

Territorial NEWSLETTER Middle East & West Asia (MEWA)

EEPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



Ravi Sehgal

Lebanon's economic freedom score is 51.1, making its economy the 154th freest in the 2019 Index. Its overall score has decreased by 2.1 points, with declines in scores for judicial effectiveness, trade freedom, and investment freedom far outweighing a modest improvement in labor freedom. Lebanon is ranked 12th among 14 countries in the Middle East and North Africa region, and its overall score is below the regional and world averages. Lebanon has a free-market tradition and a strong history of private commercial activity

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 April 2019 of Lebanon. The combined value of exports and imports is equal to 70.0 percent of GDP. The average applied tariff rate is 3.0 percent. The poor regulatory systems discourage dynamic trade and investment flows. Lebanon's financial sector used to be a regional hub, but ongoing political insecurity has subjected it to massive uncertainty and strain. About 50 percent of adult Lebanese have access to an account with a formal banking institution.

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 734 million for the month of March 2019 over March 2018. The growth though saw fall of over 1% for the same time period. Among the major importers in the region, with a value of USD 372 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 11 out of top 15 panels registering positive growth in March 2019 as compared to March 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.

Economic & Commercial Report – April, 2019 of Lebanon

1. Economic Indicators of Lebanon:

| | |
|---------------------|--------------------|
| GDP | 2017 (estimated) |
| Nominal GDP | US\$ 51.84 billion |
| GDP Growth Rate (%) | 2.0% |
| GDP (per head) PPP | US\$ 19,500 |

| | |
|----------------------------------|---------------|
| International reserves (US\$ bn) | 2017 (actual) |
| Total international reserves | 55,411 |

| Total trade (US\$ bn) | 2016 | 2017 |
|-------------------------|-----------|----------|
| exports | 2.98 | 2.8 |
| imports | 18.70 | 23.1 |
| Trade balance (US\$ bn) | (-) 15.72 | (-) 20.3 |

2. Economic outlook dependent on reforms implementation

Barclays Capital indicated that Lebanon's medium-term economic outlook mainly depends on the ability of the new Cabinet to pass the required and pressing reforms. It indicated that the adoption of the 2019 budget should be a top priority for the government, as it will send a strong message about the urgent need to address the country's fiscal imbalances. It added that the government has to send to Parliament the final fiscal accounts for the years 1993-2015 after they get approved by the Audit Court, which would improve fiscal transparency. It projected the fiscal deficit to narrow from 11% of GDP in 2018 to 9.8% of GDP in 2019 and 9% of GDP in 2020, while it anticipated the public debt level to reach 151% of GDP at the end of 2019 and 154% of GDP at end-2020.

3. Consumer Price Index up 3.5% in first quarter of 2019

The Central Administration of Statistics' Consumer Price Index increased by 3.5% in the first quarter of 2019 from the same period of 2018, compared to a growth of 5.4% in the first quarter of 2018. Also, the CPI rose by 4.1% in March 2019 from the same month of 2018.

4. Expatriates' remittances to Lebanon up 2% to \$7.2bn in 2018, 18th highest among developing economies

The World Bank estimated the inflows of expatriates' remittances to Lebanon at \$7.2bn in 2018, constituting an increase of 1.8% from \$7.1bn in 2017, following a decline of 7% in 2017. In comparison, remittance inflows to developing countries grew by 9.6%, those to upper middle-income countries (UMICs) increased by 7.7% and inflows to Arab countries rose by 9.1% in 2018.

5. Industrial exports up 3% to \$2.6bn in 2018

Figures released by the Ministry of Industry show that industrial exports totalled \$2.55bn in 2018, constituting an increase of 3% from \$2.47bn in 2017. Industrial exports reached \$213.8m in December 2018, up by 1.1% from \$211.4m in the preceding month, and down by 2.6% from \$219.6m in December 2017.

6. Trade deficit down 14% to \$2.2bn in first two months of 2019

Total imports reached \$2.8bn in the first two months of 2019, constituting a decline of 11.8% from \$3.1bn in the same period of 2018; while aggregate exports grew by 0.9% year-on-year to \$535.8m in the covered period. As such, the trade deficit narrowed by 14.4% to \$2.23bn in the first two months of 2019 due to a drop of \$371.3m in imports and an increase of \$4.5m in exports in the covered period.

7. Association of banks amends reference rate on US dollar and Lebanese pound lending

The Association of Banks in Lebanon (ABL) recommended to its member banks to increase the Beirut Reference Rate (BRR) in US dollars from 9.52% in April 2019 to 9.58% in May 2019. The rate, considered as the reference rate for lending in foreign currency, replaced the London Interbank Offered Rate (LIBOR) in 2009, as the ABL decided that the LIBOR does not reflect the cost of funding and lending in Lebanon.

