

Territorial NEWSLETTER Middle East & West Asia (MEWA)

EEPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



Ravi Sehgal

Bahrain has grown successfully over the past several years; due to its liberal economic policies and the clear roadmap that aims to achieve prosperity for the society. The country's economy continued its upward trajectory in 2018 with a real GDP growth rate estimated at %1.8. The Non-oil sectors, manufacturing industries, and the financial sector have achieved %2.5 growth rate during 2018. Bahrain imposes no taxes on personal income. Most companies are not subject to a corporate tax, but a 46 percent tax is levied on oil companies. The overall tax burden equals 5.6 percent of total domestic income

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

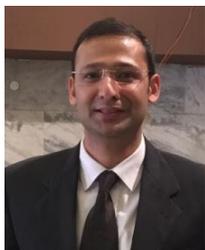
Message from Chairman, Committee on Trade with West Asia other than GCC countries



**Anoop
Marwaha**

The current edition of the Newsletter focuses on Monthly Economic and Commercial Report for the Month of January 2019- Bahrain. The combined value of exports and imports is equal to 139.6 percent of GDP. The average applied tariff rate is 3.1 percent. As of June 30, 2018, Bahrain had seven nontariff measures in force. The banking sector remains well capitalized. Foreign and domestic investors have access to a wide range of financial services. 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 687 million for the month of December 2018 over December 2017. The growth though saw fall of over 2% for the same time period. Among the major importers in the region, with a value of USD 268 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 7 out of top 15 panels registering positive growth in December 2018 as compared to December 2017.

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.

Monthly Economic and Commercial Report for the Month of January 2019- Bahrain

India - Bahrain Bilateral Trade Past 5 Years [April 2013 – March 2018]

Amount in Rs. Crores/US \$ Million

Details	April 2013-	April 2014-	April, 2015-	April, 2016-	April 2017 –
	Mar-14	Mar-15	Mar-16	March, 2017	March, 2018
India's exports to Bahrain	Rs.3,763.21	Rs.2,896.51	Rs. 4,259.10	Rs.3,162.28	Rs.3,588.85
	(\$639.36)	(\$472.98)	(\$654.10)	(\$471.71)	(\$556.82)
India's imports from Bahrain	Rs.3,448.88	Rs. 2,720.04	Rs. 2,338.66	Rs.1,950.85	Rs.2,782.93
	(\$563.24)	(\$446.25)	(\$356.90)	(\$290.69)	(\$431.12)
Total trade	Rs. 7,212.09	Rs. 5,616.56	Rs. 6,597.77	Rs.5,113.43	Rs.6,371.78
	(\$1,202.60)	(\$919.23)	(\$1,011.00)	(\$762.40)	(\$987.94)

Source: DGCIS

Comparison of Current Bilateral trade with Bahrain for the same period in previous years

(Amount in Rs. Crores /US\$ Mn – as per DGCIS, New Delhi, as on 20.2.2019)

Details	April, 2016 - Dec, 2016	April, 2017 - Dec, 2017	April, 2018 –Dec 2018	Current Growth %
India's exports to Bahrain	Rs 2467.47 (\$367.77)	Rs.2580.19 (\$ 400.16)	Rs 4018.01 (\$ 572.39)	43.04%
India's imports from Bahrain	Rs 1594.64 (\$237.55)	Rs. 1989.03 (\$ 308.03)	Rs. 3278.46 (\$ 468.95)	52.24%
Total Trade	Rs 4062.11 (\$ 605.32)	Rs 4569.22 (\$ 708.19)	Rs. 7296.47 (\$1041.34)	47.04 %

Significant trends in our current bilateral trade are as follows:

