

April 2019

### Chairman's Pen



A major issue that has engaged us and other segments of the exporting community relates to the decision of the US Government to withdraw the entire GSP Scheme for India and Turkey. The decision to end preferential trade treatment for India under the Generalised System of Preferences (GSP) post a 60-day notice period, will hit Indian exports hard particularly in few sectors such as engineering goods, chemical products and other labour intensive sectors. India was the largest beneficiary of the programme in 2017 with \$5.6 billion worth of exports to the US, according to a Congressional Research Service report. According to The Washington Post, while the US remains India's top export partner, receiving more than \$48 billion in goods from the country in 2017, just over 10% of imports from India benefit from the programme. On behalf of EEPC India, we have proposed for an increase of MEIS benefits on select tariff lines. This apart, once we have the WTO ruling on the Chapter 3 benefits, Indian must move to a WTO compatible rebate system on unrebated taxes so that our exports are not adversely impacted.

Till now, US has maintained its top rank as India's top most export destination for engineering goods in 2017-18 and retained its position for the current fiscal of 2018-19. Infact trade has transformed U.S.-India relations. India's total trade with US increased from US\$ 61.6 billion in 2013-14 to US\$ 74.49 in 2017-18 at a CAGR of 4.8% after a deteriorating trend observed in 2015-16. Currently India's total engineering exports with US for 2018-19 recorded over US\$ 11.9 billion. Today the two countries are working to fix bad trade deals and negotiating new ones. This edition also briefs on the upcoming trade exhibitions in North America. I hope this will be insightful for our readers and they will enjoy reading it.

**Ravi Sehgal**

### Message from Chairman, Committee on Trade with North America



This edition of Territorial Newsletter for North America emphasised on latest US decision to end preferential trade treatment for India under GSP. The current edition presents a brief insight on the total trade pattern of the engineering sector in North America during the fiscal year of 2018-19. Further, it discusses the top engineering product bilaterally traded between the countries of the region.

Upcoming tenders from the region along with key news items and factsheets of Anti-Dumping Duty matters is compiled and presented for the benefit of our members. I am hopeful that the Newsletter will give fruitful information to our readers.

**Anupam Shah**

## North America: Canada, Mexico, and the United States

The North America trade bloc had its genesis in the North American Free Trade Agreement (NAFTA) signed by Canada, Mexico, and the United States. The agreement came into force on January 1, 1994.

**Area:** 24.71 million Sq. km

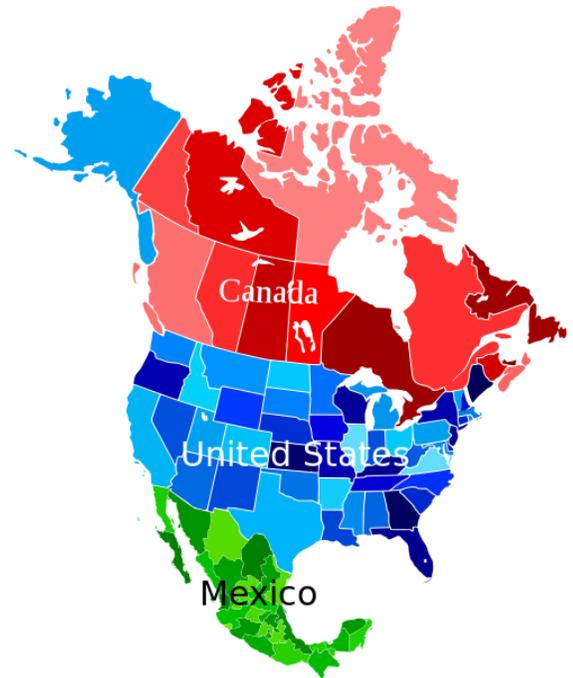
**Population:** 579 million (2016)

**GDP:** USD 21,638.602 billion (2016)

**Currency:** US Dollar (\$) / Canadian Dollar

**Climate:** North America includes all of the mainland and related offshore islands lying north of the Isthmus of Panama which connects it with South America. It has a variety of climate, from the dry, bitter cold of the Arctic to the steamy heat of the tropics. The North American tundra, the vast treeless plain of the far north, has temperature rises above freezing for only a short period each summer. In the far south there are low-lying areas which are always hot and rainy.