8. Lebanon and China sign MoUs to promote economic cooperation

Lebanon signed two Memorandums of Understandings (MoUs) with China to promote investments and bilateral economic cooperation. The first MoU was signed by the Federation of Lebanese Chambers of Commerce, Industry & Agriculture in Lebanon and the China Council for the Promotion of International Trade (CCPIT) to establish in Beirut an arbitration center between Arab countries and China. The second MoU was signed between the CCPIT and the Ministry of Industry in Lebanon to promote Chinese investments in industrial areas in Lebanon. Further, Lebanese authorities encouraged Chinese investors to partner with Lebanese firms and to invest in new projects, as Lebanon is preparing to launch several infrastructure projects related to the CEDRE conference. Also, the Lebanese government indicated that some Chinese companies are considering the initiation of projects related to Syria and Iraq from Lebanon, especially in the Bekaa and Tripoli areas.

India's latest trend in engineering exports to MEWA

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

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

| MEWA | April 2018 | April 2019 | Growth (%) |
|-------------------|---------------|---------------|--------------|
| U A E | 325.72 | 371.91 | 14.18 |
| Saudi Arab | 121.36 | 131.99 | 8.76 |
| Oman | 48.29 | 54.65 | 13.17 |
| Kuwait | 47.20 | 39.58 | -16.15 |
| Qatar | 68.43 | 38.04 | -44.41 |
| Total MEWA | 747.32 | 733.81 | -1.81 |

Source: DGCI&S

UAE remained at the top for Indian engineering exports but with a positive growth of almost 14% in April 2019 over April 2018. The main engineering products exported to the country in April 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 April 2019
(Values in US\$ Million)

| DGCI&S Engineering Panels | April 2018 | April 2019 | Growth (%) |
|--|------------|------------|------------|
| Motor Vehicle/cars | 84.01 | 106.80 | 27.12 |
| Iron and Steel | 106.30 | 102.68 | -3.41 |
| Products of Iron & Steel | 92.78 | 94.05 | 1.37 |
| Electric Machinery | 52.15 | 59.10 | 13.33 |
| Air condition and Refrigerators & parts | 36.38 | 45.70 | 25.62 |
| Industrial Machinery | 40.62 | 42.42 | 4.44 |
| Ships Boats and Floating Structures & parts | 78.80 | 34.48 | -56.25 |

| | | | |
|------------------------------------|-------|-------|--------|
| Auto Components/Part | 17.72 | 26.92 | 51.96 |
| Aluminum and products | 24.58 | 24.80 | 0.89 |
| Machinery for ATMs | 29.39 | 20.10 | -31.61 |
| Medical and Scientific Instruments | 13.32 | 16.75 | 25.75 |
| Copper and products | 41.60 | 14.25 | -65.75 |
| Construction Machinery | 10.90 | 13.03 | 19.46 |
| Pumps of all types | 12.01 | 11.87 | -1.23 |
| IC Engines and Parts | 7.10 | 9.10 | 28.24 |

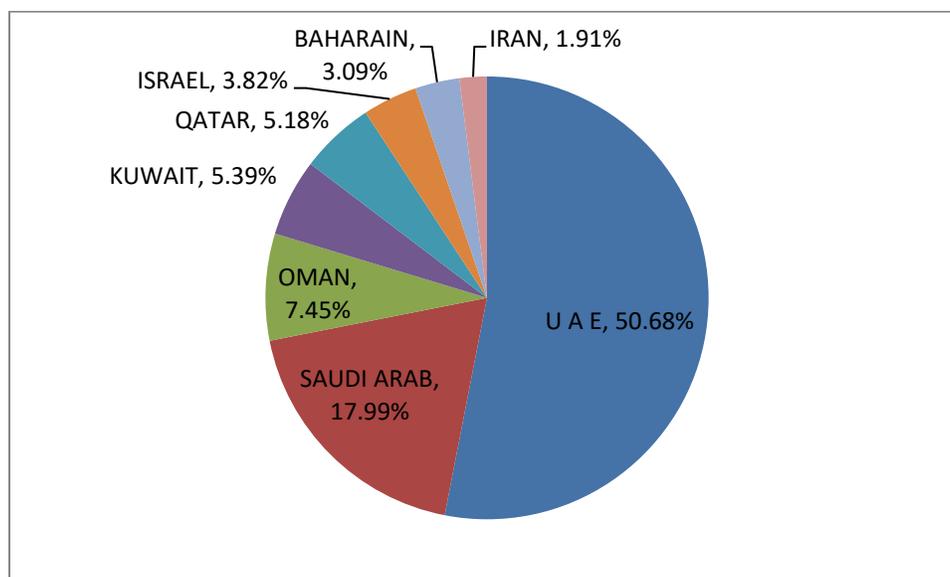
Note: Panels marked in yellow realized positive growth during April 2019

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 eleven panels in which exports from India have increased during April 2019 as compared to April 2018.

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

Fig 2: India's engineering export share to top importing MEWA Countries (%) in April 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; | 8422 | Dishwasher |

| | | | |
|---------------|--|--|---|
| | 20 March 2018 | | |
| 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, G/TBT/N/QAT/517, G/TBT/N/SAU/104, G/TBT/N/YEM/120; 28 March 2018 | | Hazardous Substances in Electrical and Electronic 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 |

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EEPC India MEWA Territorial Newsletter

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