

Territorial NEWSLETTER Middle East & West Asia (MEWA)

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ENGINEERING THE FUTURE

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Chairman's Pen



T S Bhasin

MEWA (Middle East and West Asian Countries) has emerged as a region of strategic importance for India. The region provides a near substitute for India's traditional market of Europe and the US. While it accounts for about 19% of total exports from India to the world; in case of engineering products, the share is approximately 15% of India's total engineering exports. The region witnessed a growth of over 2% in engineering exports over the last three years (2012 to 2015). Trade between India and MEWA countries is expected to receive a boost once development of Chabahar port is completed. I hope that our members find this newsletter useful for taking business decisions.

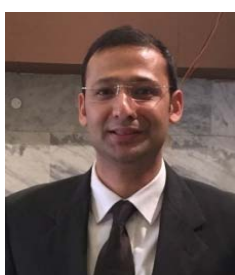
Message from Chairman, Committee on Trade with GCC countries



Ravi Sehgal

MEWA will continue to remain an importance region for India. This is because of evolving geo-politics and ongoing development of Chabahar port in Iran by India, agreement for which was signed in May, 2016. Further, a trilateral meeting was recently held between India, Afghanistan and Iran to extend Chabahar agreement further. Recently, discussions were held on Trilateral Agreement on Establishment of International Transport and Transit Corridor i.e. Chabahar Agreement During the meeting, it was decided to organize a connectivity event involving all stakeholders at Chabahar within two months to increase awareness about the new opportunities offered by Chabahar Port. I expect that with improved connectivity, trade between India and countries in the MEWA region will get a significant boost. It will also help India improve its trade with Afghanistan.

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



Mukul Khandelwal

India's export of engineering products to MEWA region continue a fluctuating trend as in in the previous month. Out of the top five countries, four countries realized negative growth rate for the month of July 2016 over the corresponding period July 2015. Kuwait is the only country showing positive growth. The newsletter also contains information on various events, exhibition and tenders in the region. I hope this newsletter will help exporters in taking informed business decisions.

I hope that export to other countries will also improve in the coming periods.

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Basic Facts: 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.

MEWA region at a glance

MEWA, as a region, accounts for about 19% of total exports from India to the world. In case of engineering products, the share is approximately 15% of India's total engineering exports. The region has witnessed a growth of over 2% in engineering exports over the last three years (2012 to 2015). However, India's export growth across countries is not uniform. India's export has performed relatively better in some countries in the region. **Country-wise trend in exports for top five countries with export value of over \$500 million is briefly delineated below.**

UAE: UAE is India's largest export destination in engineering products in the MEWA region. Total export of engineering products from India to UAE was valued at over \$5.1 billion in 2015. Export has increased at the rate of 3% approx during the period 2012 to 2015. **Five major export items from India in 2015 include Aircrafts Spacecrafts & Parts; Ships Boats & Floating Structures; Articles of Iron & Steel; Electric & Electronic Equipments; and Machinery.**

Saudi Arabia: Saudi Arabia is India's second largest export destination in engineering products in the MEWA region. India exported engineering goods worth \$2 billion to Saudi Arabia in 2015. Exports of engineering products to Saudi Arabia decreased at the rate of 1% during the period 2012 to 2015. **Five major export items from India to Saudi Arabia in 2014 were Machinery; Articles of Iron & Steel; Electric & Electronic Equipments; Vehicles; and aircraft Spacecrafts & parts.**

Islamic Republic of Iran: Iran appears to be the best country for India in terms of rate of growth in exports of engineering products from India. Exports of engineering products to Iran increased at the rate of 26% during the period 2012 to 2015. **Some major export items from India to Iran include Iron & Steel; Machinery; Electric & Electronic Equipments; and Vehicles.**

Oman: Exports of engineering products to Oman increased at relatively lower pace compared to Iran and UAE. It was valued at \$524 million in 2015. However, it was better than several other countries in the region. The rate of growth in export of engineering products from India for the three year period 2012 to 2015 was negative, about -7.5%. **Some major export items from India to Oman include Ships Boats & Floating Structures; Machinery; Electric & Electronic Equipments; Articles of Iron & Steel; and Vehicles.**

