

Territorial NEWSLETTER Middle East & West Asia (MEWA)

EPCINDIA

ENGINEERING THE FUTURE

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Chairman's Pen



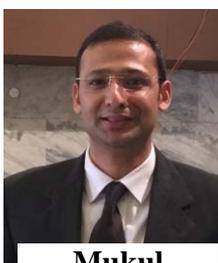
India has recently been strengthening ties with the nations of Middle East and West Asia (MEWA) region. The frequent visits and signing of various agreements are a sign of the building of the relations between India and the MEWA nations. India has signed several agreements with these nations not only for trade but also for investments. India's economic relations with the Gulf Cooperation Council is driven by one major factor, Energy, India has been heavily dependent on energy supplies from the region. But the

Ravi Sehgal

relationship is getting more diversified and productive expanding over other sectors like medical, research, education etc. This edition of the newsletter focuses on the India-United Arab Emirates relations. The trade and investment ties are growing between the nations also with a US\$ 75 billion investment fund being formed to encourage FDI into India by UAE. A Comprehensive Strategic Partnership between the two countries is on paper aiming to making the bond stronger between India and UAE.

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

Message from Chairman, Committee on Trade with GCC countries



**Mukul
Khandelwal**

Middle East and West Asia is growing with strengthening of ties with the nations of the MEWA region. This strength in relations can be seen from the value of engineering exports to the region by India for the month of May 2018 as compared to May 2017.

The export of engineering products by India to MEWA was valued at around USD 1.13 billion in May 2018 as compared to USD 1.21 billion in May 2017. UAE remained the top importer of the region for the Indian engineering goods but with a negative growth rate of over 17%. The panel wise analysis also shows a decent picture of the Indian engineering exports to MEWA, with only 6 out of top 15 panels registering a positive growth in May 2018 compared to May 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.

India-UAE strengthening bond

UAE has emerged as India's preferred partner in the MEWA region. Additionally, regular meetings between ministers and officials have been held in New Delhi and Abu Dhabi to discuss issues of mutual interest and strengthening bilateral cooperation.

Indo-UAE relations have reached an extraordinary level of friendship. The two sides have developed a deeper appreciation of each other as a multi-cultural and multi-ethnic society and important members of the global and regional community, as is reflected by the joint statement issued by both sides timely.

In January 2017, India and the UAE signed a Comprehensive Strategic Partnership (CSP) agreement to give a new impetus to the strong bilateral relations. The focus areas in the CSP were economy with emphasis on two-way flow of investments, cooperation and defence ties. Since then, the two sides have been working to realize the goals of forging a strong strategic partnership through regular exchange of visits, improve bilateral trade and investments. Though, there are

concerns about the slow progress in realization of the US\$75 billion investment fund from the UAE for infrastructure development in India that was agreed in August 2015.

Strengthening Economic Partnership

The most important and comprehensive aspect of Indo-UAE bilateral ties relates to economic and commercial ties. The UAE is not only the largest trading partner for India in the MEWA region but also the third largest in the world. It is the second largest export destination and fourth largest source of imports for India. On the other hand, India is second largest trading partner, third largest export destination and fourth biggest source of imports for the UAE.

Bilateral trade has witnessed a drop in terms of value since 2013-14 (when it was US\$59.5 billion) due to the steep drop in oil prices. It stood at US\$49.88 billion in 2017-18. Certainly, there exists a potential to improve current levels of trade and this is recognized by both sides. The two sides further decided to examine various tariff and non-tariff barriers to expand access of goods and services in both markets.



Investments

Attracting global investments has been a priority for India. A number of projects such as *Make in India*, *Smart City*, *StartUp India* etc. are focused on attracting foreign investments. UAE has promised to bring significant investments in India, including the promised deal of a US\$75 billion investment fund, though the progress on this investment fund has been slow. The UAE is the 10th largest global investor in India and the leading country in the MEWA region with a cumulative investment of US\$5.75 billion between April 2000 and March 2018. In fact, 2017-18 witnessed one of the highest inflow of FDI from the UAE with US\$1.05 billion. In addition, many UAE companies have investments in India through sister concerns and joint ventures and according to the MEA, total investments in India from the UAE including the FDI is US\$8 billion.