- i. As per our Ministry of Commerce & Industry statistics for the financial year April, 2017-March, 2018, growth in our exports to Bahrain has been 18.04%, almost double as compared with overall growth rate of 9.98% of our global exports in same period last year. Bilateral trade also increased by 29.58%.
- ii. During the period April–Dec. 2018 also (as per our Ministry of Commerce & Industry), India's exports to Bahrain has increased by 43.04% and the overall trade has also increased by 47.04%, as compared with same period last year. There is significant shift in items of exports to Bahrain from traditional items like food stuff, gems & jewellery etc. to nuclear reactors, boilers, machinery and mechanical appliances, parts thereof (46.52% increase); ships boat and structure; natural or cultured pearls, precious or semi precious stones, pre-metal, clad with pre-metal and atcls thereof, imitation jewelry, coin (102.8%) plastic & articles thereof (32.98%); mineral fuels, mineral oils & products of their distillation (128.98%) etc. Main items of import by India from Bahrain were; mineral fuels, mineral oils and products of their distillation; aluminium and articles thereof; ores, slags and ashes; Fertilisers; natural or cultured pearls, precious or semi precious stones, pre-metal, clad with pre-metal and atcls thereof, imitation jewelry, coin etc.
- iii. As per Bahraini statistics, India's exports to Bahrain has increased by 18.80% during 2018. India-Bahrain bilateral trade for 2018 [Jan-Dec] reached US\$1.079 bn - an increase of 24.63% for second consecutive year. India-Bahrain bilateral trade for 2017 [Jan-Dec] had increased by almost 34%.
- iv. Bahraini statistics also show that, for the year 2018, as against the increase of approximately 10.49% in Bahrain's overall global trade, India's bilateral trade with Bahrain has increased by almost 24.63% reaching US\$ 1079.11mn. It is almost same trend as compared to the year 2017, when against the increase of approximately 10% in Bahrain's overall global trade, India's bilateral trade with Bahrain had increased by almost 34% reaching.
- v. India's share in Bahrain's overall global trade has also increased from 3% in 2015 to 4.8% during 2018. Share of India's exports in overall global import by Bahrain has also increased from 4.1% in 2015 to 5.17% during 2018.

vi. As during 2017, in 2018 also India has become 5th largest trading partner of Bahrain after Saudi Arabia, China, UAE and US.

2. Indian Investment in Bahrain (company-wise and sector-wise), and performance of existing Indian Subsidiaries/Joint Ventures/Collaborations, if any in Bahrain -

Indian investment in Bahrain: As per EDB (and MOIC&T), Bahrain, there are 23 branches of prominent Indian cos. and other 3,181 companies registered in Bahrain with Indian partnership (as highlighted during EDB’s official delegation to Mumbai on 5.12.2018. As per FDI Intelligence reports, India’s investment into Bahrain was valued at US\$ 1688.50 mn in September, 2017. As per media article on 15.8.2018 (quoting MOICT), total FDI in the Kingdom is close to BD 4 bn and the topmost investing country is India with 13,000 investors (with total BD 640 mn or US\$1702 mn appx.).

Bahrain’s investment in India: As per RBI/DIPP statistics, cumulative FDI equity inflows from Bahrain into India have registered marked increase in recent years (US\$ 169.49 mn in Sept., 2018 – it being only US\$ 49.31mn in March, 2015) as highlighted in table below:

Period	cumulative FDI equity inflows from Bahrain into India (US\$ Mn)	% growth
March, 2018	164.60	13.58%
March, 2017	144.92	124.16%
March, 2016	64.65	31.10%
March, 2015	49.31	52.52%
March, 2014	32.33	

Recently Investcorp has acquired the private equity and real estate investment management businesses of IDFC Alternatives (a subsidiary of IDFC). Combined assets under management (AUM) of the businesses are approximately \$430 mn. Investcorp has plans for the years ahead particularly in grassroots consumption driven businesses within the healthcare, consumer products, financial services, food and agriculture, media and telecom sectors.

3. Bahrain economy: As per EDB’s BEQ (Q4) report (as on 24.2.2019), after a period of very strong expansion, GDP growth dynamics in Bahrain have become somewhat more volatile as well as more measured. Headline growth in 2018 is now likely to fall significantly (it being only 2%) below the 2017 figure (it was 3.8% then). This is, to a large extent, due to a larger-than-expected contraction in oil sector (negative growth being 1% as compared to .7% in 2017), but also reflects more subdued non-oil momentum. Non-hydrocarbon sector grew only 2.7% during 2018 as compared to 4.9% during 2017. Going forward, non-oil growth will be pulled down due to implementation of Fiscal Balance Programme reducing annual government expenditure by some BHD800mn. On the other hand, however, non-oil activity will benefit from the launch and scaling to capacity of Alba Line 6 as well as the implementation of important further infrastructure projects, such as the Bapco Modernization Program and the Khalijj al Bahrain oil field development. Projection for GDP growth in the next two years is in the range of 2-2.5%.

