticking points. An appropriate investment treaty is another troublesome area. Both sides haven't yet found a way to get around these,” the official said.

A team from the Commerce Ministry, headed by Commerce Secretary Anup Wadhawan, had visited Brussels last month to talk to counterparts in the EU. New Delhi is of the opinion that it has offered more than it has to any other partner in terms of increased market access in sensitive areas like alcohol and cars but the EU is not convinced. The two sides, however, are not ready to give up their efforts. “There will be talks in the future on specific areas where there is serious disagreement. If these areas are ironed out, the negotiations can definitely progress,” the official said.

With the UK's decision to exit the EU, the bloc may be more liberal now in terms of easing visas for Indian professionals, a key demand made by New Delhi, but it would only be in return for what it wants in terms of greater market access in the areas it has been targeting. Negotiations for a free trade pact, formally called a broad-based trade and investment agreement (BTIA), between the EU and India started in 2007, but were unofficially suspended in 2013 when both sides realised that no movement was happening on contentious matters. Since then, periodic efforts have been made to resume talks, but there have been no positive results.

India's decision to end/suspend bilateral investment treaties it has with its partner countries, including EU members, and seek fresh pacts based on its model investment pact is a fresh area of concern. The EU wants India to sign a single investment treaty with all members as part of the BTIA and wants a number of items suggested in the model treaty removed, including provisions on Investor State Dispute Settlement (ISDS).

“The EU is now insistent that the BIT also be part of the BTIA being negotiated and this has made the matter more complicated as there are several areas where India and the EU don’t see eye to eye,” the official said. The EU is of the opinion that there are too many provisions in India’s model BIT which protect the government and go against the interest of the investor.

The EU, with the inclusion of the UK, is one of India’s largest trading partners accounting for \$53.62 billion (17.64 per cent share) of exports and \$47.87 billion (10.28 per cent of share) in 2017-18.

Trade Trend Analysis in Europe

On the basis of the export data of November 2018, the top 5 European nations which had the highest demand for Indian engineering products are- Germany, UK, Italy, Belgium and France with their respective trade values are shown in Table 1.

Table 1: Top 5 Engineering Export Destinations from India to Europe (Values in USD Million)

Country	Exports in November, 2017	Exports in November, 2018	Growth (%)	Exports in April,2017 - November,2017	Exports in April,2018 - November,2018	Growth (%)
GERMANY	279.17	236.25	-15.37	1993.67	2227.44	11.73
U K	269.51	169.36	-37.16	1840.67	1864.88	1.32
ITALY	278.69	140.91	-49.44	1645.88	1505.87	-8.51
BELGIUM	125.62	115.91	-7.72	833.63	1198.22	43.74
FRANCE	109.45	88.52	-19.13	920.41	906.96	-1.46

Source: DGCIS&S

As demonstrated by the table above, all the five countries realized a negative growth rate in exports of engineering products from India for November 2018 in comparison to the same period last fiscal. Italy’s decline was highest among all, approx. -49% followed by UK at -37%.

The cumulative growth figures show positive trend for three of the five countries from period, April- November 2018 against the same period last fiscal. Belgium showed the highest growth of more than 43.74 % followed by Germany at approx. 11.73%.

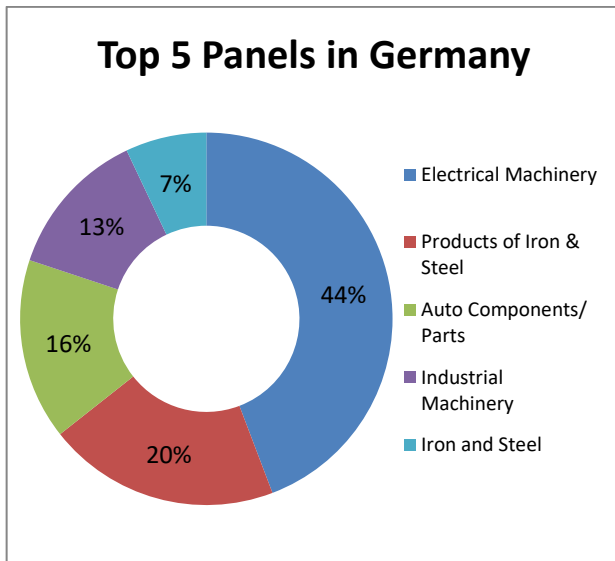
Panel wise trend in Top 5 Engineering Export Destinations for India in Europe