**Natural resources:** North America produces most of the world's corn, meat, cotton, soybeans, tobacco, and wheat, along with a variety of other food and industrial raw material crops. Mineral resources are also abundant; particularly coal, iron ore, bauxite, copper, natural gas, petroleum, mercury, nickel, potash, and silver.



## EEPC India Comments on impact of termination of GSP on Indian engineering exports

The decision of US President Donald Trump to end preferential trade treatment for India under the Generalised System of Preferences (GSP) post a 60-day notice period, will hit Indian exports hard particularly in few sectors such as engineering goods, chemical products and other labor intensive sectors. India was the largest beneficiary of the programme in 2017 with \$5.6 billion worth of exports to the US, according to a Congressional Research Service report. According to The Washington Post, while the US remains India's top export partner, receiving more than \$48 billion in goods from the country in 2017, just over 10% of imports from India benefit from the programme.

India and the US' total bilateral trade in goods and service has increased from a mere USD 20 billion in the year 2000 to over USD 126.1 billion in the year 2017. The two countries have set a target of taking the total bilateral trade to USD 500 billion. In order to achieve the above target enhancing exports of Indian engineering goods is the need of the hour.

For India, MFN and GSP route are the two options wherein duty is nil in almost all the tariff lines either through MFN or GSP. China without any FTA has established its strong presence in the US market. But if the GSP is gone then it will be very easy for Chinese players to cannibalize the Indian share in US market.

As per the DoC-NAFTA Div. letter dated 18th March 2019 regarding impact of GSP withdrawal on various tariff lines and the subsequent meeting held on 27th March 2019 at Udyog Bhawan to discuss the impact and way forward to mitigate the same, EEPC India have examined the tariff line wise exports to USA under GSP programme during the period Jan-Nov 2018.

The data analysis reveals that Indian exports of engineering products was approx. \$ 2.7 billion under the GSP programme which accounts for approx. 50% of the total \$5.6 billion worth of exports from India which was given duty-free status. India is enjoying the concessions on total of approx. 3,500 products while India made use of the concession for just 1,784 products. The duty concession ranges from 2-8% in majority of engineering products under GSP programme, which on withdrawal will hinder the industry's export capacity. Thus, the removal of these duty concessions would make the majority of products relatively uncompetitive in terms of prices in the US market compared to exports from other developing countries.

Our exporter members are exporting these products representing staggering 50% of the share of exports which has been hit by the decision. As per the feedback by our member exporters, the margin ranges from 7 to 8% and if GSP of 2 to 3% goes, their margin will fall upto 40%. Thus, to support the industry, support package may be provided to offset this increased duty burden on our exporter members.

### India's latest trend in engineering exports to North America

India engineering export with North America – country wise for the fiscal year of 2018-19 is depicted in the table below. Nations which had the highest demand for Indian engineering products during 2018-19 compared to 2017-18 in absolute values include:

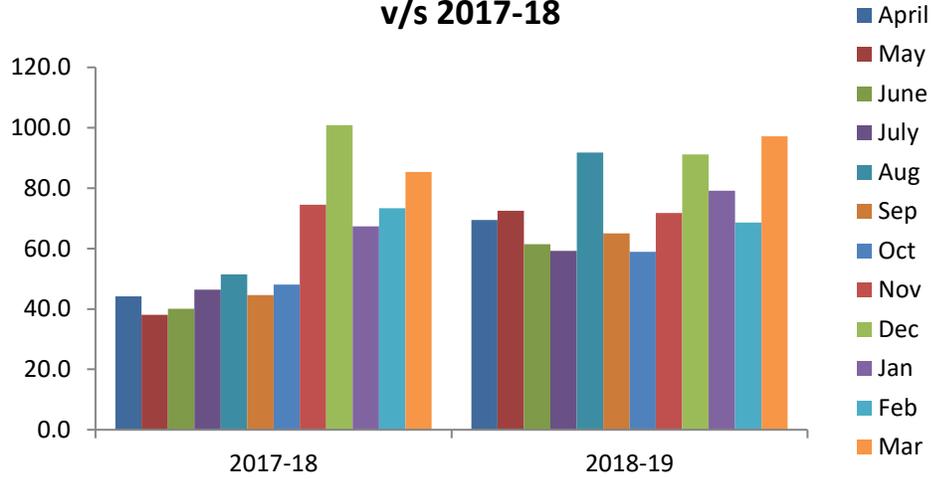
**Table2: Engineering Exports to North America**  
Value in USD million

