

# Territorial NEWSLETTER Middle East & West Asia (MEWA)

**EEPCINDIA**  
ENGINEERING THE FUTURE

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## Chairman's Pen



**Ravi Sehgal**

The Kingdom of Bahrain's overall growth is projected to remain at an average of 2.1% over 2019-2020, and non-oil growth to slow to 2.4%, due to front-loaded FBP fiscal measures and tapering megaproject investments. Growth will resume in outer years as efficiency gains from reforms materialize. Inflation is expected to increase to 3% in 2019-2020, given the imposition of the VAT in 2019 and additional proposed energy tariff hikes. Oil revenues support 85 percent of the government budget. A banking and financial services hub, Bahrain is the regional home for many multinational firms.

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

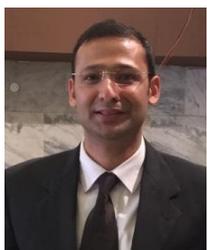


**Anoop  
Marwaha**

The current edition of the Newsletter focuses on Monthly Economic and Commercial Report for the Month of March 2019 of Bahrain. 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. Over the past three years, government spending has amounted to 35.3 percent of the country's output (GDP), and budget deficits have averaged 17.2 percent of GDP. Public debt is equivalent to 90.3 percent of GDP.

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 573 million for the month of February 2019 over February 2018. The growth though saw fall of over 5% for the same time period. Among the major importers in the region, with a value of USD 256 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 February 2019 as compared to February 2019.

## 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 March 2019- Bahrain

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

Amount in Rs. Crores/US \$ Million

Details	April 2013- March 2014	April 2014- March 2015	April, 2015- March 2016	April, 2016- March, 2017	April 2017 – March, 2018
India's exports to Bahrain	Rs.3,763.21 (\$ 639.36)	Rs.2,896.51 (\$ 472.98)	Rs. 4,259.10 (\$ 654.10)	Rs.3,162.28 (\$ 471.71)	Rs.3,588.85 (\$556.82)
India's imports from Bahrain	Rs.3,448.88 (\$ 563.24)	Rs. 2,720.04 (\$ 446.25)	Rs. 2,338.66 (\$ 356.90)	Rs.1,950.85 (\$ 290.69)	Rs.2,782.93 (\$431.12)
Total trade	Rs. 7,212.09 (\$ 1,202.60)	Rs. 5,616.56 (\$ 919.23)	Rs. 6,597.77 (\$ 1,011.00)	Rs.5,113.43 (\$ 762.4)	Rs.6,371.78 (\$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 28 March 2019

Details	April, 2016 - Jan, 2017	April, 2017 - Jan, 2018	April, 2018 – Jan 2019	Current Growth %
<b>India's exports to Bahrain</b>	Rs 2663.16 (\$396.52)	Rs.2859.77 (\$ 444.09)	Rs 4410.35 (\$ 627.86)	41.38%
<b>India's imports from Bahrain</b>	Rs 1717.57 (\$255.61)	Rs. 2163.91 (\$ 335.51)	Rs. 3451.17 (\$ 493.36)	47.04%
<b>Total Trade</b>	Rs 4380.73 (\$ 652.13)	Rs 5023.68 (\$ 780.00)	Rs. 7861.52 (\$1121.22)	43.74 %

### 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-Jan. 2019 also (as per our Ministry of Commerce & Industry), India's exports to Bahrain has increased by 41.38% and the overall trade has also increased by 43.74%, as compared with same period last year. There is significant shift in items of exports to Bahrain from traditional items like food stuff, gems & jewelry etc. to nuclear reactors, boilers, machinery and mechanical appliances, parts thereof (79.20% increase); ships boat and structure; mineral fuels, mineral oils & products of their distillation(1302.44%); plastic & articles thereof (85.32%) ; natural or cultured pearls, precious or semi-precious stones, pre-metal, clad with pre-metal and atcls thereof, imitation jewelry, coin (122.71%) 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 export 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%.
- 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 5<sup>th</sup> largest trading partner of Bahrain after Saudi Arabia, China, UAE and US.

## 2. Bahrain economy:

**Fiscal policy:** The budget will remain in deficit in coming years. In 2019-20 global oil prices will fall to an average of US\$63.3/b, as a result of increased supplies from Iran and weakening domestic demand. Despite economic diversification efforts, hydrocarbons still accounts for more than 75% of fiscal revenue, and so the public finances are vulnerable to oil-price volatility. So far, the government has taken only limited steps to plug the budget deficit, for example by cutting subsidies on fuel in 2016 and by raising electricity and water prices for expatriates. VAT was introduced on 1.1.2019 at the regionally agreed initial rate of 5%. However, the positive effects of VAT will be mostly offset by faltering oil revenue during 2019. Further austerity measures will be implemented only gradually, owing to a fear of public protests. Fiscal shortfall will be 6.7% of GDP in 2019. In 2020, as global growth slows and oil prices fall further, the shortfall will widen to 7.6% of GDP. In 2022-23, however, as the refinery comes on stream and oil prices reach their highest level since 2015; increased oil revenue will help to narrow the deficit, to an average of 2.9% of GDP a year. For most of 2019, the kingdom is likely to postpone tapping international and domestic debt markets to finance its fiscal shortfall, which in recent months has led to a fall in investor confidence with potential investors demanding large premiums. However, the US\$10bn of economic support announced in October 2018 by Kuwait, the UAE and Saudi Arabia, the first tranche of which is reported to have been disbursed, will temporarily boost investor confidence. Stock of public debt will rise, from an estimated 82.1% of GDP at the end of 2018 to 96.8% of GDP at the end of 2021. In addition, the authorities will dip into Mumtalakat to finance the budget shortfalls.