Considering the top 5 export destinations of India in Europe namely Germany, UK, Italy, Belgium and France, and then analyzing the top panels exported from India to these destinations for November 2018, we observe that Products of Iron& Steel, Auto Components/Parts, Iron and Steel, Motor Vehicle/cars, Industrial machinery and Electric machinery are the most traded panels across these countries.

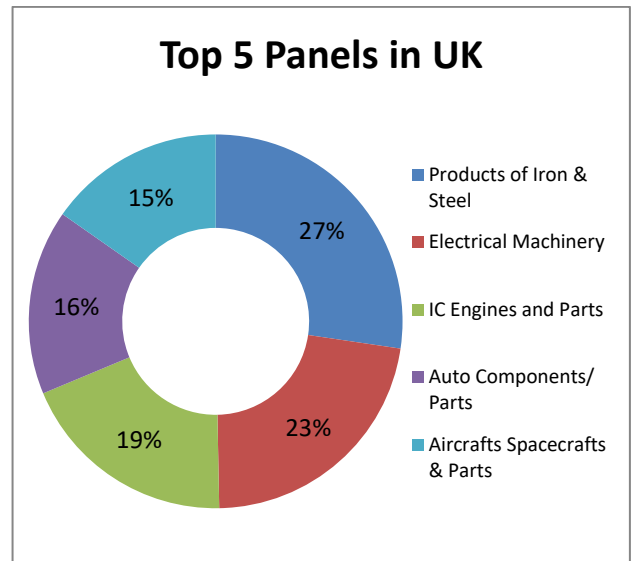
Share of top 5 panels exported in the major destinations are depicted below in Figure 1.

Figure 1: Top 5 Panels in major export destinations of India in Europe in November, 2018

