

Territorial NEWSLETTER Middle East & West Asia (MEWA)

EEPCINDIA
ENGINEERING THE FUTURE

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Issue: August 2018

Chairman's Pen



Ravi Sehgal

Among the MEWA countries, Iran holds a place of great prominence for India as it can potentially serve as a gateway to several other countries in the region. But due to the sanctions from United States on the country, India is in a fix as Iran is the major supplier of energy for the country but with USA putting sanctions on the country and condition of not engaging with a country if the country enters into trade relation with Iran. For Indian engineering sector, USA is the biggest market.

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



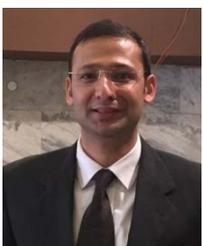
**Anoop
Marwaha**

of the MEWA region.

The current edition of the Newsletter focuses on the First Trilateral Meeting held in Kabul between Afghanistan, Republic of Iran and India to discuss issues relating to the Chabahar Port. Afghanistan showed its keenness to complete the project Chabahar port as soon as possible to ease the trade and business between the countries. India was in a fix with US again putting sanctions on Iran and has requested US to put the Chabahar port out of sanctions.

Further, it discusses the top engineering product bilaterally traded between India and countries

Message from Chairman, Committee on Trade with GCC countries



**Mukul
Khandelwal**

The growth in MEWA region has been both in terms of trade and investment. The progress in relations can be measured by the value of exports to the region which is over USD 597 million for the month of July 2018 over July 2017. The growth though saw a decrease of 2% for the same time period. Among the major importers in the region, with a value of USD 227 million, UAE remained the top importer for the Indian engineering goods. The panel wise analysis also shows the encouraging approach of Indian engineering export to MEWA, with 11 out of top 15 panels registering positive growth in July 2018 as compared to July 2017.

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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.

First Trilateral Meeting of Afghanistan, Iran and India

India and Iran reviewed the progress on completing the Chabahar Port project that will provide India a critical transport link to Afghanistan. The first tripartite meeting of the Islamic Republic of Afghanistan, the Islamic Republic of Iran and the Republic of India was held on September 11, 2018 at the Deputy Foreign Minister level in Kabul, Afghanistan. Afghanistan conveyed to both New Delhi and Tehran its keenness on the project's early completion.

The meeting was chaired by H.E Deputy Minister of Foreign Affairs Hekmat Khalil Karzai. The Indian and Iranian delegations were led by H.E Foreign Secretary Vijay Gokhale and Deputy Foreign Minister H.E Dr. Abbas Araghchi.



The meeting came days after Iran announced that it would hand over the maintenance and operation of Chabahar Port to India soon. The meeting focused on consolidating economic cooperation, including Chabahar, as well as enhancing cooperation on counter-terrorism, counter-narcotics, and continuing support to the peace and reconciliation process that is led and owned by Afghanistan. The three sides agreed to hold the next round of consultation at an appropriate time in India in 2019.

India has been under intense pressure from the United States to reduce its trade and commercial links with Iran in view of American sanctions against the Islamic Republic. India has asked the US to keep Chabahar Port out of the sanctions regime since the project was primarily aimed at providing humanitarian assistance to the war-affected people of Afghanistan.

The port is easily accessible from India's western coast and is increasingly seen as a counter to Pakistan's Gwadar Port, which is being developed with Chinese investment and is located 80 km from Chabahar.

The first phase of Chabahar Port was inaugurated by Iranian President Hassan Rouhani in December. Chabahar consists of two separate ports: Shahid Kalantari and Shahid Beheshti. The opening of first phase of Shahid Beheshti Port (out of five phases defined for the project), which has tripled its capacity to 8.5 million tons (equal to that of all the northern ports of the country), will allow the docking of super-large container ships (between 100,000 DWT and 120,000 DWT).

Chabahar Port is being considered a gateway to golden opportunities for trade by India, Iran and Afghanistan with Central Asian countries, besides ramping up trade among the three countries in the wake of Pakistan denying transit access to

India. Under an agreement signed between India and Iran in May 2016, India is to equip and operate two berths in Chabahar Port Phase-I with a capital investment of \$85.21 million and annual revenue expenditure of \$22.95 million on a 10-year lease.

India's latest trend in engineering exports to MEWA

India engineering export with MEWA – country wise during July 2018 is depicted in the table below. Nations which had the highest demand for Indian engineering products during July 2018 in absolute values include:

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

MEWA	July 2018	July 2017	Growth (%)
U A E	226.97	259.56	-12.56
Saudi Arab	85.58	106.72	-19.81
Israel	77.41	24.10	221.23
Oman	45.04	35.89	25.51
Kuwait	43.38	50.17	-13.54
Total MEWA	596.90	610.16	-2.17

Source: DGCI&S

UAE remained at the top for Indian engineering exports but registered a negative growth of over 12% in July 2018 over July 2017. The main engineering products exported to the country in July 2018 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 July 2018
(Values in US\$ Million)

