

Territorial NEWSLETTER Middle East & West Asia (MEWA)

EPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



Tarvinder Singh Bhasin Middle East and West Asia (MEWA) region plays a vital role in India's economy and its future. India continues to be dependent on oil imports to meet its energy requirements and MEWA countries are major sources of imports. The growth of India's power requirements has led to its renewed diplomacy and focus on the Middle East and West Asia (MEWA). Indian policymakers recognize the need to develop a holistic engagement strategy, one that seeks both to strengthen economic ties and to institutionalize long-term security cooperation. India's peaceful, pluralistic and tolerant image among the countries in the Middle East and West Asia is a positive and strong factor for India, which can further help in building and nurturing relations with the countries of the region MEWA.

Message from Chairman, Committee on Trade with GCC countries

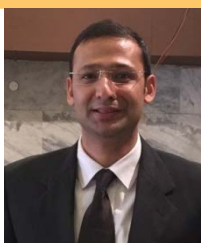


Ravi Sehgal

This newsletter highlights the measures being taken by the Indian government and Reserve Bank of India to ease the payment made and received by Indian exporters to/from Republic of Iran. India is working on a new payment mechanism for trade with Iran after indications emerged that the previous payment system may lose its efficiency.

The current edition also presents a brief insight on the total trade pattern of the engineering sector in Africa during the 2016-17. Further, it discusses the top engineering product bilaterally traded between India and the countries of the MEWA region.

Message from Chairman, Committee on Trade with West Asia other than GCC countries



Mukul Khandelwal

India's export of engineering products to the MEWA region is valued at over USD 7 billion in 2016-17. In the previous year 2016-17, there was a decline in exports by USD 460 million as compared to 2015-16, but this is considered to be because of global slow down and deteriorating economic situations in some countries, like Iran and Israel, in the MEWA region. Recently, India celebrated its 25 years of collaboration with Israel. India and Israel relations have come a long way and the bond is growing and getting strong with time. We hope our members find this Newsletter useful and informative.

Middle East & West Asia (MEWA)



MEWA is a region covering a geographical area of 5.4 million square kilometer and has a GDP of over \$2.7 trillion. While Saudi Arabia is the largest country in the region in terms of geographical area and GDP, Iran has the largest population and has a share of 35% of total population of the region. Basic facts about the region are presented in Table 1.

Table 1: MEWA Basic Facts

Country	Area (KM ²)	Population	GDP 2014 (USD billion)	Currency
Bahrain	665	1,234,596	33.9	Bahraini Dinar
Jordan	92,300	6,318,677	35.8	Jordanian Dinar
Iran	1,648,195	78,868,711	425.3	Iranian Riyal
Iraq	438,317	33,635,000	223.5	Iraqi Dinar
Israel	20,770	7,653,600	305.7	Israeli New Shekel
Kuwait	17,820	3,566,437	163.6	Kuwaiti Dinar
Lebanon	10,452	4,228,000	45.7	Lebanese Pound
Oman	212,460	2,694,094	81.8	Omani Riyal
Qatar	11,437	1,696,563	210.1	Qatari Riyal
Saudi Arabia	2,149,690	27,136,977	753.8	Saudi Riyal
Syria	185,180	23,695,000	n/a	Syrian Pound
UAE	82,880	8,264,070	399.5	UAE Dirham
Yemen	527,970	23,580,000	36.0	Yemeni Riyal
Total (MEWA)	5,398,136	222,571,725	2714.7	--

Climate

The basic climate of the **Middle East** is hot and dry, although winters are mild with a little rain. To the north of the desert are the great steppes. This area has extremes of temperature and rain in winter and spring. Rest of the area has rainfall between March and November and sometimes floods from March to May. Summers are long and hot and winters mild and wet along the Mediterranean coast. The coastal areas are humid but have a steady breeze to compensate.

Western Asia is primarily arid and semi-arid, and can be subject to drought, but it also contains vast expanses of forest and fertile valleys. The region consists of grasslands, rangelands, deserts, and mountains. Water shortages are a problem in many parts of West Asia, with rapidly growing populations increasing demands for water, while salinization and pollution threaten water supplies. Major rivers, including the Tigris and Euphrates, provide sources for irrigation water to support agriculture.