**Monetary policy :** Following a 25-basis-point rise in US policy interest rates in December 2018, CBB demonstrated its commitment to maintaining the Bahraini dinar's peg to the US dollar by immediately increasing its own key policy rate (the one-week deposit facility), from 2.5% to 2.75%.

**Economic growth:** Real GDP growth will increase to 2.5% in 2019, from an estimated 1.2% in 2018, as the opening of the new potline at Alba, which started production in mid-December, 2018, raises aluminum output capacity by more than 50%. The majority state owned smelter accounts for just fewer than 10% of Bahrain's real GDP, indicating the significance of additional capacity to the economy. Aluminum is the Kingdom's second largest export, after oil, accounting for more than 7% of total exports. A new pipeline linking the Bahrain Petroleum Company (Bapco) refinery and a Saudi Aramco plant in Saudi Arabia's Eastern Province will also boost growth. The pipeline will boost Bapco's processing capacity by about 35%, from 267,000barrels/day (b/d) to 360,000 b/d over the coming years. Real GDP growth will increase to an average of 3.5% in 2021-23 as the Sitra oil refinery expansion project comes on stream, raising export volumes, and as global oil prices rise on average. Bahrain is keen to attract foreign investment following the discovery of a large oil and gas field in April 2018. Moreover, progress on the development of Investment Gateway Bahrain, a private-sector initiative that allows for the freehold purchase of land on Muharraq Island for commercial and light industrial use, is likely to increase the non-oil sector contribution to GDP in 2019-

Adoption of business-friendly policies, which include a new bankruptcy law, an open-data law and enhanced cyber security regulations, will also aid economic diversification.

## India's latest trend in engineering exports to MEWA

India engineering export with MEWA – country wise during February 2019 is depicted in the table below. Nations which had the highest demand for Indian engineering products during February 2019 in absolute values include:

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

MEWA	February 2018	February 2019	Growth (%)
U A E	259.51	255.76	-1.45
Saudi Arab	104.29	124.13	19.03
Oman	39.90	41.32	3.57
Qatar	53.10	39.09	-26.38
Kuwait	34.95	33.89	-3.02
<b>Total MEWA</b>	<b>606.53</b>	<b>572.90</b>	<b>-5.54</b>

Source: DGCI&S

UAE remained at the top for Indian engineering exports but with a negative growth of almost 2% in February 2019 over February 2018. The main engineering products exported to the country in February 2019 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 2019**  
(Values in US\$ Million)

DGCI&S Engineering Panels	February 2018	February 2019	Growth (%)
Iron and Steel	83.93	92.45	10.15
Motor Vehicle/cars	63.06	77.18	22.40
Products of Iron & Steel	85.19	74.93	-12.04
Ships Boats and Floating Structures & parts	30.20	38.29	26.77
Industrial Machinery	34.99	33.38	-4.61
Air condition and Refrigerators & parts	26.09	32.14	23.20
Electric Machinery	51.28	30.84	-39.86
Aluminum and products	21.00	20.39	-2.88
Auto Components/Part	16.86	18.93	12.23
Machinery for ATMs	23.54	17.68	-24.89
Medical and Scientific Instruments	9.22	13.55	46.88
Copper and products	41.89	12.22	-70.83
Construction Machinery	16.55	8.97	-45.77
Pumps of all types	15.67	8.34	-46.80
Accumulator and Battery	3.97	7.53	89.48

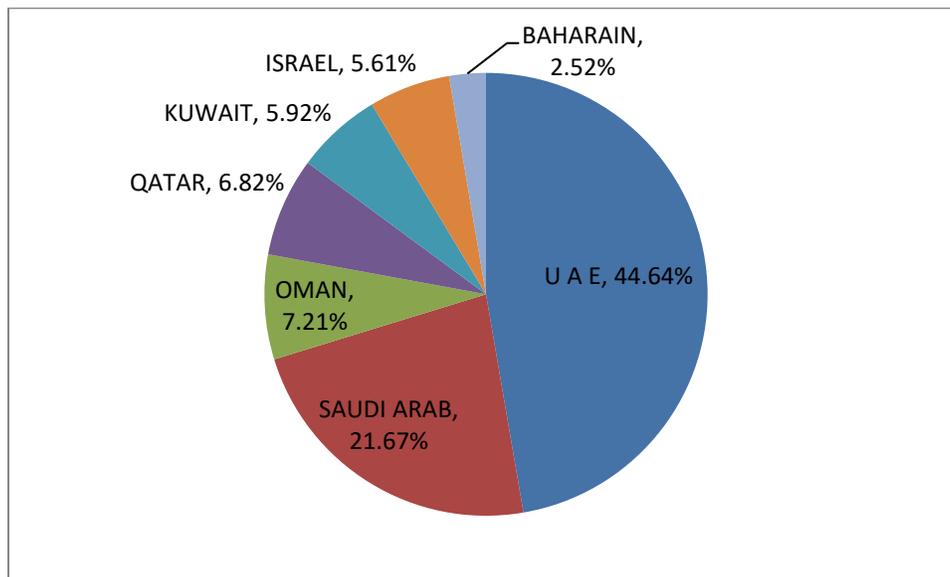
Note: Panels marked in yellow realized positive growth during February 2019

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 February 2019 as compared to February 2018.

The following pie chart demonstrates share of different MEWA countries in India's total export during February 2019.

**Fig 2: India's engineering export share to top importing MEWA Countries (%) in February 2019**



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

*For any queries about this service, please feel free to contact us at [eepcho@eepcindia.net](mailto:eepcho@eepcindia.net), [srajagopalan@eepcindia.net](mailto:srajagopalan@eepcindia.net), [ddas@eepcindia.net](mailto:ddas@eepcindia.net).*

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