North America	April-March 2017-18 (USD million)	April-March 2018-19 (USD million)	Growth (%)
USA	10270.1	11906.7	15.9%
Mexico	2674.8	2505.3	-6.3%
Canada	714.3	886.4	24.1%
<b>Total</b>	<b>13659.1</b>	<b>15298.4</b>	<b>12.0%</b>

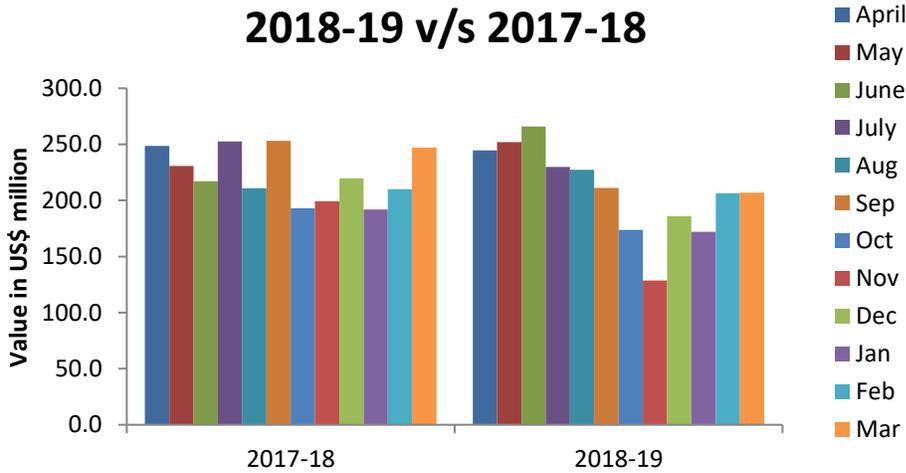
Source: DGCI&S

**Fig 2: Trend in Total Engineering Export in North America- Country wise during April-March 2018-19 v/s April- March 2017-18**  
Month wise

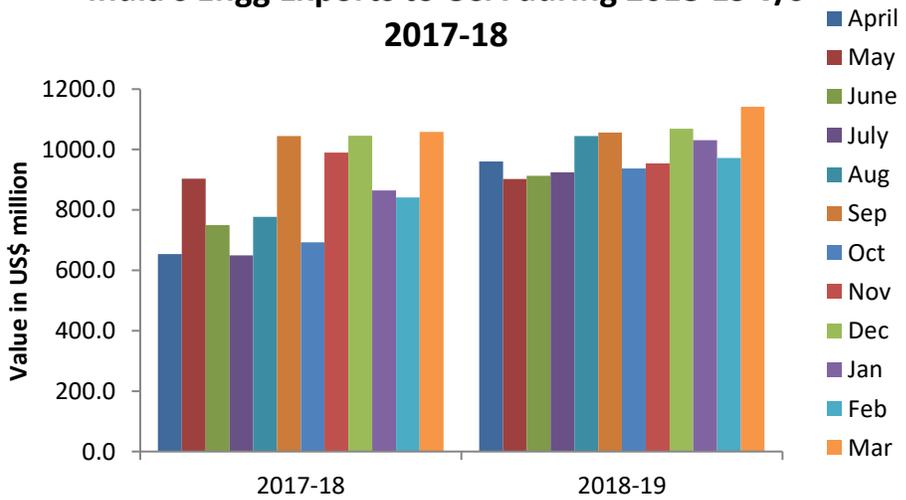
### India's Engg Exports to Canada during 2018-19 v/s 2017-18