Natural Resources

Most countries in the region are known for huge oil and gas reserves. Countries like Jordan have reserves of potash and phosphates, which is used in the production of fertilizer.

Cover story: 1. India tries to fix Iran trade payments as Donald Trump hardens line

After the upliftment of sanctions from Iran, trade with Iran has increased. But the Indian exporters are still skeptical of trading with Iran due to the fear of payments related issues. The public sector banks are fearful of handling payments from Iran, primarily because of their fear that they might lose other markets in case the United States continues with the financial embargo on Iran. India is trying to explore new payment mechanism for trade with Iran.

Earlier the Indian companies received payments for goods exported to Iran using the oil money held in non-convertible rupee balances at UCO bank, which was the only bank allowed to make and receive payments from Iran, maintaining trade between two countries.

The Iranian government has also changed the currency in which payment is to be made after the upliftment of the sanction. Now, Iran prefers the payments to be made in Euros because the currency is readily convertible in comparison to Dollars. But, Iran has not been able to suggest how it will settle payments against exports from India.

Indian bank associated with Iran, UCO Bank which is the payment gateway for trade with India, is working on the mechanism such as a correspondent bank in Europe to act as an intermediary for India and Iran to ease the payment system. The Reserve Bank of India (RBI) has also analyzed the situation and facilitated payment system for Indian exporters by permitting special arrangements for rupee-based settlements. These are also indication that some Iranian banks have applied to open branches in India, but it is not clear when these will get approval from the RBI.

Although European Union and United Nations sanctions against Iran have been removed, some US measures remain, which is a major reason that has left Iran still largely shut out of the global financial system. The Indian government is considering reverting to the old rupee mechanism that was viewed as a safe bet because UCO has no US exposure that could lead it to fall foul of any new sanctions. Also, Iran has agreed in principle to accept



some oil payments in rupees to fund imports from India worth an estimated \$2.5 billion a year. However, no timeline has been fixed to implement the new mechanism.

The problem with the payment structure with Iran has caused significant loss in revenues to the Indian exporters as they struggle to complete deals and also many containers are stuck at the Iranian ports. The payment issue is also hampering development of work at the Chabahar port in Iran. Also the exporters are facing threats of orders being cancelled by Iran. India's major exports to Iran include food, chemicals, engineering products, garments and various drugs.



Cover story: 2. India-UAE moving towards a Comprehensive Strategic Partnership

India and the UAE are taking possible steps to strengthen their bilateral trade and investment ties. After the UAE Prince visit as the Guest of Honor to India's 68th Republic Day, the top industry leaders from both countries met at a conference held in UAE on March 2017. The conference was organized by All India Management Association (AIMA).

This was the second India-UAE conference on globalization held in Dubai, UAE. UAE's Cabinet Member and Minister of Culture and Knowledge Development Sheikh Nahyan bin Mubarak Al Nahyan expressed optimism about the growth of trade and investment between India and the UAE and favored greater international cooperation and exchange to help the global economy.

Indian ambassador to UAE, Mr. Navdeep Singh Suri also attended the conference and highlighted the growing trade and investment ties between the two countries. Suri stated that the frequent interactions between Indian Prime Minister Mr. Narendra Modi and the Crown Prince of Abu Dhabi Sheikh Mohamed bin Zayed Al Nahyan was the stepping stone towards far-reaching developments that has taken place in the relationship between the two countries.

INDIA - UAE RELATIONS



More than 20 agreements have been signed between the two countries in the past two years for collaboration in diverse areas including infrastructure, renewable energy, defence production, joint military exercises, maritime security, counter-terrorism, space technologies, cyber security, agriculture and human traffic prevention.

UAE's commitment to invest USD 75 billion in Indian infrastructure is of great significance to the growing relationship between the two countries. India sources a substantial part of its oil requirement from the UAE and also it is helping India build its oil reserve. The Abu Dhabi National Oil Company has agreed to store oil at India's reserve storage.

UAE is already the largest trading partner of India in West Asia and the two countries have now decided to form a Comprehensive Strategic Partnership.

