

# Territorial NEWSLETTER Middle East & West Asia (MEWA)

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## Chairman's Pen



**T S Bhasin**

MEWA (Middle East and West Asian Countries) region is gaining increased importance now. Indian government is keen to improve its trade and business relationships with the MEWA countries and is finding ways to get access to the region.

A very important development that has recently occurred is signing of an agreement between India and Iran for the development of Chabahar Port Development with a proposed investment of \$500mn. The agreement is expected to give a significant boost to trade and investment relations between the two countries. This will open up opportunity

for exports in various sectors, particularly, machinery and engineering equipment.

I hope that our members find this newsletter useful for taking business decisions.

## Message from Chairman, Committee on Trade with GCC countries

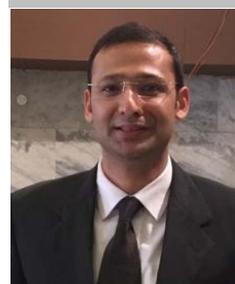


**Ravi Sehgal**

In this fourth issue of our newsletter on MEWA region, we have focused on potential benefits that would emerge from signing of the agreement between India and Iran for the development of Chabahar port in Iran. India-Iran has shared a good trade partnership in the past, and I hope this agreement will prove to be a milestone in further improving trade and investment relations between the two countries.

In this issue, we have tried to analyze trade in engineering goods. The newsletter also contains information on various events, exhibition and tenders in the region. I hope readers will find it useful and beneficial for their business decision.

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



**Mukul  
Khandelwal**

The downward trend in India's engineering exports to the MEWA region continues. In April 2016, out of India's five major export destinations in the MEWA region, three realised decline in exports. Also of the top fifteen panels exported by India to the MEWA region only four panels recorded a positive growth. This decrease in trade continues with hope for revival soon.

I hope that Indian government and exporters would take necessary steps to explore export opportunity in region in the light of the new agreement between India and Iran.

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## Basic Facts: Middle East & West Asia (MEWA)

MEWA is a region covering a geographical area of 5.4 million square kilometer and has a GDP of over \$2.7 trillion. While Saudi Arabia is the largest country in the region in terms of geographical area and GDP, Iran has the largest population and has a share of 35% of total population of the region. Basic facts about the region are presented in Table 1.

**Table 1: MEWA Basic Facts**

Country	Area (KM <sup>2</sup> )	Population	GDP 2014 (USD billion)	Currency
<b>Bahrain</b>	665	1,234,596	33.9	Bahraini Dinar
<b>Jordan</b>	92,300	6,318,677	35.8	Jordanian Dinar
<b>Iran</b>	1,648,195	78,868,711	425.3	Iranian Riyal
<b>Iraq</b>	438,317	33,635,000	223.5	Iraqi Dinar
<b>Israel</b>	20,770	7,653,600	305.7	Israeli New Shekel
<b>Kuwait</b>	17,820	3,566,437	163.6	Kuwaiti Dinar
<b>Lebanon</b>	10,452	4,228,000	45.7	Lebanese Pound
<b>Oman</b>	212,460	2,694,094	81.8	Omani Riyal
<b>Qatar</b>	11,437	1,696,563	210.1	Qatari Riyal
<b>Saudi Arabia</b>	2,149,690	27,136,977	753.8	Saudi Riyal
<b>Syria</b>	185,180	23,695,000	n/a	Syrian Pound
<b>UAE</b>	82,880	8,264,070	399.5	UAE Dirham
<b>Yemen</b>	527,970	23,580,000	36.0	Yemeni Riyal
<b>Total (MEWA)</b>	<b>5,398,136</b>	<b>222,571,725</b>	<b>2714.7</b>	--

## 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 agriculture.

## 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.

## MEWA region at a glance

**MEWA**, as a region, accounts for about 20% of total exports from India to the world. In case of engineering products, the share is approximately 16% of India's total engineering exports. The region has witnessed a growth of over 16% in engineering exports over the last three years (2012 to 2014). However, India's export growth across countries is not uniform. India's export has performed relatively better in some countries in the region. **Country-wise trend in exports for top five countries with export value of over \$500 million is briefly delineated below.**