DGCI&S Engineering Panels	July 2018	July 2017	Growth (%)
Iron and Steel	107.12	104.03	2.97
Products of Iron & Steel	70.10	89.54	-21.71
Ships Boats and Floating structures & parts	64.24	23.74	170.66
Motor Vehicle/cars	62.32	49.83	25.07
Electric Machinery	43.49	37.43	16.17
Industrial Machinery	35.94	32.75	9.73
Air condition and Refrigerators & parts	31.41	18.08	73.70
Aluminum and products	22.19	33.47	-33.70
Auto Components/Part	16.73	15.14	10.47
Machinery for ATMs	15.92	29.82	-46.61
Copper and products	14.01	69.20	-79.76
Medical and Scientific Instruments	12.01	12.00	0.13
Construction Machinery	11.23	9.50	18.17

Accumulator and Battery	10.20	6.12	66.66
Two and Three Wheelers	9.86	4.50	118.86

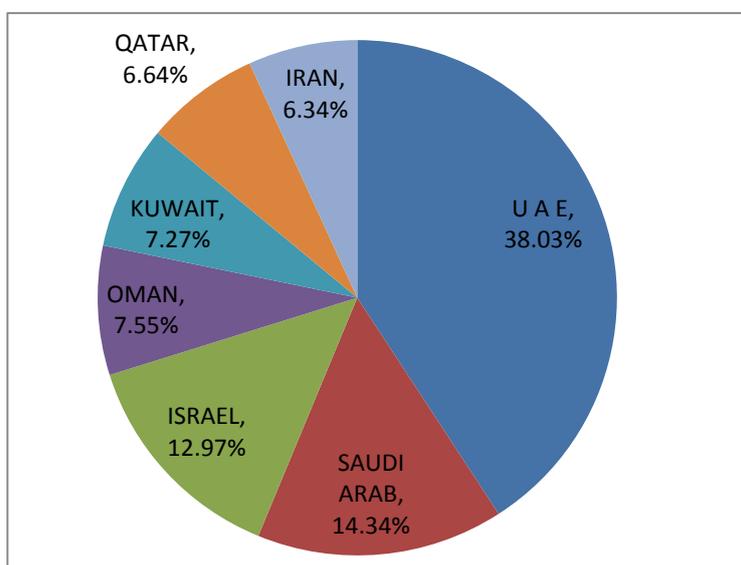
Note: Panels marked in yellow realized positive growth during July 2018

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 July 2018 as compared to July 2017.

The following pie chart demonstrates share of different MEWA countries in India's total export during July 2018.

Fig 2: India's engineering export share to top importing MEWA Countries (%) in July 2018



Source: DGCI&S

News in Focus

❖ Saudi Arabia: Supply shortages and strong fundamentals continue to support oil prices in August

Resilient global growth and concerns about supply shortages are shoring up oil prices. On 28 August, the OPEC oil basket traded at USD 74.8 per barrel, a 1.4% increase from the same day in July. The price was up 15.9% from the start of the year, and 49.9% higher than on the same day in 2017.

Global oil supply is under stress due to declining production in some key producing countries. Security threats are trimming down production in Libya and Nigeria, while U.S. sanctions are crippling Iran's oil exports. Moreover, oil production in Venezuela remains in free-fall due to years of underinvestment in the oil sector and

severe economic mismanagement. Meanwhile, despite escalating trade policy uncertainties and a cooling Chinese economy, global growth remains resilient which is driving demand for the black gold.

Source: <https://www.focus-economics.com/countries/saudi-arabia/news/commodities/supply-shortages-and-strong-fundamentals-continue-to-support>

❖ Bahrain EDB Attracts \$810m Record Investment As Gcc Opportunity Gathers Momentum

Bahrain EDB has attracted a record number of investment as businesses from around the world continues to look to Bahrain to access the opportunities in the \$1.5tn Gulf economy. In the first nine months of 2018, FDI inflows increased by 138% when compared to the same period of last year. This year, Bahrain EDB has already attracted a total of 76 companies, accounting for an investment of \$810m, breaking the 2017 record of 71 companies, and a total investment of \$733m.

Source: <https://bahrainedb.com/latest-news/bahrain-edb-attracts-810m-record-investment-as-gcc-opportunity-gathers-momentum/>

❖ Israel: Bank of Israel stands pat in August

The Monetary Committee of the Bank of Israel held fire and kept the interest rate steady at the historic low of 0.10%, where it has been since February 2015.

The decision was in line with market expectations and followed an increase in core inflation, which reached 1.0% in June and July—the highest level in over four years. Headline inflation has also risen in recent months, boosted by higher energy prices and the weakening of the Israeli currency against the U.S. greenback, and the Bank expects inflation to pick up further going forward on the back of higher wages, robust private consumption and a loose fiscal policy.

Source: <https://www.focus-economics.com/countries/israel/news/monetary-policy/bank-of-israel-stands-pat-in-august>

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; 20 March 2018	8422	Dishwasher
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,		Hazardous Substances in Electrical and Electronic Equipment

	G/TBT/N/YEM/120; 28 March 2018		
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

For any queries about this service, please feel free to contact us at eepcho@eepcindia.net, srajagopalan@eepcindia.net, ddas@eepcindia.net.

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