Challenges

India and UAE have made significant progress toward achieving the comprehensive strategic partnership signed in January 2017. However, further progress will depend on successfully dealing with domestic and regional challenges.

Firstly, procedural issues including lack of planning, lack of complete information, continue to remain a challenge for foreign investors despite significant efforts by the government in this direction to make investments easy and convenient. While checks and regulations are needed, better streamlining of the procedures and processes help in easing the business for both sides.

There are regional geopolitical challenges in the Persian Gulf and the Middle East that India needs to deal without having any control over them. Regional turmoil, civil wars, internal strife, geopolitical competitions have become a hallmark of the Middle East and this has complicated India's options. India has thus far been able to maintain friendly relations with competing regional actors such as Saudi Arabia, Iran, the UAE, Qatar and Israel but given the escalation in rivalry between Saudi Arabia and Iran, the growing tensions and fear of rupture within the Gulf Cooperation Council (GCC), along with calls from Israel and the US to isolate Iran, has made India's choices difficult.



The political and diplomatic rift within the GCC that threatened the breaking down of the grouping has created serious headache for India. Though the initial anxieties about security and rescue of Indian nationals proved premature, the issue has not been resolved making it a diplomatic problem for New Delhi. India has

friendly relations with Qatar, which is the largest supplier of LNG to India and more than 800,000 Indian expatriate workers live in the Emirate. This means that India cannot take risk of alleviating Qatar. New Delhi will thus have to adjust foreign policy with this new reality of rupture within the GCC. It can no longer think of GCC as a block and will have to keep the sensitivities of individual countries in view while dealing with the other.

Conclusion

While a lot of progress has been made in Indo-UAE bilateral relations, many areas remain untapped. For example, there is potential to improve bilateral partnership in the hospitality, medical, education, renewable energy and research sectors. The UAE has significantly invested in renewable energy sector and India can seek partnership in this field to be able to harness its own renewable energy sources and move towards a future of sustainable development.

In the year and half since the signing of the Comprehensive Strategic Partnership agreement, India and the UAE have made significant progress towards realization of its goals. The future of Indo-UAE relations are bright and the way forward to develop a greater basis for a strategic partnership to safeguard its core national interests while avoiding regional entanglements.

India's latest trend in engineering exports to MEWA

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

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

MEWA	May 2017	May 2018	Growth (%)
U A E	954.16	783.04	-17.93
SAUDI ARAB	70.87	87.46	23.41
QATAR	16.76	60.85	263.01
OMAN	25.43	59.77	135.00
IRAN	39.11	39.01	-0.27
Total MEWA	1,209.28	1,127.12	-6.79

Source: DGCI&S

UAE remained at the top for Indian engineering exports but registered a negative growth of over 17% in May 2018 over May 2017. The main engineering products exported to the country in May 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 May 2018
(Values in US\$ Million)

DGCI&S Engineering Panels	May 2017	May 2018	Growth (%)
Ships, Boats and Floating Structures	678.39	593.36	-12.53
Products of Iron and Steel	89.15	88.57	-0.64
Iron and Steel	62.53	81.10	29.71
Motor Vehicle/cars	23.88	51.56	115.92
Air condition and Refrigeration Machinery and Parts, Industrial Furnaces, Water heaters and Centrifuges and Compressor	22.25	46.20	107.67
Electric Machinery and Equipment	47.98	40.75	-15.07
Industrial Machinery	37.44	28.09	-24.97
Other Construction Machinery	15.03	22.61	50.46
Aluminum and products made of	29.81	22.06	-26.01