**UAE:** UAE is India's largest export destination in engineering products in the MEWA region. Total export of engineering products from India to UAE was valued at over \$6.3 billion in 2014. Export has increased at the rate of 16.4% during the period 2012 to 2014. **Five major export items from India in 2014 include Aircrafts Spacecrafts & Parts; Ships Boats & Floating Structures; Articles of Iron & Steel; Electric & Electronic Equipments; and Machinery.**

**Saudi Arabia:** Saudi Arabia is India's second largest export destination in engineering products in the MEWA region. India exported engineering goods worth \$2 billion to Saudi Arabia in 2014. Exports of engineering products to Saudi Arabia increased at the rate of 13% during the period 2012 to 2014. **Five major export items from India to Saudi Arabia in 2014 were Machinery; Articles of Iron & Steel; Electric & Electronic Equipments; Vehicles; and aircraft Spacecrafts & parts.**

**Islamic Republic of Iran:** Iran appears to be the best country for India in terms of rate of growth in exports of engineering products from India. Exports of engineering products to Iran increased at the rate of 66% during the period 2012 to 2014. **Some major export items from India to Iran include Iron & Steel; Machinery; Electric & Electronic Equipments; and Vehicles.**

**Oman:** Exports of engineering products to Oman increased at relatively lower pace compared to Iran and UAE. It was valued at \$862 million in 2014. However, it was better than several other countries in the region (see Table 2). The growth was positive for the three year period 2012 to 2014. The rate of growth in export of engineering products from India was about 13%. **Some major export items from India to Oman include Ships Boats & Floating Structures; Machinery; Electric & Electronic Equipments; Articles of Iron & Steel; and Vehicles.**

**Qatar:** Export of engineering goods from India to Qatar touched almost \$700 million in 2014. During the three year period 2012 to 2014, engineering exports from India increased at the rate of nearly 29%. **Some major export items from India to Qatar include Ships Boats & Floating Structures; Machinery; Articles of Iron & Steel; Electric & Electronic Equipments; and Vehicles.**

## **India- Iran \$500m Chabahar Port Development Deal**

Iran has opened up for business after a decade long economic sanctions. Indian companies now see Iran as an important investment destination after international sanctions were lifted against it. With India announcing that it will build and operate a key Iranian port, an investment of \$500m (£344m) is proposed to develop the strategically important Chabahar port, close to Iran's border with Pakistan.

The deal is expected to create a regional trade, investment and transportation hub between the Indian Ocean and Central Asia. The deal was signed between India Ports Global Private Limited (IPGPL) and Iran's Ports and Maritime Organization (PMO), committing IPGPL to invest \$500m in the development of two terminals and five multi-cargo berths in the first phase of the project. The port will be used to ship crude oil and urea, and India intends to lease at least two berths at Chabahar for 10 years. The port is set to open a route for Indian goods and products to Afghanistan and Central Asia, circumventing the land route through Pakistan. Bringing gas from Central Asia to the port and then through to India. Iran's existing Iranian road network will eventually link the new port up to Zaranj in Afghanistan almost 900km to the north. This in turn will provide access to four major cities in Afghanistan — Herat, Kandahar, Kabul and Mazar-e-Sharif — via the Garland highway that was completed in 2009.

Development of Chabbar port is critical to India for its ambition to spread in Central Asia region. Afghanistan and other central Asian countries are land locked. These countries offer immense bi-lateral business potential. Before this agreement, only access for India to Central Asia region was through Karachi. With Signing of agreement to develop Chabahar port, India not only gets access to Iran, Afghanistan and central Asian countries, but also has presence in Gulf of Oman/ Persian Gulf. Large portion of International Oil flows thorough this region.

Iran offers lot of opportunity to India. Decades of sanctions had crippled lot of Industries in Iran. Automobiles/ parts and ancillaries industry was one the most flourishing in Iran. There are few local automobiles manufacturer. However, their technology is old. India can quickly work with these industries and start supplying auto components. Other sectors which may have immediate demand is steel, cement and engineering goods. However, companies need to be cautious before starting by business with Iran. Though trade restrictions have been lifted, Banking routs have still not opened. Recently India found it difficult to remit around \$6.5 billion of oil money to Iran as International banks are reluctant to route money through them.

