

Territorial NEWSLETTER Middle East & West Asia (MEWA)

EPCINDIA

ENGINEERING THE FUTURE

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Chairman's Pen



Ravi Sehgal

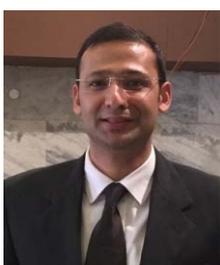
India pursue a multi-dimensional engagement with the Middle East and West Asia. A lot of focus is often given to India's 'Act East' policy, India's 'Look West' policy too has evolved rapidly in line with engaging with the MEWA region. India's robust engagements with the Arab Gulf states is very dynamic

Trade and economic ties are becoming central to the India and Middle East and West Asia relationship. This relation will go a long way in transforming a traditional buyer-seller relationship

to a long-term investor relationship with stakes in each other's strategic sectors in these regions and India. India's engagement with the Middle East should now focus on delivering on its commitments and strengthening its presence as an economic and security partner.

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



**Mukul
Khandelwal**

between India and MEWA region for the field of trade and investment saw a change on this path. This change is reflected in the export figures of the month of February 2018 where the exports fall by approx 30% over the month of February 2017. The export of engineering products by India to MEWA was valued at over USD 607 million in February 2018 as compared to February 2017. UAE remained the top importer of the region for the Indian engineering goods but with a negative growth rate of over 52%. The panel wise analysis also shows more encouraging approach of the Indian

engineering exports to MEWA, with 11 out of top 15 panels registering a positive growth in February 2018 compared to February 2017.

The current edition also presents a brief insight on the total trade pattern of the engineering sector in MEWA region. Further, it discusses the top engineering product bilaterally traded between India and countries of the MEWA region.

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NEWSLETTER – Middle East & West Asia (MEWA)

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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.

Indian Prime Minister's visit to Oman and UAE

The President of the Islamic Republic of Iran, Dr. Hassan Rouhani, paid his first State Visit to India in February 2018. He was accompanied by a high-level delegation comprising Cabinet Ministers, senior officials and business leaders. Wide-ranging and constructive discussions on bilateral, regional and multilateral issues were held. Both countries leaders were satisfied with the progress made in bilateral ties of the two nations and expressed their interests to further intensify and strengthen multifaceted bilateral cooperation.

The two leaders shared the view that strengthened bilateral relations also contribute to regional cooperation, peace, prosperity and stability. They agreed to further intensify and diversify the existing high-level engagement through frequent and wider range of bilateral exchanges and also decided to convene a meeting of the India-Iran Joint Commission and all its Working Groups, Foreign Office Consultations, dialogue between defense and National Security Council structures of the two countries, Policy Planning dialogue, and to promote Parliamentary exchanges.

India and Iran have recognized the unique role they can play in promoting multi-modal connectivity within and across the region. The successful inauguration of the Phase-1 of Chabahar Port in December 2017; the ratification of the Trilateral Agreement between India, Iran and Afghanistan on Establishment of International Transport and Transit Corridor and the successful shipment of wheat assistance from India to Afghanistan through Chabahar Port have opened a new gateway to Afghanistan, Central Asia and beyond for India.

The Iranian side welcomed the investment of Indian side in setting up plants in sectors such as fertilizers, petrochemicals and metallurgy in Chabahar FTZ on terms mutually beneficial to the concerned parties. In this regard, India conveyed its readiness to support the development of Chabahar- Zahedan Rail line. Both the countries encouraged greater efforts by the MSMEs for cooperation in railway sector including supply of steel rails, turnouts and locomotives. India's accession to TIR Convention and Ashgabat Agreement was welcomed as additional steps at enhancing regional connectivity and linking regional centers of economic growth.

A joint postage stamp depicting Deendayal Port, Kandla and ShahidBeheshti Terminal, Chabahar that reflected the enhanced prosperity through greater connectivity was released by the leaders of the two countries. The Iranian side expressed its readiness to enhance enabling environment to attract Indian private/public sector investments, in Chabahar FTZ. Also, Iran will organise a business promotional event with the objective of showcasing the economic opportunities offered by the Chabahar Port.

Trade and Investment Cooperation

The Iranian side recognized the need to put in place an effective banking channel for business transactions to deepen trade and investment cooperation between the two countries. It was noted that permission for the Iranian Pasargad bank to open a branch in India was under advance consideration. It was also agreed to set up a Joint Committee of officials to examine feasible options, including Rupee-Rial Arrangement, Asian Clearing Union mechanism to establish functional payment channels.

The finalisation of the Double Taxation Avoidance Agreement was welcomed as a step that would promote business environment. The two sides agreed to undertake text based negotiations on Preferential Trade Agreement as well as conclusion of Bilateral Investment Treaty in a fixed time frame.

