

# Territorial NEWSLETTER Middle East & West Asia (MEWA)

**EETPCINDIA**  
ENGINEERING THE FUTURE

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## Chairman's Pen



**Ravi Sehgal**

One of the key issues facing Lebanon is the economic and social impact of the Syrian crisis, now in its ninth year. This has strained Lebanon's public finances, service delivery, and the environment. The crisis is expected to worsen poverty incidence among Lebanese citizens as well as widen income inequality. Within this challenging environment, GDP growth in Lebanon in 2018 is estimated to have only grown by an estimated 0.2 percent, compared to 0.6 percent in 2017. The deceleration in economic activity is linked to policy-based tightening of liquidity.

I hope, this newsletter will be useful for our member and help them take informed decisions.

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



**Anoop  
Marwaha**

The current edition of the Newsletter focuses on Monthly Economic and Commercial Report for the Month of March 2019 of Lebanon. Prosperity built on Lebanon's position as a regional center for finance and trade has been punctuated by political turmoil. The overall freedom to establish and run a business remains constrained by the poor regulatory environment. The cost of starting a business and completing licensing requirements is high. The labor market, undermined by political instability, continues to be stagnant. High public debt, deficits, and tightening financial conditions have led the IMF to encourage the government to reform electricity subsidies.

Further, it discusses the top engineering product bilaterally traded between India and countries of the MEWA region.

## Message from Chairman, Committee on Trade with GCC countries



**Mukul  
Khandelwal**

The growth in MEWA region has not been encouraging in terms of trade. The progress in relations can be measured by the value of exports to the region which is over USD 734 million for the month of March 2019 over March 2018. The growth though saw fall of over 1% for the same time period. Among the major importers in the region, with a value of USD 372 million, UAE remained the top importer for the Indian engineering goods. The panel wise analysis shows an average level of exports of Indian engineering goods to MEWA, with 11 out of top 15 panels registering positive growth in March 2019 as compared to March 2019.

## Basic Facts: Middle East & West Asia (MEWA)

**Area:** 5.4 mn Sq. km

**Population:** 222,571,725 (2016)

**GDP:** USD 2.7 trillion (2016)

**Currency:** Varies according to different countries

**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

**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.

## Economic & Commercial Report – March, 2019 of Lebanon

### 1. Economic Indicators of Lebanon:

GDP	2017 (estimated)
Nominal GDP	US\$ 51.84 billion
GDP Growth Rate (%)	2.0%
GDP (per head) PPP	US\$ 19,500

International reserves (US\$ bn)	2017 (actual)
Total international reserves	55,411

Total trade (US\$ bn)	2016	2017
exports	2.98	2.8
imports	18.70	23.1
Trade balance (US\$ bn)	(-) 15.72	(-) 20.3

### 2. Launch of initiative to support local economy

The Beirut Traders Association launched the "Think about Lebanon" initiative, which is a national campaign to support the Lebanese economy. The campaign aims to raise awareness among the Lebanese people about the challenges that the economy is facing, and to encourage them to use their financial resources locally. As such, the initiative calls on all Lebanese to support the economy by increasing local consumption and investment, as well as prioritizing Lebanese nationals for employment opportunities in the country, which will help reduce emigration. In turn, this would help develop internal trade, domestic tourism, and the industrial and agricultural sectors, as well as support the labor force. In addition, it called on suppliers and businesses to further attract local demand by lowering their retail prices and by offering promotions, which would stimulate the economic cycle.

### **3. Beirut ranks 184th worldwide, 14 th in Arab world in quality of living**

The 2019 Mercer survey on the quality of living around the world ranked Beirut as the 184th most desirable city for overall living standards among 231 cities worldwide and in 14th place among 22 cities in the Arab world. Also, Beirut ranked in 48th place among 57 cities in upper middle income countries (UMICs) included in the survey. In comparison, Beirut ranked in 181st place globally and in 14th place regionally in the 2018 survey.

