

# Territorial NEWSLETTER Middle East & West Asia (MEWA)

**EEPCINDIA**  
ENGINEERING THE FUTURE

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## Chairman's Pen



**Ravi Sehgal**

Bahrain has grown successfully over the past 10 years; due to its liberal economic policies and the clear roadmap that aims to achieve prosperity for the society. The country's annual real GDP growth ranged between 2.1% and 8.3% over the period. The pace of growth across the entire GCC region has moderated markedly as a result of government consolidation in a weaker oil price environment. While the prospect of cuts in oil production may delay a near-term pick-up, much of the regional non-oil economy have seen a clear acceleration in growth in 2017. Bahrain's non-oil sector have expanded by 4.7% in the first half of 2017.

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

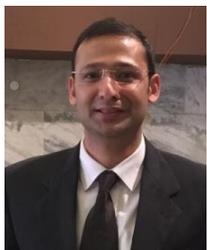


**Anoop  
Marwaha**

The current edition of the Newsletter focuses on the economic and commercial activities of Bahrain. The pace of economic activities which were reflected on public finances and increased government expenditures to contribute positively in achieving strong growth rates in all main sectors such as infrastructure, housing, health and education, recording 3.9%. Non-oil sectors, manufacturing industries, and the financial sector have achieved good growth rates during this period, which helped to sustain growth.

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 640 million for the month of October 2018 over October 2017. The growth though saw a jump of over 23% for the same time period. Among the major importers in the region, with a value of USD 305 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 8 out of top 15 panels registering positive growth in October 2018 as compared to October 2017

## 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 and Commercial Report of 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

## 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–June 2018 also India’s exports to Bahrain has increased by 12.8 % and the overall trade has also increased by 20.02%, as compared with same period last year. There is significant shift in items of exports to Bahrain from traditional items like food stuff, gems & jewellery etc. to increasing share of mineral fuels, mineral oils & products of their distillation (14.62%); plastic & articles thereof (8.7%); aluminum & articles thereof (6.9%); cereals (6.65%); nuclear reactors, boilers, machinery and mechanical appliances; parts thereof (6.50%); electrical machinery parts (5.24%) etc. Main items of import by India from Bahrain were aluminum and articles thereof (31.89%); mineral fuels, mineral oils and products of their distillation (25.27%); ores, slag and ash (9.92%); fertilizers 9.21 (%); iron and steel (8.1%).**
  - (iii) As per Bahraini statistics, India-Bahrain bilateral trade for 2017 [Jan-Dec] reached US\$1.232 bn - an increase of almost 25% for second consecutive year, compared with US\$ 981 mn in 2016 and US\$ 753 mn in 2015.
  - (iv) Bahraini statistics also show that, for the year 2017, as against the increase of approximately 10% in Bahrain’s overall non-oil trade, India’s non-oil trade with Bahrain has increased by almost 34% reaching US\$ 866 million, as against US\$ 650 million in 2016.
  - (v) India’s share in Bahrain’s non-oil trade has also increased from 3 % in 2015 to 4.75% 2018. India had become 5<sup>th</sup> largest trading partner of Bahrain after Saudi Arabia, China, UAE and US.
2. **Trade Enquiries from India and Trade Enquiries from Bahrain:** 26 trade enquiries were received and responded, covering around 32 business items.
3. **Indian Investment in Bahrain (company-wise and sector-wise), and performance of existing Indian Subsidiaries/Joint Ventures/Collaborations, if any in Bahrain -**

**Indian investment in Bahrain:** As per MOIC&T, Bahrain, there are 23 branches of prominent Indian cos. registered in Bahrain and 3,181 cos. registered in Bahrain with Indian partnership. As per the FDI Intelligence, India’s investment into Bahrain was valued at US\$ 1688.50 mn in October, 2017. As per media article on 15.8.2018, quoting MOICT, FDI in the Kingdom is close to BD 4 bn and the topmost investing country is India with 13,000 investors (with total BD 640 mn).

**Bahrain’s investment in India:** As per RBI/DIPP statistics, cumulative FDI equity inflows from Bahrain into India have registered marked increase in recent years (US\$ 164.97 mn in June, 2018) as highlighted in table below:

Period	cumulative FDI inflows from Bahrain into India (US\$ Mn)	% growth
March, 2018	164.60	13.58%
March, 2017	144.92	124.16%
March, 2016	64.65	31.10%
March, 2015	49.31	52.52%