India's latest trend in engineering exports to MEWA

India engineering export with MEWA – country wise during 2016-17 is depicted in the table below. Nations which had the highest demand for Indian engineering products during 2016-2017 in absolute values include:

Table2: Engineering Exports to MEWA
(Values in US\$ Million)

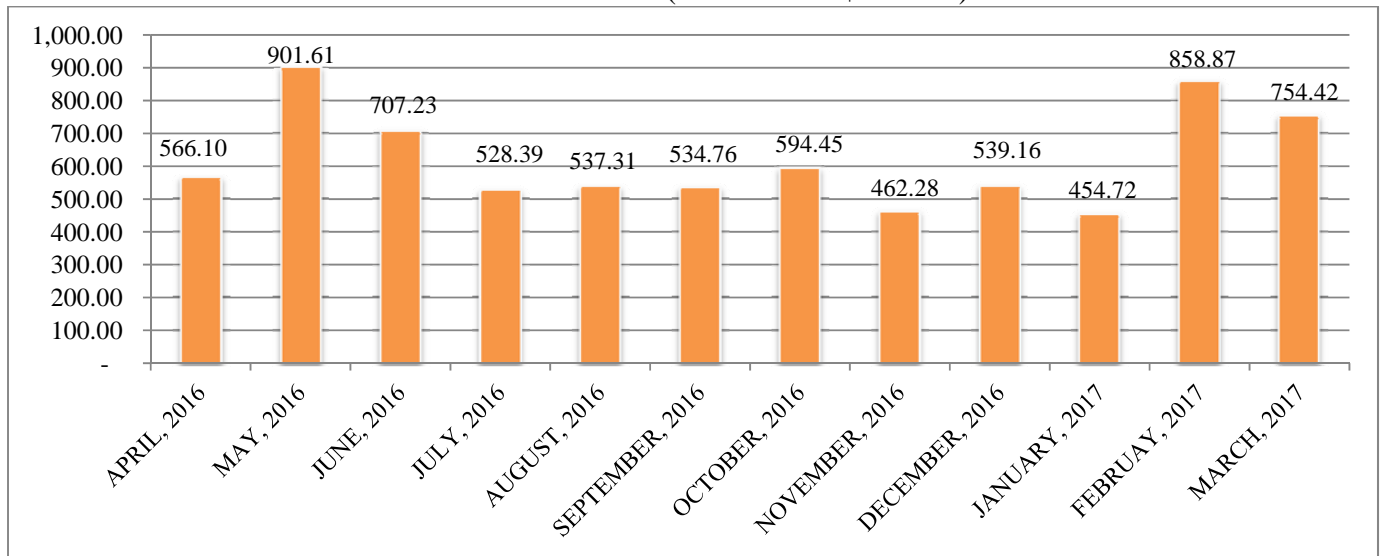
MEWA	April-March 2015-16 (USD million)	April-March 2016-17 (USD million)	Growth (%)
U A E	4,216.77	4,032.14	-4.38
SAUDI ARAB	1,364.54	1,244.46	-8.80
KUWAIT	320.97	646.50	101.42
IRAN	682.11	500.57	-26.61
ISRAEL	214.37	330.68	54.26

Total MEWA	7,898.71	7,439.30	-5.82
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Source: DGCI&S

UAE remained at the top for Indian engineering exports though registering a negative monthly growth of 4.4 % in 2016-17 over 2015-16. The main engineering products exported to the country in 2016-17 include Products of Iron and Steel, Auto Components/Parts, Electrical Machinery and Equipment, Industrial Machinery, Aircrafts and Space crafts, etc.

Fig 2: Trend in Total Engineering Export in MEWA during 2016-17
Month wise (Values in US\$ Million)



Source: DGCI&S

Table 3: Top 15 engineering panels exported to MEWA in April-March 2016-17
US\$ Million

DGCI&S Engineering Panels	India's export in April-March 2015-16	India's export in April-March 2016-17	Growth (%)
Products of Iron & Steel	1,208.39	1,265.97	4.76
Ships Boats and Floating structures	929.46	1,172.41	26.14
Iron and Steel	782.46	796.73	1.82
Motor Vehicle/cars	734.41	571.45	-22.19
Copper and products	410.68	459.93	11.99
Electric Machinery	378.08	436.43	15.43
Industrial Machinery	468.71	395.89	-15.54
Aircrafts, Spacecrafts & parts	784.80	278.11	-64.56
Machinery for ATMs	213.80	256.51	19.98
Air condition and Refrigerators	294.98	252.67	-14.34
Aluminum and products	208.70	171.97	-17.60
Auto Components/Part	194.47	168.07	-13.58
Nuclear Reactors	84.02	140.73	67.48
Construction Machinery	219.16	139.88	-36.18