The port would boost India's trade ties with Iran, Afghanistan, Central Asian nations and Russia. The agreement will enable quick movement of goods first to Iran and then onwards to Afghanistan and Russia through a new rail and road link. What is clear is that India and China are using their strategic neighbors to gain control. Strategically it will be very important for India to tie up with Iran. China is encircling India from all sides. It has developed ports in Bangladesh, Srilanka, Maldives and now in Pakistan. With so many ports near India, China can eye on India. Chinese Naval ships and aircraft use these bases for routine monitoring in sea movement. India should also initiate counter operation and make bases in Areas which can which are of strategic importance.

Current India-Iran trade is around \$ 9 Billion. India imports around \$ 6 billion and export around \$3 billion. Major portion of import is crude oil which contributes around 70%. Major export is Steel, Cereal and Chemical. India has vast opportunity for export to Iran such urea, machinery and engineering equipment, software, chemicals and pharmaceuticals etc. With opening up of Iran, there will be lot of opportunity for Indian exports. Exporters should quickly grab this opportunity and start establishing their presence. In the long term it will be highly beneficial for India.

### Trade trend analysis: MEWA region

The top 5 MEWA nations with the highest demand for Indian engineering products during February 2016 in absolute values is shown in Table 2.

Table 2: Top five countries in MEWA region for Indian exports			
Country	Export in April 2015 (USD million)	Export in April 2016 (USD million)	Growth (%)
<b>U A E</b>	612.94	330.96	-46.00
<b>SAUDI ARAB</b>	112.23	101.99	-9.12
<b>KUWAIT</b>	17.00	36.34	113.75
<b>OMAN</b>	32.25	33.91	5.14
<b>IRAN</b>	68.16	28.10	-58.77

Out of the top five, three countries realized a decline in export from India during April 2016 compared to corresponding period in 2015. Exports to Iran in spite of lifting up of sanctions by the UN, continues to be worst affected in March 2016 maybe due to the global slowdown. Oman and Kuwait have recorded a positive growth, but the rate of growth has reduced for both the countries, in comparison to the month of March 2016.

Analysis of top 15 engineering panels' exports as presented in Table 3 shows a not so good situation of India's engineering exports to MEWA. There are four panels in which exports from India have increased during April 2016 compared to April 2015, as compared to seven panels for the month of March 2016.

<b>Table 3: Top 15 Engineering Panels exported from India to MEWA region</b>			
<b>Name of the Panel</b>	<b>India's export in April 2015 (USD million)</b>	<b>India's Export in April 2016 (USD million)</b>	<b>Growth (%)</b>
<b>Ships Boats and Floating Structures</b>	219.35	115.27	<b>-47.45</b>
<b>Products of Iron &amp; Steel</b>	165.59	94.94	<b>-42.66</b>
<b>Copper and products</b>	<b>20.31</b>	<b>48.15</b>	<b>137.10</b>
<b>Industrial Machinery</b>	46.67	42.26	<b>-9.44</b>
<b>Electric Machinery</b>	36.62	34.96	<b>-4.54</b>
<b>Motor Vehicle/cars</b>	36.47	32.96	<b>-9.63</b>
<b>Iron and Steel</b>	84.49	31.36	<b>-62.88</b>
<b>Machinery for ATMs</b>	<b>20.74</b>	<b>23.69</b>	<b>14.22</b>
<b>Air condition and Re</b>	24.08	23.39	<b>-2.84</b>
<b>Aircrafts &amp; Spacecrafts</b>	262.99	18.69	<b>-92.89</b>
<b>Other Construction Machinery</b>	25.75	16.65	<b>-35.34</b>
<b>Auto Components/Part</b>	14.27	13.39	<b>-6.15</b>
<b>Nuclear Reactors</b>	<b>7.41</b>	<b>12.89</b>	<b>73.87</b>
<b>Aluminum and products</b>	18.76	12.75	<b>-32.04</b>
<b>Pumps of all types</b>	<b>8.71</b>	<b>11.64</b>	<b>33.69</b>

Note: Panels marked in yellow realized positive growth during April 2016  
Source: DGCI&S, Government of India

## News in Focus

### Will take up your problems with Qatar, PM Modi tells beleaguered Indian workforce

Prime Minister assured Indian workers in Qatar that he will take up problems faced by them during his talks with leaders of this Gulf nation.