### **4. Trade deficit down 18% to \$1.2bn in January 2019**

Total imports reached \$1.4bn in January 2019, constituting a decline of 17.6% from \$1.7bn in the same month of 2018; while aggregate exports fell by 16.7% year-on-year to \$235.7m in the covered month. As such, the trade deficit narrowed by 17.8% to \$1.17bn in January 2019 due to a drop of \$300.5m in imports and a decline of \$47.3m in exports in the covered month.

### **5. Banking sector assets at \$249bn at end-January 2019**

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at \$248.9bn at the end of January 2019, nearly unchanged from the end of 2018 and constituting an expansion of 11.8% from end-January 2018. Loans extended to the private sector reached \$58.1bn at the end of January 2019, regressing by 2.1% from end 2018 and by 1.5% from a year earlier. Loans to the resident private sector totaled \$51.2bn, constituting decreases of 2.1% from the end of 2018 and of 3.9% from a year earlier.

### **6. Net income of top 16 banks down 5.5% to \$2.3bn in 2018, ROAA at 0.91% and ROAE at 10.31%**

The unaudited consolidated net profits of the Alpha Group of banks reached \$2.27bn in 2018, constituting a drop of 5.5% from net earnings of \$2.4bn in 2017.

### **7. Lebanon ranks 29 th in emerging markets, 10th in Arab world in terms of logistics infrastructure**

Transport Intelligence, an analysis and research firm for the logistics industry, ranked Lebanon in 29th place among 50 emerging markets (EMs) on its 2019 Agility Emerging Markets Logistics Index. Also, Lebanon came in 10th place among 13 Arab countries and in 13th place among 19 upper middle income countries (UMICs) included in the survey. Transport Intelligence noted that it updated its methodology for the computation of the

index this year to reflect "a more complex, more connected and more divided world", as well as to assess the growth of each market based on its specific drivers and growth inhibitors. As a result, the results of this year's survey are not comparable with the 2018 edition.

## 8. Lebanese adults are most engaged entrepreneurs in the MENA region

The Global Entrepreneurship Monitor's (GEM) 2018 Adult Population Survey shows that 24.1% of Lebanese adults are actively engaged in starting or running a new business, ranking the country in fourth place among 48 economies globally on the total early stage entrepreneurial activity (TEA) indicator. Lebanon also came in first place on the indicator among eight Middle East & North African (MENA) economies that are Egypt, Iran, Lebanon, Morocco, Qatar, Saudi Arabia, Turkey and the UAE.

## India's latest trend in engineering exports to MEWA

India engineering export with MEWA – country wise during March 2019 is depicted in the table below. Nations which had the highest demand for Indian engineering products during March 2019 in absolute values include:

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

MEWA	March 2018	March 2019	Growth (%)
U A E	325.72	371.91	14.18
Saudi Arab	121.36	131.99	8.76
Oman	48.29	54.65	13.17
Kuwait	47.20	39.58	-16.15
Qatar	68.43	38.04	-44.41
<b>Total MEWA</b>	<b>747.32</b>	<b>733.81</b>	<b>-1.81</b>

Source: DGCI&S

UAE remained at the top for Indian engineering exports but with a positive growth of almost 14% in March 2019 over March 2018. The main engineering products exported to the country in March 2019 include Products of Iron and Steel, Auto Components/Parts, Electrical Machinery and Equipment, Industrial Machinery, Aircrafts and Space crafts, etc.

**Table 3: Top 15 engineering panels exported to MEWA in March 2019**  
(Values in US\$ Million)

DGCI&S Engineering Panels	March 2018	March 2019	Growth (%)
Motor Vehicle/cars	84.01	106.80	27.12
Iron and Steel	106.30	102.68	-3.41
Products of Iron & Steel	92.78	94.05	1.37
Electric Machinery	52.15	59.10	13.33
Air condition and Refrigerators & parts	36.38	45.70	25.62
Industrial Machinery	40.62	42.42	4.44
Ships Boats and Floating Structures & parts	78.80	34.48	-56.25