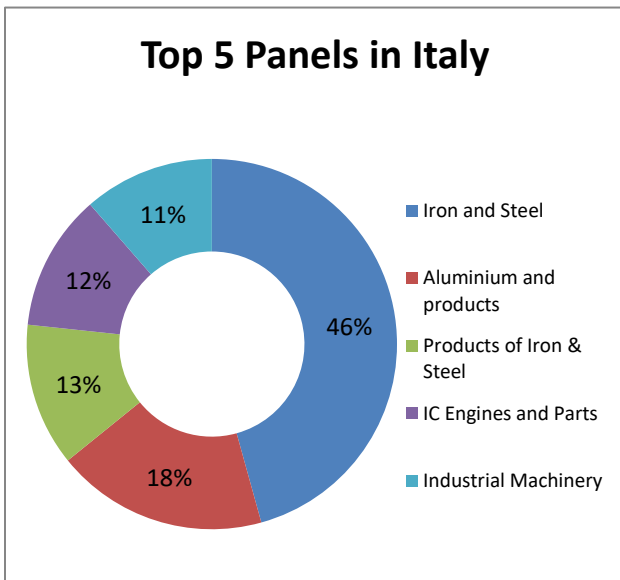
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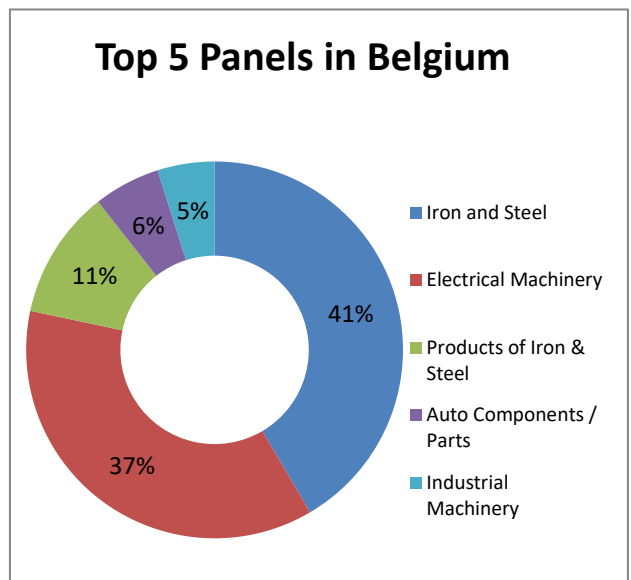
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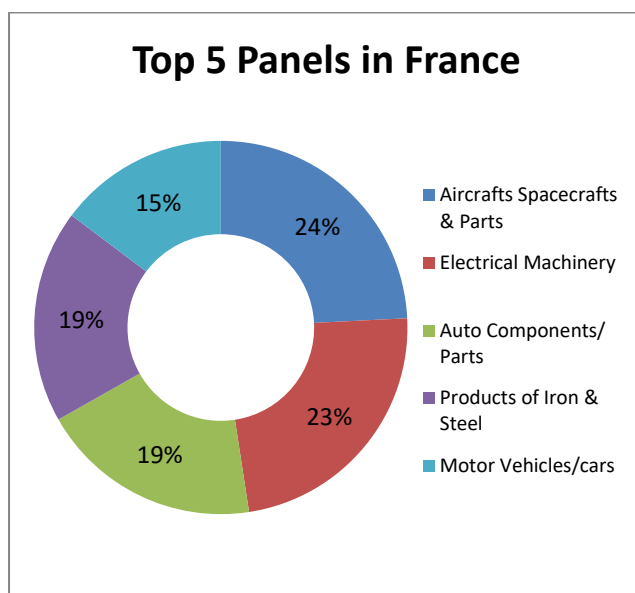
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(d)



(e)



Source: DGCI&S

Panel wise cumulative trend in engineering exports to Europe during November, 2018

During November 2018, Electric Machinery was the most important item of export from India to Europe in value terms and recorded a positive cumulative growth rate of 37.6% for the period April - November, 2018 as compared to its corresponding period last year. It is followed by Iron & Steel, Products of Iron & Steel, Auto Components/Parts and Industrial Machinery with positive growth. All the above mentioned panels exhibited a positive growth for the period April - November, 2018 except Iron & Steel with negative growth of -15.91% compared to April - November, 2017 (see Table 2 below).

Table 2: Top 20 Engineering Panels exported from India to Europe (Values in USD Million)

Name of the Panel	Exports in November, 2017	Exports in November, 2018	Growth (%)	Exports in April,2017 - November,2017	Exports in April,2018 - November,2018	Growth (%)
Electrical Machinery	222.38	179.38	-19.34	1324.07	1821.89	37.60
Iron and Steel	358.85	146.85	-59.08	2049.19	1723.20	-15.91
Products of Iron & Steel	135.09	134.65	-0.32	1091.37	1233.57	13.03
Auto Components/Parts	97.94	90.57	-7.52	681.22	782.10	14.81
Industrial Machinery	74.71	71.18	-4.73	524.91	635.86	21.14
IC Engines and Parts	73.32	59.23	-19.22	592.81	536.83	-9.44
Aluminium and products	55.39	57.78	4.32	422.35	726.10	71.92
Motor Vehicles/cars	59.08	49.50	-16.21	784.49	477.09	-39.18
Aircrafts Spacecrafts & Parts	68.74	36.14	-47.42	528.34	485.03	-8.20
Medical and Scientific instruments	56.31	29.77	-47.14	373.02	310.52	-16.75
Machinery for ATMs	29.16	27.16	-6.87	192.70	225.79	17.17