Pumps of all types	103.10	129.84	25.94
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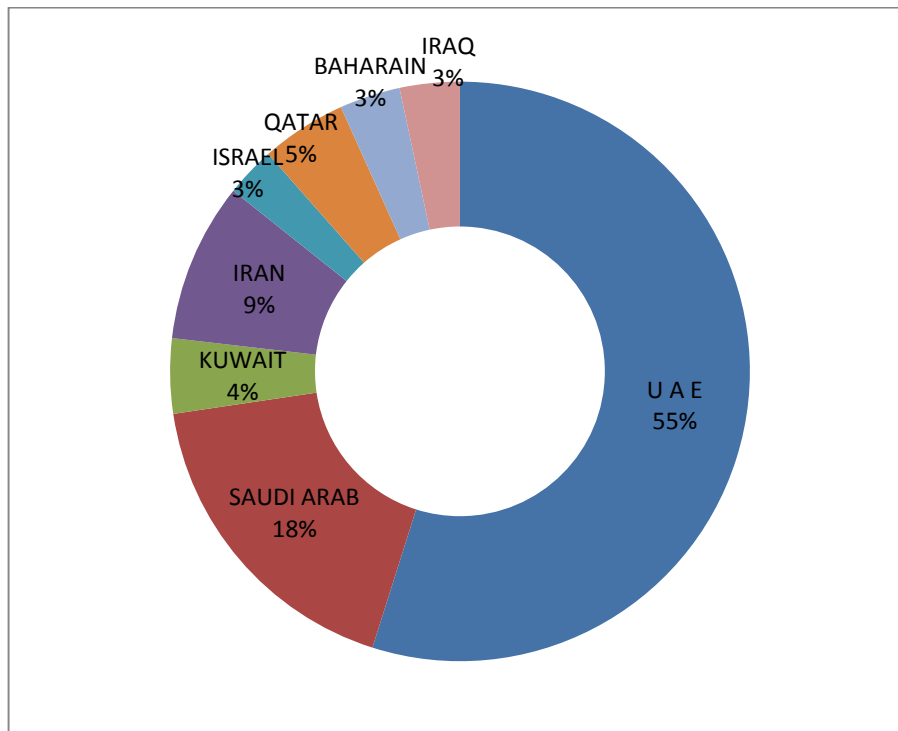
Note: Panels marked in yellow realized positive growth during March 2017

Source: DGCI&S

Analysis of top 15 engineering panels' exports as presented in Table 3 shows a good situation for India's engineering exports to MEWA countries. There are eight panels in which exports from India have increased during 2016-17.

The following pie chart demonstrates share of different MEWA countries in India's total export during 2016-17.

Fig3: India's engineering export share to top seven MEWA Countries (%) in April- March 2016-17



Source: DGCI&S

News in Focus

❖ India Starts To Move Cautiously Towards New Middle East Strategy

Diplomatic activity between India and Israel is picking up momentum ahead of Prime Minister Narendra Modi's visit to Israel in July – the first by an Indian PM. The importance of the trip is not just what it means for Indian-Israeli relations, but also what it might say about India's wider relations around the Middle East.

Source:<https://www.forbes.com/sitez`s/dominicdudley/2017/05/05/india-new-middle-east-strategy/#54baacdd660a>

Economic reforms working in Saudi Arabia, promises huge investments

The Saudi prince overseeing Saudi Arabia's economy said his radical economic reforms were succeeding in protecting the kingdom against low oil prices, and he promised massive investments in coming years to help diversify the economy beyond oil.

Though Saudi Arab's oil prices dipped to as low as \$27 for more than one year but the government managed to shield economic indicators from the negative impact.