India's latest trend in engineering exports to MEWA

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

Table2: Engineering Exports to MEWA

(Values in US\$ Million)

MEWA	December 2017	December 2018	Growth (%)
U A E	292.52	268.61	-8.17
Saudi Arab	184.69	172.57	-6.56
Oman	69.92	104.30	49.16
Kuwait	46.31	53.45	15.41
Israel	27.76	24.68	-11.11
Total MEWA	706.64	686.55	-2.84

Source: DGCI&S

UAE remained at the top for Indian engineering exports but with a negative growth of almost 8% in December 2018 over December 2017. The main engineering products exported to the country in December 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 December 2018

(Values in US\$ Million)

DGCI&S Engineering Panels	December 2017	December 2018	Growth (%)
Motor Vehicle/cars	124.66	109.85	-11.88
Iron and Steel	146.96	90.66	-38.31
Products of Iron & Steel	113.77	83.23	-26.84
Ships Boats and Floating Structures & parts	3.68	69.92	1801.26
Air condition and Refrigerators & parts	26.63	41.94	57.51
Electric Machinery	39.41	39.92	1.27
Industrial Machinery	41.15	35.11	-14.67
Aluminum and products	20.46	23.28	13.81
Auto Components/Part	18.29	21.36	16.80
Machinery for ATMs	33.12	19.97	-39.70
IC Engines and Parts	6.13	14.11	130.29
Copper and products	22.96	12.39	-46.05
Construction Machinery	13.37	12.32	-7.87
Medical and Scientific Instruments	12.36	12.01	-2.81
Nuclear Reactors, Industrial Boilers etc	4.28	11.78	175.42

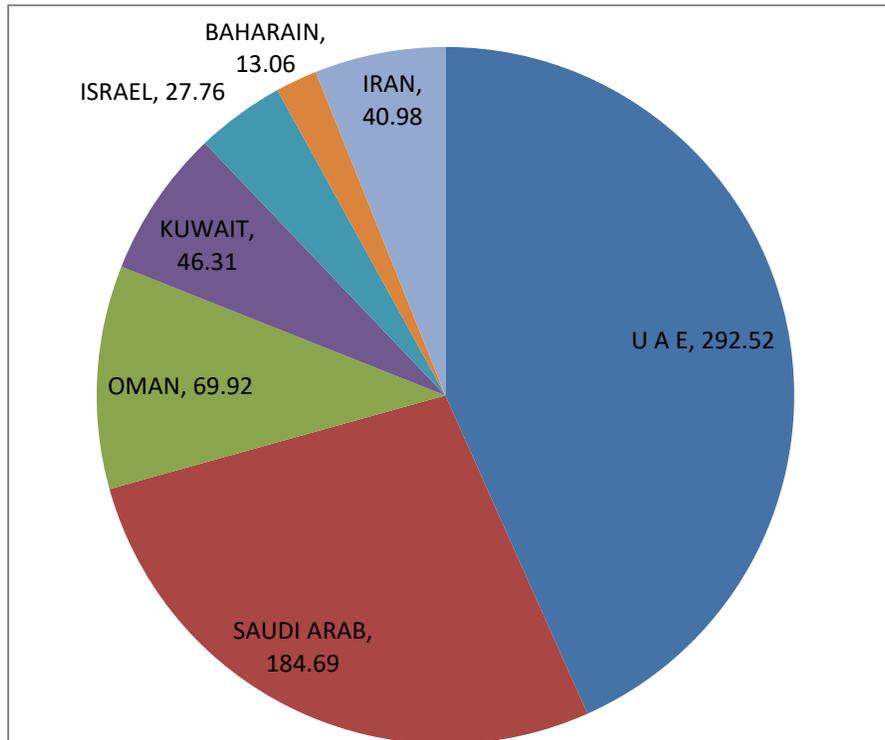
Note: Panels marked in yellow realized positive growth during December 2018

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 only seven panels in which exports from India have increased during December 2018 as compared to December 2017.

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

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



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; 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,		Hazardous Substances in Electrical and Electronic

	G/TBT/N/QAT/517, G/TBT/N/SAU/104, G/TBT/N/YEM/120; 28 March 2018		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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