March, 2014	32.33	
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4. **Analysis of Investment opportunities in Bahrain:** Bahrain has a large scale infrastructure/energy project pipeline and is promoting diversification of economy, which offers opportunities for Indian companies to invest in Bahrain. EDB, Mumtalakat Holding Co. and Investcorp are encouraging FDI. Bahrain is promoting global innovation/start-ups to become a fintech hub. BIIP provides state of the art facilities for industrial development. Renewable energy and tourism sectors are also being developed.
5. **Important policy changes by the government of Bahrain, especially with respect to trade, investment, aid/credit facilities etc.** - 5% VAT may be implemented by end 2018.
6. **Major International Tenders & Bids invited in Bahrain:** in this regard upcoming infrastructure projects may be useful to mention viz : Expansion of BIA; King Hamad causeway; light rail urban transit system; ALBA line 6 development; BAPCO Modernization Programme for Sitra oil refinery modernization and project for new oil pipeline from Saudi Arabia; Nogaholding's floating LNG terminal; Gas plant expansion project by BANAGAS; and construction of King Abdulla Bin Abdulaziz Medical City.
7. **Bahrain economy:** As per latest EIU analysis, real GDP growth may slow to 2.2% in 2018 (3.8% in 2017), as government reins in capital spending given worrisome fiscal position. Real GDP growth contracted in the first quarter of 2018 owing to the declining output in the hydrocarbons sector. Economic growth will be boosted during 2019-22, as industrial projects are completed (opening of new pipeline at Alba, completion of Sitra oil refinery expansion project etc.). Bahrain's main economic indicators (EIU) are as follows:
  - **Fiscal policy:** Budget deficit is estimated at 4.8% of GDP in 2018 as compared to 10.1% of GDP in 2017. Current-account deficit is estimated at 1.1% of GDP in 2018 as compared to 4.5% of GDP in 2017. Despite diversification efforts, hydrocarbons still account for over 75% of fiscal revenue.
  - **Public debt:** Value of government development bonds reached BD6.9bn in the second quarter of 2018, a 30% increase from BD5.3bn over the same period of 2017. However, rising yields have restricted this arrangement, due to precarious condition of foreign reserves (it being only a month of import cover as in July, 2018 and US\$2.2bn in June, 2018 as per CBB). In March, 2018, Bahrain issued a US\$1bn sukuk (Islamic bond) but cancelled a conventional bond offering because of high yields demanded by investors.
  - **External sector:** In 2018 a substantial increase in oil export earnings will boost merchandise trade. Services exports will remain constrained. Primary income debits will increase. Ongoing reliance on foreign labour will also make deficit on secondary income account large.
  - **Inflation:** Inflation is expected to pick up in 2018 to an average of 2.7%.
  - **Monetary policy:** CBB will maintain Bahraini dinar's US dollar currency peg.

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

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

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

MEWA	October 2017	October 2018	Growth (%)
UAE	191.96	305.69	59.24
Saudi Arab	72.67	84.17	15.84
Bahrain	12.21	49.23	303.11
Oman	59.79	47.20	-21.07
Qatar	29.22	38.76	32.65
<b>Total MEWA</b>	<b>517.55</b>	<b>639.59</b>	<b>23.58</b>

Source: DGCI&S

UAE remained at the top for Indian engineering exports but with a positive growth of almost 59% in October 2018 over October 2017. The main engineering products exported to the country in October 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 October 2018**  
(Values in US\$ Million)

DGCI&S Engineering Panels	October 2017	October 2018	Growth (%)
Products of Iron & Steel	86.49	83.82	-3.08
Iron and Steel	75.36	81.07	7.58
Ships Boats and Floating Structures & parts	0.02	78.74	380212.09
Motor Vehicle/cars	57.73	56.47	-2.18
Construction Machinery	9.56	45.27	373.40
Air condition and Refrigerators & parts	17.47	41.69	138.56
Industrial Machinery	52.18	34.23	-34.39
Electric Machinery	32.09	29.15	-9.19
Copper and products	36.78	22.32	-39.31
Auto Components/Part	15.19	21.13	39.10
Machinery for ATMs	28.20	17.78	-36.94
Aluminum and products	13.47	16.13	19.74
Medical and Scientific Instruments	10.50	12.90	22.78
IC Engines and Parts	6.05	11.42	88.84
Pumps of all types	11.15	9.94	-10.79

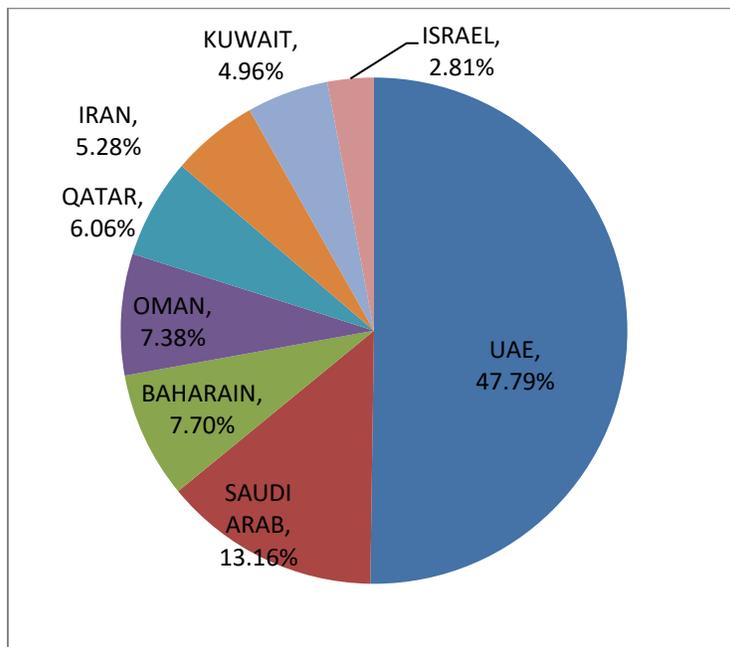
Note: Panels marked in yellow realized positive growth during October 2018

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 eight panels in which exports from India have increased during October 2018 as compared to October 2017.

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

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



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, 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,	85	Electromagnetic Compatibility

	G/TBT/N/YEM/119 ; 23 April 2018		
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 [eecho@eepcindia.net](mailto:eecho@eepcindia.net), [srajagopalan@eepcindia.net](mailto:srajagopalan@eepcindia.net), [ddas@eepcindia.net](mailto:ddas@eepcindia.net).*

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