Qatar: Export of engineering goods from India to Qatar touched almost \$431 million in 2015. During the three year period 2012 to 2015, engineering exports from India increased at the rate of nearly 13%. **Some major export items from India to Qatar include Ships Boats & Floating Structures; Machinery; Articles of Iron & Steel; Electric & Electronic Equipments; and Vehicles.**

Developments in the India-Iran Chabahar Port Deal: Trilateral Meet

A Trilateral meeting was recently held between India, Afghanistan and Iran to take Chabahar agreement further. Discussions were held on Trilateral Agreement on Establishment of International Transport and Transit Corridor i.e. Chabahar Agreement which was signed in May, 2016 in Tehran in the presence of Prime Minister of India and Presidents of Iran and Afghanistan. During the meeting, it was decided to organize a connectivity event involving all stakeholders at Chabahar within two months to increase awareness about the new opportunities offered by Chabahar Port.

A bilateral Meeting was held between Nitin Gadkari Minister of Road Transport & Highways and Shipping, and Dr. Abbas Akhouni, Minister of Road and Urban Development, Iran. The two ministers reviewed the implementation of Chabahar Port contract and expressed satisfaction at the progress made. The two Ministers also emphasized the importance of the Trilateral Agreement on Establishment of International Transport and Transit Corridor (Chabahar Agreement) which provides necessary legal framework for movement of goods and passengers across the territories of India, Iran and Afghanistan. Minister Akhouni said that the Agreement was a turning point in regional connectivity and it will have positive impact.

The Ministers also emphasized the importance of International North-South Transport Corridor (INSTC). The two sides agreed to take steps for the promotion of the same. It was also decided to expedite the implementation of other projects between India and Iran including construction of the Chabahar-Zahedan Railway and India's investment in Chabahar Free Zone. They also discussed new projects relating to regional connectivity. An Iranian delegation headed by H.E. Dr. Abbas Akhouni, Minister of Road and Urban Development was on a visit to India to deliberate on the issue.

Location of Chabahar Port



Importance of Chabahar deal to India

- It is the nearest port to India on the Iranian coast, which provides access to the resources and markets of Afghanistan and Central Asia.
- It is located 76 nautical miles (less than 150km) west of the Pakistani port of Gwadar, being developed by China. This makes it ideal for keeping track of Chinese or Pakistani military activity based out of Gwadar.
- Also, Chabahar port is suitably located to serve India's outreach in the region to Afghanistan and beyond as well as link with International North-South Transport Corridor (INSTC) to which India is one of the initial signatories.
- The port will cut transport costs/time for Indian goods by a third.
- From Chabahar, the existing Iranian road network can link up to Zaranj in Afghanistan, about 883 kms from the port. The Zaranj-Delaram road constructed by India in 2009 can give access to Afghanistan's Garland Highway, setting up road access to four major cities in Afghanistan — Herat, Kandahar, Kabul and Mazar-e-Sharif

Trade trend analysis: MEWA region

The top 5 MEWA nations with the highest demand for Indian engineering products during July 2016 in value terms is shown in Table 3.

Country	Export in July 2016 (USD million)	Export in July 2015 (USD million)	Growth (%)
U A E	240.05	549.48	-56.31
SAUDI ARAB	94.48	110.29	-14.34
KUWAIT	60.63	23.58	157.09
IRAN	49.84	110.86	-55.04
OMAN	39.52	44.60	-11.37

Out of the top five, while two countries had realized a decline in import from India during June 2016 but for the month of July 2016 all the countries in top five experienced a negative growth except Kuwait. UAE which had experienced a positive growth rate in the month of June 2016 recorded a negative growth in July 2016. Only Oman is a country which continues to have positive growth, but the rate of growth has reduced in value Oman.

Analysis of top 15 engineering panels' exports as presented in Table 4 shows a good situation for India's engineering exports to MEWA. There are nine panels in which exports from India have increased during July 2016 compared to July 2015, the same as for the month of June 2016.