Regional and International Issues

India and Iran both sides stressed that the interests of peace and stability in the region are best served by a strong, united, prosperous, pluralistic, democratic and independent Afghanistan while supporting the National Unity Government in the country. They stressed the significance of strengthening India-Iran-Afghanistan trilateral consultations and coordination, including by suitably supplementing their cooperation on Chabahar. In this context, they also called upon the countries of the region to come forward for enhancing regional connectivity and take steps to do away with the obstacles on land transit.

A list of MoUs/Agreement signed during the visit of President of Iran to India is given below:

Name of MoUs/Agreements

Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on Income.

MoU on Exemption from Visa requirement for holders of Diplomatic Passports.
Exchange of Instrument of Ratification of Extradition Treaty.
Lease Contract for Shahid Beheshti Port- Phase 1 of Chabahar during Interim Period between Port and Maritime Organization (PMO), Iran and India Ports Global Limited (IPGL).
MoU on Cooperation in the field of Traditional Systems of Medicine.
MoU on the establishment of an Expert Group on Trade Remedy Measures to promote cooperation in areas of mutual interest.
MoU on Cooperation in the field of Agriculture and Allied Sectors.
MoU on Cooperation in the field of Health and Medicine.
MoU on Postal Cooperation.

India's latest trend in engineering exports to MEWA

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

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

MEWA	February 2018	February 2017	Growth (%)
U A E	259.62	542.54	-52.15
SAUDI ARAB	104.32	116.12	-10.16
QATAR	53.12	16.12	229.58
OMAN	39.90	42.11	-5.24
IRAN	36.34	37.69	-3.58
Total MEWA	606.94	869.00	-30.16

Source: DGCI&S

UAE remained at the top for Indian engineering exports but registering a negative growth of 52% in February 2018 over February 2017. The main engineering products exported to the country in February 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 February 2018
(Values in US\$ Million)

DGCI&S Engineering Panels	February 2018	February 2017	Growth (%)
Products of Iron & Steel	85.23	115.29	-26.08

Iron and Steel	83.93	108.08	-22.34
Motor Vehicle/cars	63.06	71.39	-11.67
Electric Machinery	51.37	32.78	56.70
Copper and products	41.89	31.06	34.88
Industrial Machinery	36.59	25.74	42.16
Ships Boats and Floating Structures and Parts	32.20	309.17	-89.59
Air condition and Refrigerators & parts	26.09	25.01	4.32
Machinery for ATMs	23.51	21.68	8.47
Aluminium and products	21.27	11.83	79.80
Auto Components/Part	16.91	11.70	44.48
Pumps of all types	15.79	6.29	151.00
Construction Machinery	15.01	14.18	5.82
Nuclear Reactors	12.49	6.71	86.21
Zinc and products	11.44	4.51	153.39

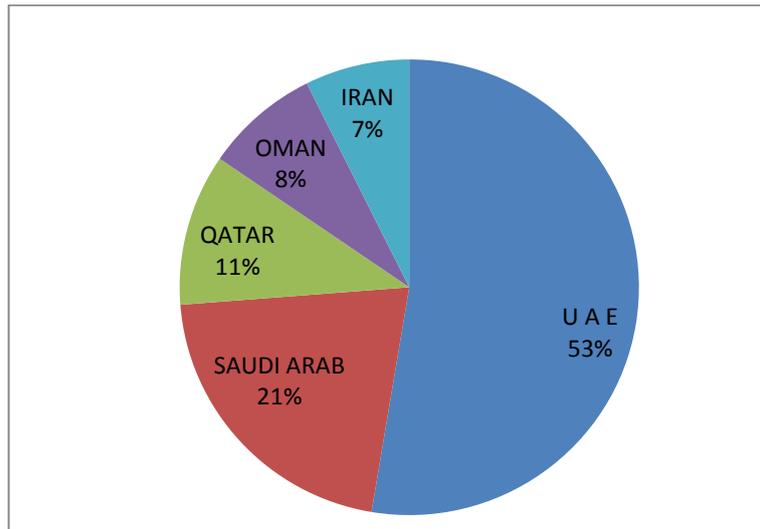
Note: Panels marked in yellow realized positive growth during February 2018

Source: DGCI&S

Analysis of top 15 engineering panels' exports as presented in Table 3 shows a good situation for India's engineering exports to MEWA countries. There are eleven panels in which exports from India have increased during February 2018 as compared to February 2018.

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

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



Source: DGCI&S

News in Focus

❖ **United Arab Emirates:** Inflation inches down

Inflation eased from 4.8% in January—the highest level since August 2015—to 4.5% in February. Annual average inflation inched up from 2.2% in January to 2.3% in February.

Source:<https://www.focus-economics.com/countries/united-arab-emirates/news/inflation/inflation-inches-down-in-february>

❖ **Economic activity picks up in Israel**

The Bank of Israel's (BoI) Composite State of the Economy Index rose 0.36% on a month-on-month basis, accelerating markedly from January's downwardly-revised 0.23% increase (previously reported: +0.28% month-on-month) and marking the fastest pace of growth since November 2016..

Source:<https://www.focus-economics.com/countries/israel/news/economic-sentiment/economic-activity-picks-up-in-february>

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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