Addressing Indian workers at a medical camp in downtown Doha, Modi said he is aware of the issues being faced by Indian workers and the companies that bring them here.

**Link:** <http://timesofindia.indiatimes.com/world/middle-east/Will-take-up-your-problems-with-Qatar-PM-Modi-tells-beleaguered-Indian-workforce/articleshow/52593062.cms>

### Saudis pledge not to shock oil markets as OPEC clash looms

Saudi Arabia promised not to shock the oil markets as OPEC headed into a heated debate about production policy, with Iran insisting on the right to raise output steeply.

Tensions between the Sunni-led kingdom and the Shia Islamic Republic have been the highlights of several previous OPEC meetings, including in December 2015 when the group failed to agree on a formal output target for the first time in years.

**Link:** <http://timesofindia.indiatimes.com/world/middle-east/Saudis-pledge-not-to-shock-oil-markets-as-OPEC-clashes/articleshow/52553179.cms>

### **As Iran's oil exports surge, international tankers help ship its fuel**

More than 25 European and Asian-owned supertankers are shipping Iranian oil, data seen by Reuters shows, allowing Tehran to ramp up exports much faster than analysts had expected following the lifting of sanctions in January.

Iran was struggling as recently as April to find partners to ship its oil, but after an agreement on a temporary insurance fix more than a third of Iran's crude shipments are now being handled by foreign vessels.

**Link:** <http://timesofindia.indiatimes.com/world/middle-east/As-Irans-oil-exports-surge-international-tankers-help-ship-its-fuel/articleshow/52619890.cms>

#### **Some upcoming Exhibitions in MEWA**

Events	Date	Venue	Link
<a href="#"><u>INTERNATIONAL EXHIBITION OF DECORATIVE STONES, MINE, EQUIPMENT &amp; MACHINERIES</u></a> International Exhibition of Decorative Stones, Mine, Equipment & Machineries	18-21 June 2016	<a href="#"><u>Tehran Permanent Fairground,</u></a> Tehran, Iran	<a href="http://www.eventseye.com/fairs/f-international-exhibition-of-decorative-stones-mine-equipment-machineries-11888-1.html">http://www.eventseye.com/fairs/f-international-exhibition-of-decorative-stones-mine-equipment-machineries-11888-1.html</a>
<a href="#"><u>IRAN BUILD SHOW</u></a> International exhibition of building, architecture and civil engineering, cooling and heating system	11-15 July 2016	<a href="#"><u>Mashad Fair Grounds,</u></a> Mashhad , Iran	<a href="http://www.eventseye.com/fairs/f-iran-build-show-17215-1.html">http://www.eventseye.com/fairs/f-iran-build-show-17215-1.html</a>

## Tender Information in MEWA

Title	Country	Deadline
<u>Long-Term Hiring and Branding of 13 nos. Utility Vehicles</u>	UAE	11 July 2016
<u>Implement Building Works,Mechanical And Electrical Equipment</u>	Iran	25 June 2016
<u>Supply of Various Motors</u>	Oman	12 July 2016
<u>Heavy Vehicle , Mercedes Truck, 2015 : No</u>	UAE	18 June 2016
<u>Procurement of two trucks equipped with 9,000 liters capacity water tankers</u>	Lebanon	23 June 2016
<u>Engineering and technical services and administrative, financial and technical suppo</u>	Iran	22 June 2016
<u>Construction of Pump Parts.</u>	Iran	25 June 2016

For more contract notices, please register with Tender Info following the link:

<http://www.tendersinfo.com/searchresult#>

### EEPC India

Middle East & West Asia (MEWA) Territorial Newsletter

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