

# Territorial NEWSLETTER Middle East & West Asia (MEWA)

**EPCINDIA**

ENGINEERING THE FUTURE

Vaniya Bhavan (1st Floor)  
International Trade Facilitation  
Centre (ITFC)  
1/1 Wood Street,  
Kolkata - 700016  
www.eepcindia.org



Issue: May 2018

## Chairman's Pen

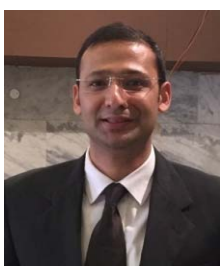


**Ravi Sehgal**

India's economic relations with the Gulf Cooperation Council (G.C.C.) is driven by one major factor, Energy, India has been heavily dependent on energy supplies from the region. But the relationship needs to be more diversified and productive covering as many sectors as it can. Earlier the Indian policymakers were concerned about the increasing instability and the weakening of states in the Middle East which stopped the Indian industry to explore the region. But with time this fear has gone and has become more of an economic fear than political. The Indian exporters especially MSMEs. Can play a vital role in accessing the MEWA region markets for engineering goods through collaborative ventures. This edition of the newsletter focuses on the payment issue faced by Indian exporters exporting to MEWA region like Iran. Indian exporters have issues receiving payments for their exports to Iran.

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**

The progress made in the bilateral ties between the MEWA region as a whole and India can be seen from the increase in the value of engineering exports to the region by India for the month of April 2018 as compared to April 2017. The engineering exports to the region grew by approx 60% in April 2018 as compared to April 2017. The export of engineering products by India to MEWA was valued at around USD 1.2 billion in April 2018 as compared to USD 736 million in April 2017. UAE remained the top importer of the region for the Indian engineering goods with a positive growth rate of over 116%. The panel wise analysis also shows a good picture of the Indian engineering exports to MEWA, with 9 out of top 15 panels registering a positive growth in April 2018 compared to April 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.

## 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.

## Jordan King's visit to India

Indian exporters have begun receiving rupee payments from Iran, kicking off a mechanism to avoid Western sanctions which have made doing business with Tehran tougher. About \$3 billion in Iranian import arrears have accumulated since December 2010 when a previous payment conduit was closed under pressure from Washington, which is using sanctions to try to stop Tehran's contentious nuclear programme.

Payments to Indian exporters are being remitted through Iran's Bank Parsian which has opened an account with India's UCO bank. Bank Parsian is among private Iranian banks that are free from sanctions against Iran's state-owned banks.

The agreement came after meetings between a visiting Iranian delegation and officials from India's finance and banking sectors. Payments (to Indian exporters) have started coming very recently through Bank Parsian's account with UCO bank. Whatever has been stuck in the pipeline, has started clearing.

Government negotiations are aiming to find a solution to the payment problems that have hit trade between the two countries after US sanctions on dollar deals.

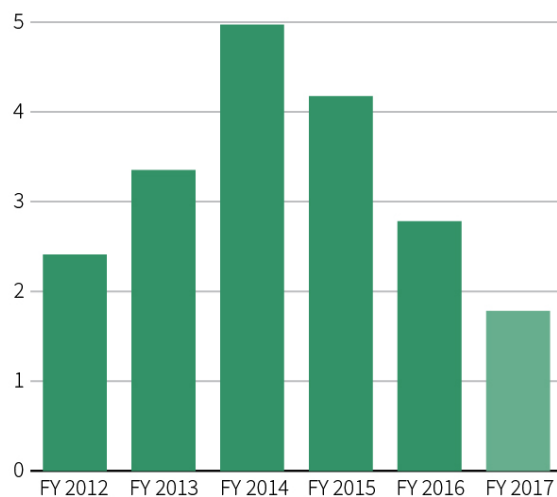
Indian oil importers have been paying for around \$11 billion a year of crude since the middle of 2011 through Turkey's Halkbank , but this route would have been expensive for Iranian importers given sharp falls in the rial. India was Tehran's second-biggest crude oil customer last year after China. Iranian oil accounts for about 12 percent of its needs.

## India's trade with Iran

India, Iran's top oil client after China, boosted exports to Tehran during sanctions as western nations boycotted the OPEC member over its disputed nuclear programme. Yet India has lost out since the lifting of sanctions early last year.

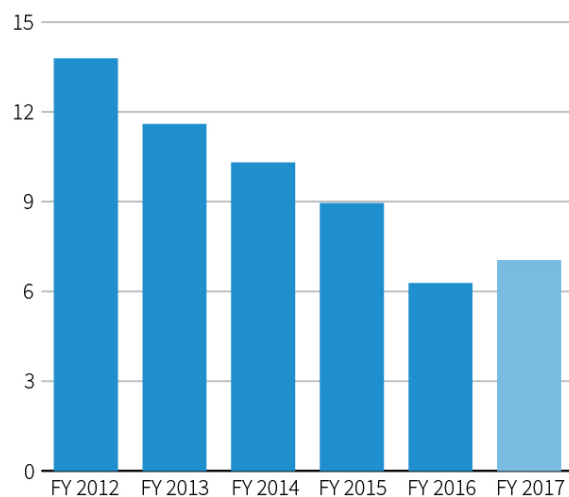
### EXPORTS

In billion dollars



### IMPORTS

In billion dollars



Notes: Data doesn't include India's exports to Iran through Dubai; Indian fiscal year is the 12-month period ending on March 31; FY 2017 data is as of December 2016.