Auto Components/Part	17.72	26.92	51.96
Aluminum and products	24.58	24.80	0.89
Machinery for ATMs	29.39	20.10	-31.61
Medical and Scientific Instruments	13.32	16.75	25.75
Copper and products	41.60	14.25	-65.75
Construction Machinery	10.90	13.03	19.46
Pumps of all types	12.01	11.87	-1.23
IC Engines and Parts	7.10	9.10	28.24

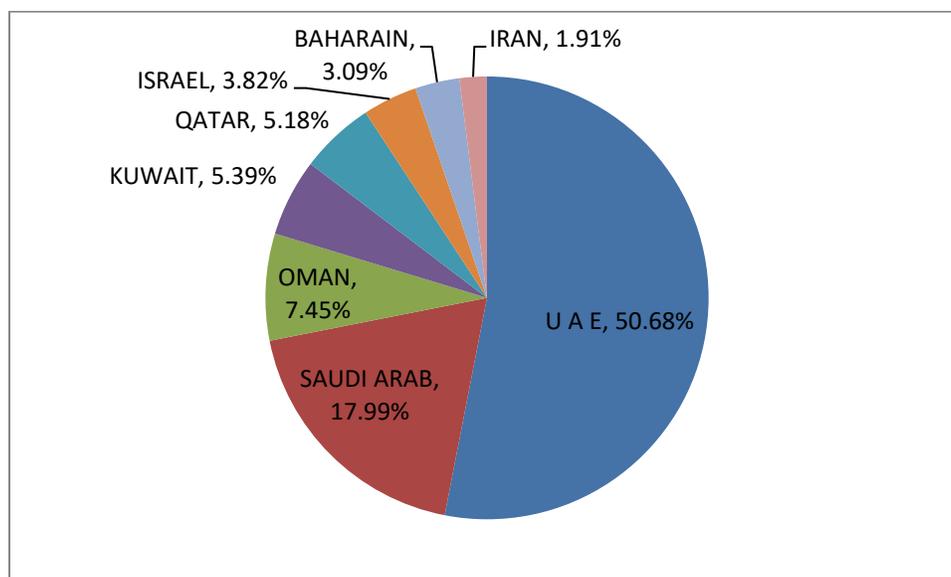
Note: Panels marked in yellow realized positive growth during March 2019

Source: DGCI&S

Analysis of top 15 engineering panels' exports as presented in Table 3 does not show a good situation for India's engineering exports to MEWA countries for the month under analysis. There are eleven panels in which exports from India have increased during March 2019 as compared to March 2018.

The following pie chart demonstrates share of different MEWA countries in India's total export during March 2019.

**Fig 2: India's engineering export share to top importing MEWA Countries (%) in March 2019**



Source: DGCI&S

## Trade Barriers

**Table 4: Technical barriers to trade**

Member Imposing	Notification/ Date of In-Forcement	HS Code	Products Description
UAE	G/TBT/N/ARE/409;	8422	Dishwasher

	20 March 2018		
UAE	G/TBT/N/ARE/408; 28 March 2018	8450 and 8451	Washing Machines and Dryers
GCC Countries	G/TBT/N/ARE/407, G/TBT/N/BHR/518, G/TBT/N/KWT/400, G/TBT/N/OMN/35, G/TBT/N/QAT/517, G/TBT/N/SAU/104, G/TBT/N/YEM/120; 28 March 2018		Hazardous Substances in Electrical and Electronic Equipment
GCC Countries	G/TBT/N/ARE/406, G/TBT/N/BHR/517, G/TBT/N/KWT/399, G/TBT/N/OMN/349, G/TBT/N/QAT/516, G/TBT/N/SAU/1047, G/TBT/N/YEM/119 ; 23 April 2018	85	Electromagnetic Compatibility
Israel	G/TBT/N/ISR/1008; 12 March 2018	851610	Water Heaters
Israel	G/TBT/N/ISR/1009; 20 March 2018	853620, 853630, 853650, 853690, 853890	Miniature Automatic Circuit Breakers for A.C. Breakers

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