Aluminum			
Copper and products made of copper	68.28	19.68	-71.17
Machinery for ATMs, Injecting Moulding machinery, valves, etc	27.82	15.55	-44.10
Auto Components/Parts	14.65	11.62	-20.67
Medical and Scientific Instruments	12.46	11.49	-7.72
Zinc and products made of zinc	5.07	10.81	113.42
Nuclear Reactors, Industrial Boilers and Parts	6.24	10.30	65.20

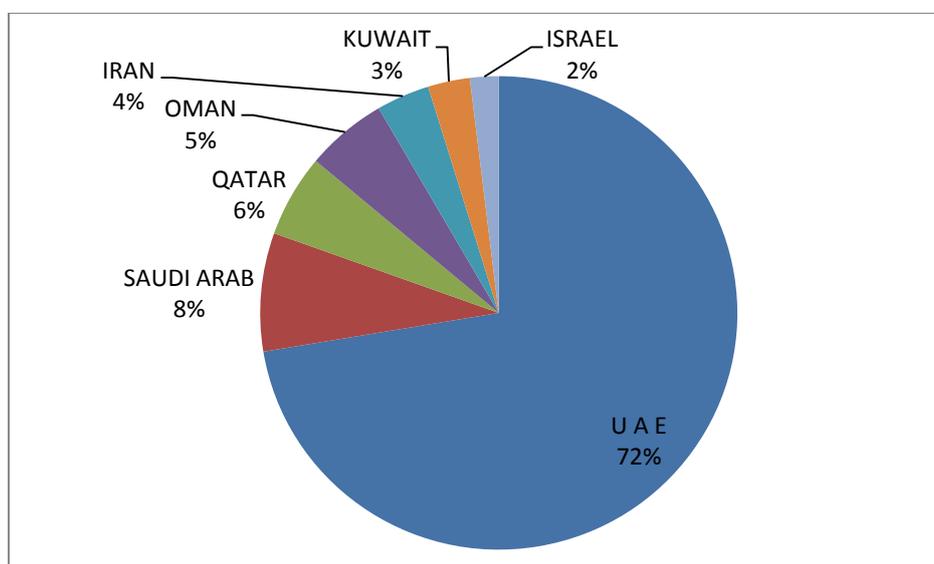
Note: Panels marked in yellow realized positive growth during May 2018

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 six panels in which exports from India have increased during May 2018 as compared to May 2017.

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

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



Source: DGCI&S

News in Focus

❖ Saudi budget deficit narrows to 7.36b riyals in Q2 -finance ministry

Saudi Arabia's budget deficit narrowed to 7.36 billion Saudi riyals (\$1.96 billion) in the second quarter from 34.3 billion riyals in the first quarter.

The kingdom, which is working on a number of economic reforms aimed at diversifying its oil-reliant economy, has forecast a deficit of 195 billion riyals or 7.3 per cent of gross domestic product (GDP) this year, down from 230 billion last year. It aims to balance its budget by 2023.

Source: <https://gulfnews.com/business/economy/saudi-budget-deficit-narrows-to-7-36b-riyals-in-q2-finance-ministry-1.2263670>

❖ Abu Dhabi GDP up 9% in first quarter

The gross domestic product (GDP) of the emirate of Abu Dhabi grew to Dh223.6 billion in the first quarter of 2018, up 9 per cent to from Dh205.1 billion in the first quarter of 2017.

In a statement released by Statistics Centre–Abu Dhabi (SCAD) on Saturday, Abu Dhabi's oil GDP grew by 18 per cent to Dh86.6 billion during the first quarter of 2018, up from 73.4 in the first quarter of 2017, constituting 38.8 per cent of the emirate's first quarter GDP.

Source: <http://www.worldbank.org/en/news/press-release/2018/04/16/growth-expected-to-rebound-in-middle-east-and-north-africa>

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EEPC India MEWA Territorial Newsletter

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