Source: Ministry of Commerce and Industry, India

J. Wu, 17/03/2017



Most of the Iranian arrears are for imports of iron and steel, chemicals and cereals, machinery and pharmaceuticals. Indian rice suppliers have also reported defaults by Iranian buyers and have said they are owed at least \$144 million.

With payments for oil through Halkbank now looking vulnerable to fresh sanctions, India and Iran have agreed to settle 45 percent of this trade in rupees and boost exports to narrow their trade gap. Oil buyers are waiting for tax issues to be cleared up before they use the mechanism.

India abides by United Nations sanctions on Iran, but has refused to go along with new financial measures imposed by the United States and European Union that aim to punish Iran for its nuclear ambitions.

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

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

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

MEWA	April 2018	April 2017	Growth (%)
U A E	602.84	278.63	116.36
OMAN	209.07	35.69	485.79
SAUDI ARAB	184.01	124.46	47.85
QATAR	44.97	24.77	81.55
KUWAIT	41.77	37.49	11.42
<b>Total MEWA</b>	<b>1172.65</b>	<b>735.95</b>	<b>59.34</b>

Source: DGCI&S

UAE remained at the top for Indian engineering exports registering a positive growth of over 116% in April 2018 over April 2017. The main engineering products exported to the country in March 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 April 2018**  
(Values in US\$ Million)

DGCI&S Engineering Panels	April 2018	April 2017	Growth (%)
<b>Ships Boats and Floating Structures</b>	<b>663.7</b>	<b>55.2</b>	<b>1102.36</b>
<b>Iron and Steel</b>	<b>102.9</b>	<b>95.67</b>	<b>7.56</b>
Products of Iron & Steel	96.05	125.81	-23.65
Industrial Machinery	33.91	47.81	-29.07
Electric Machinery	33.3	44.79	-25.65
<b>Air condition and Refrigerator</b>	<b>30.98</b>	<b>26.13</b>	<b>18.56</b>

Machinery for ATMs	21.33	28.81	-25.96
<b>Motor Vehicle/cars</b>	<b>20.62</b>	<b>15.7</b>	<b>31.34</b>
Copper and products	19.28	37.47	-48.55
<b>Aluminum and products</b>	<b>19.21</b>	<b>17.89</b>	<b>7.38</b>
<b>Pumps of all types</b>	<b>14.01</b>	<b>8.31</b>	<b>68.59</b>
<b>Construction Machinery</b>	<b>13.86</b>	<b>12.95</b>	<b>7.03</b>
<b>Nuclear Reactors</b>	<b>12.65</b>	<b>6.97</b>	<b>81.49</b>
<b>Zinc and products thereof</b>	<b>11.48</b>	<b>3.4</b>	<b>237.65</b>
Medical and Scientific Instruments	11.31	11.91	-5.04

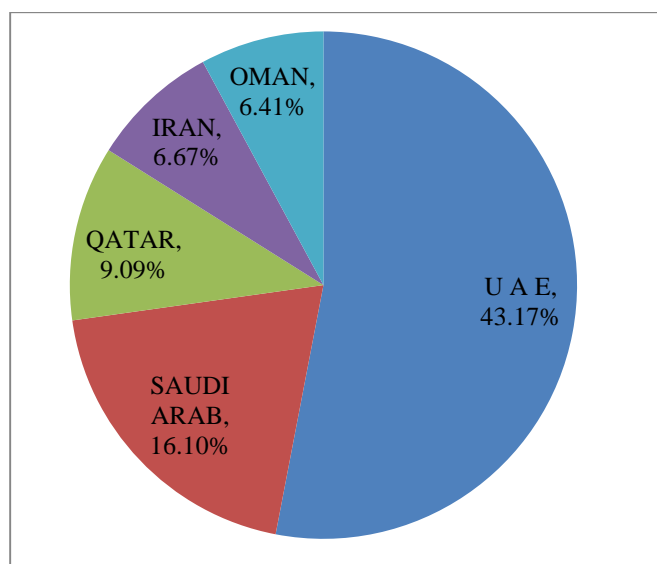
Note: Panels marked in yellow realized positive growth during April 2018

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

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

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



Source: DGCI&S

## News in Focus

### ❖ UAE economy to benefit from trade growth in 2018

The UAE's trade will benefit this year from rising oil prices, improved macroeconomic outlook for country's key trading partners, and increased government spending, according to an HSBC research.

**Source:**<https://gulfnews.com/business/sectors/banking/uae-economy-to-benefit-from-trade-growth-in-2018-1.2192359>

### ❖ Growth Expected to Rebound in Middle East and North Africa

The World Bank Group's latest Middle East and North Africa Economic Monitor projects regional growth to increase to 3.1% in 2018, up from 2% in 2017. The increase in growth is expected to be broad based, driven by a favorable global economic environment, stability in the oil market at slightly higher prices, and the resumption of post-conflict reconstruction.

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

*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).*

#### **EEPC India MEWA Territorial Newsletter**

Contact: Manila Sharma

Email: [msharma@eepcindia.net](mailto:msharma@eepcindia.net)

Phone no: 011-23711124/25; Extn:112

\*\*\*\*\*