Hand Tools Cutting	18.90	18.39	-2.71	154.05	183.63	19.20
Air condition and Refrigerators & Parts	20.64	18.04	-12.61	118.95	176.37	48.27
Pumps of all types	17.20	17.95	4.36	138.85	155.03	11.65
Construction Machinery	16.56	17.13	3.43	121.41	170.74	40.63
Non Ferrous Metals	12.69	13.27	4.57	119.36	129.57	8.55
Machine Tools	14.49	11.94	-17.55	95.85	111.32	16.14
Copper and products	9.83	10.59	7.70	77.20	88.80	15.03
Bicycle & Parts	8.67	9.31	7.32	63.07	84.11	33.35
Cranes Lifts & Winces	4.29	6.50	51.65	42.32	46.15	9.05

Source: DGCIS&S

During April, 2018- November, 2018, 15 out of top 20 panels have recorded positive growth with Aluminium & products showing the maximum growth of 72% whereas Motor Vehicle/cars descending the most by -39%. For the data of November, 2018, 13 out of top 20 panels recorded negative growth with Iron and Steel declining the most by -59% followed by Aircrafts Spacecrafts & Parts and Medical and Scientific instruments at -47.42% and -47.14% respectively. On the contrary, Cranes Lifts & Winces recorded the remarkable positive growth of 51.65%.

News in Focus

India, France hold talks on deepening bilateral cooperation

India and France Saturday held discussions on deepening bilateral strategic partnership through cooperation in the Indo-Pacific region, defence, space and civil nuclear energy sectors.

Read Full story: <https://www.indiatoday.in/pti-feed/story/india-france-hold-talks-on-deepening-bilateral-cooperation-1410082-2018-12-15>

India, France review status of Jaitapur nuclear power project

India and France Saturday held discussions on deepening the bilateral strategic partnership through cooperation in the Indo-Pacific region, defence, space and civil nuclear energy sectors.

Read Full story: <https://www.indiatoday.in/pti-feed/story/india-france-review-status-of-jaitapur-nuclear-power-project-1410251-2018-12-15>

India rejects EU's suggestion not to re-test imported steel

India has turned down the European Union's suggestion of not to insist on re-testing steel imports, that have already been tested in foreign accredited laboratories.

Read Full story: <https://www.thehindubusinessline.com/economy/india-rejects-eus-suggestion-not-to-re-test-imported-steel/article25726600.ece>

Euro Risks Remain to the Downside as Fed May Do Little for Bulls

Euro bulls may not be able to count on the Federal Reserve meeting next week for support as European policy makers grow more concerned over the region's growth prospects.

Read Full story: <https://www.bloomberg.com/news/articles/2018-12-14/euro-risks-remain-to-the-downside-as-fed-may-do-little-for-bulls>

Europe Has Little to Gain, Much to Lose in U.S.-China Trade War

Europe will be a loser should U.S.-China relations deteriorate further, even if some companies stand to benefit.

Read Full story: <https://www.bloomberg.com/news/articles/2018-12-19/europe-has-little-to-gain-much-to-lose-in-u-s-china-trade-war>

EU-India – Information Guide

India enjoys trade preferences with EU under generalized scheme of preference.

EU has a website – EU Trade helpdesk which provide crucial information on export opportunities provided to the exporters. The website has detailed information on definite product codes which include:

- ❖ Specific requirements for exporting to EU including public health, labeling, etc.
- ❖ Internal taxes (VAT and Excise duties) applicable in the EU countries
- ❖ Relevant laws, national authorities and border inspection posts

The link for the website is: <http://trade.ec.europa.eu/tradehelp/>

Trade Barriers

[G/TBT/N/TUR/139 TBT notification issued by Turkey on screws and nuts](#)

This standard covers square drive adaptors with hexagon or cylindrical flat drive for power socket wrenches.

[G/TBT/N/TUR/140 TBT notification issued by Turkey on Fasteners](#)

This standard covers the definition, classification and specifications, sampling, examination and tests and placing on the market of hexagon slotted and castle nuts with thread diameter 4 - 100 mm, metric coarse and fine pitch thread, product grade A (rated thread diameter up to 16 mm) and product grade B (rated thread diameter greater than 16 mm)

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