Name of the Panel	India's export in July 2016 (USD million)	India's Export in July 2015 (USD million)	Growth (%)
Products of Iron and Steel	110.10	107.28	2.63
Iron and Steel	66.19	139.97	-52.71
Electric Machinery	55.02	42.45	29.63
Copper and products	48.29	45.36	6.46
Industrial Machinery	47.65	38.10	25.06
Motor Vehicle/cars	42.87	40.21	6.62
Machinery for ATMs	22.43	22.82	-1.73
Aluminium and products	21.26	23.62	-9.97
Air condition and Refrigerators	19.29	25.82	-25.29
Pumps of all types	17.13	10.02	70.98
Auto Components/Part	15.08	16.60	-9.18

Nuclear Reactors	14.34	5.76	148.96
Construction Machinery	11.12	24.62	-54.83
Medical and Scientific Instruments	9.28	8.61	7.83
Two and Three Wheelers	8.85	7.98	10.93
Note: Panels marked in yellow realized positive growth during August 2016 Source: DGCI&S, Government of India			

News in Focus

Israel Monetary Policy August 2016

At its monetary policy meeting, the Bank of Israel (BoI) decided to leave the policy rate unchanged at 0.10%, in line with market expectations. The rate has been held at 0.10% since February 2015.

The BoI stated that the first estimate for second quarter growth was a positive surprise as GDP accelerated strongly over the first quarter. The main driver behind this number was soaring private consumption, supported by increasing wages and lower unemployment. However, the Bank urged caution since it is uncertain if this healthy growth rate will be sustained going forward. Regarding foreign trade, the Bank stated that exports were still lagging behind global trade activity.

Link: <http://www.focus-economics.com/countries/israel/news/monetary-policy/bank-of-israel-keeps-policy-rate-unchanged-in-august>

Saudi Arabia Inflation July 2016

Consumer prices rose 0.1% in July compared to the previous month, which was down from the 0.3% reading recorded in June. July's deceleration mainly reflected lower prices for food and construction products.

Inflation came in at 3.8% in July, which was below June's 4.1% print. Inflation remains at high levels due to cuts in subsidies for energy and some utilities that had been implemented early in the year. Annual average inflation in July rose from June's 3.2% to 3.4%, the highest rate in over two years.

Link: <http://www.focus-economics.com/countries/saudi-arabia/news/inflation/inflation-falls-in-july>

Israel: Exports plunge in July

According to the Central Bureau of Statistics (CBS), exports totaled USD 4.0 billion in July, which was down from June's USD 4.4 billion. The reading marked a 15.4% contraction over the same month of the previous year, which was a sharp deceleration from the 10.1% increase marked in June and the worst result in 10 months.

Meanwhile, imports totaled USD 5.6 billion in July, which was up from the USD 5.4 billion seen in June. Imports grew 3.2% over the same month of the previous year, which was above the flat reading seen in June.

The trade balance recorded a USD 1.6 billion shortfall in July, which was worse than the USD 0.9 billion deficit seen in June.

Link:<http://www.focus-economics.com/countries/israel/news/trade/exports-plunge-in-july>

Some upcoming Exhibitions in MEWA

Events	Date	Venue	Link
<u>IRAN COM</u> International IT & Smart Cities Exhibition. Iran Com is an International Exhibition dedicated to Computers, Internet, E-commerce, Office Machines, Information Technology, Telecommunications, and Smart Cities	02 - 06 September 2016	<u>Mashad Fair Grounds</u> , Mashad, Iran	http://www.eventseye.com/fairs/f-iran-com-23237-1.html
<u>ME-TRANSLOG</u> Middle East Transport & Logistics Expo	05 - 07 September 2016	<u>Oman International Exhibition Centre</u> , Muscat, Oman	http://www.metranslog.com/

Events	Date	Venue	Link
<u>MIDDLE EAST SMART LIGHTING & ENERGY SUMMIT</u> Energy Efficient Lighting Forum focusing on Street, Outdoor, Urban & Public Lighting in UAE. MIDDLE EAST SMART LIGHTING & ENERGY SUMMIT covers topics around smart technology, lighting design & upcoming lighting projects	26 - 27 September 2016	<u>Jumeirah at Etihad Towers,</u> Abu Dhabi , UAE	<u>http://www.eventseye.com/fairs/f-inter-build-jordan-13296-1.html</u>

For more contract notices, please register with Tender Info following the link:

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

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