Source: <http://gulfnews.com/business/economy/saudi-prince-says-economic-reforms-working-promises-huge-investments-1.2021332>

❖ Saudi business conditions continued to improve last month

Business conditions in Saudi Arabia's non-oil private sector continued to improve at the start of the second quarter, with rates of expansion in new work and business activity gathering pace. As a result, firms were encouraged to engage in purchasing activity, which in turn led to the strongest accumulation in stocks of purchases in over four-and-a-half years.

Source: <http://gulfnews.com/business/economy/saudi-business-conditions-continued-to-improve-last-month-1.2021338>

Value of GCC projects up 22% quarter on quarter, UAE project awards surge 42.6% in the first quarter

The value of UAE projects awarded rose by a solid 42.6 per cent quarter on quarter in the first quarter of 2017, with both Dubai and Abu Dhabi seeing significant increase.

The value of projects awarded was above the two-year trend level and up a moderate 2.1 per cent year on year in the quarter. Constructions projects continued to dominate total UAE awards, up 25.6 per cent year on year and there was also a yearly increase in oil and power projects in the first three month of the year led by led by Abu Dhabi.

Source: <http://gulfnews.com/business/economy/uae-project-awards-surge-42-6-in-the-first-quarter-1.2017440>

❖ International North South Transportation Corridor trade route inching closer to reality

Inching closer to making the International North South Transportation Corridor (INSTC) a reality — connecting India with Russia and Europe via Iran — a dry run of container movement via the green corridor (smooth customs facilitation) will be conducted.

INSTC will substantially reduce time taken and cost for transport of goods between India and Eurasia once fully functional and increase economic activities between India and the resource-rich Russia as well as markets of Europe.

Source: <http://economictimes.indiatimes.com/news/economy/foreign-trade/international-north-south-transportation-corridor-trade-route-inching-closer-to-reality/articleshow/58117912.cms>

Upcoming Exhibitions in MEWA

Events	Date	Venue	Link
IATI BIOMED	23th- 25th May, 2017	David Intercontinental Hotel, Tel Aviv	http://kenes-exhibitions.com/biomed2017/
ALUMINIUM MIDDLE EAST	27 th - 29 th May, 2017	Dubai World Trade Centre, Dubai	http://www.eventseye.com/fairs/f-aluminium-middle-east-82-1.html
METAFOUND	26 th -29 th May, 2017	Permanent Ground For Tabriz International Exhibition Co., Tabriz	http://www.eventseye.com/fairs/f-metafound-15724-1.html

Tender information in MEWA

Title	Deadline	Country	Link
Supply Of Agricultural Tools, Supply Of Headlamp. (TI Ref ID: 38920725)	25 May 2017	Saudi Arabia	http://alliances.tendersinfo.com/eepc/awlog.php?action=details&id=38920725
Supply Of Spare Parts For Air Valves And Steam Systems Etc.. (TI Ref ID: 38023040)	30 May 2017	Kuwait	http://alliances.tendersinfo.com/eepc/awlog.php?action=details&id=38023040
Supply Of Iron Roughneck Model 65k-2gjr Make Hawk Jaw Spare Parts - Refloated. (TI Ref ID: 39278305)	29 May 2017	Oman	http://alliances.tendersinfo.com/eepc/awlog.php?action=details&id=39278305
Design, Supply, Installation, Testing And Commissioning Of Generator	30 May	Qatar	http://alliances.tendersinfo.com/eepc/awlog.php?action=details&id=39311665

Synchronization Panel (TI Ref ID: 39311665)	2017		
Supply, Commissioning Support And Maintenance Of Electric Vehicle Charging Stations (TI Ref ID: 39212064)	29 May 2017	UAE	http://alliances.tendersinfo.com/eepec/awlog.php?action=details&id=39212064
Supply Of Central Air Conditioning System And Its Accessories (TI Ref ID: 39326522)	29 May 2017	UAE	http://alliances.tendersinfo.com/eepec/awlog.php?action=details&id=39326522
Providing Support Services For Retrieval / Reinstallation Of Downhole Pumps At Pwiwells On. (TI Ref ID: 39217190)	29 May 2017	Qatar	http://alliances.tendersinfo.com/eepec/awlog.php?action=details&id=39217190
Supply Of Axiom Shale Shaker Spare Parts (TI Ref ID: 39211972)	29 May 2017	Oman	http://alliances.tendersinfo.com/eepec/awlog.php?action=details&id=39211972

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