### India's Engg Exports to Mexico during 2018-19 v/s 2017-18



### India's Engg Exports to USA during 2018-19 v/s 2017-18



**Table 3: Top 15 engineering panels exported to North America in April- March 2018-19 vis-à-vis April- March 2017-18**

US\$ Million

DGCI&S Engineering Panels	April- March 2017-18 (USD million)	April- March 2018-19 (USD million)	Growth (%)
Motor Vehicle/cars	2426.3	2574.9	6%
Electric Machinery and Equipment	1268.1	2156.5	70%
Products of Iron and Steel	1918.3	2058.9	7%
Auto Components/Part	1336.0	1558.2	17%
Aluminum and products	889.3	1124.4	26%
Industrial Machinery and parts	853.6	1024.7	20%
OTHER MISC. ITEMS	721.6	832.0	15%
Aircrafts & Spacecraft	650.8	571.1	-12%
IC Engines and Parts	464.9	502.5	8%
Machinery for ATMs	395.8	496.3	25%
Iron and Steel	544.7	414.1	-24%
Medical and Scientific Instruments	260.0	300.6	16%
Pumps of all types	236.1	298.1	26%
Other Construction Machinery	162.1	215.9	33%
Air condition and Repair Machinery	138.6	211.5	53%

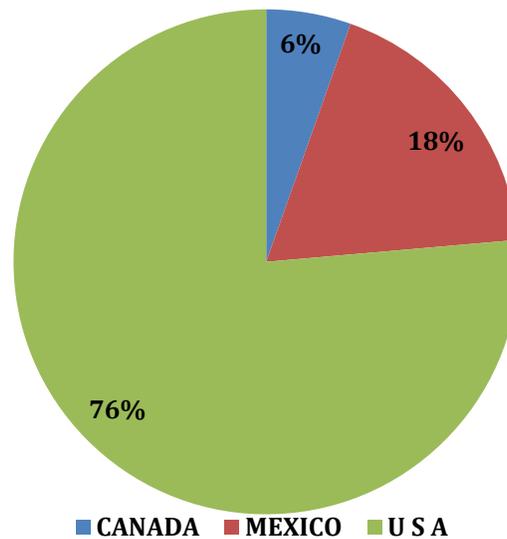
Source: DGCI&S

After EU, Indian engineering exports to North America ranked 2<sup>nd</sup> during April-March 2018-19. USA is the top most export destination for Indian engineering goods with imports of over US\$ 11906.7 million for the fiscal 2018-19. The main engineering products exported to the country include Electrical machinery and Equipment, Products of Iron and Steel, Auto Components/Parts, Motor Vehicles/Cars, Other Industrial Machinery, Aluminium and products, Miscellaneous products, etc during April-March 2018-19.

The following pie chart demonstrates share of different North American countries in India's total export during 2018-19.

**Fig3: India's engineering export share to North American Countries (%) during 2018-19 v/s 2017-18**

## Share % of Engineering exports to North America-April-March 2018-19



Source: DGCI&S

### Country wise India's engineering exports to North America for the year 2018-19

#### 1. USA

Indian engineering exports to USA, continues to be the highest during April-March 2018-19. At present, it accounts for over 77.8% of India's total engineering export to North America (and 14.7% of India's global engineering exports).

*Top products traded in USA:* Electrical machinery and Equipment, Products of Iron and Steel, Auto Components/Parts, Motor Vehicles/Cars, Other Industrial Machinery, Aluminium and products, Miscellaneous products, etc.

#### 2. Mexico

Mexico ranked as the 8th largest export destination for engineering products during April-March 2018-19, moving few place down in the rank order among India's top export destinations. At present, it accounts 16.4% of India's total engineering export to North America (and 3.1 per cent of India's global engineering exports) during April-March 2018-19.

*Top products traded in Mexico:* Motor vehicles/cars, Aluminium and products, Auto components and parts, Industrial machinery and parts, Iron and Steel, Products of Iron and Steel, etc.

#### 3. Canada

Canada accounts for 5.8% of India's total engineering exports to North America (and 1.1% of India's global engineering exports) during April-March 2018-19.

*Top products traded in Canada:* Products of Iron and steel, Motor Vehicles and cars, Auto Components and Parts, Iron and Steel, Other Miscellaneous items, Machinery for ATMS, Electrical machinery and Equipment, Industrial machinery and parts, etc.

### ❖ **United States Will Terminate GSP Designation of India and Turkey**

At the direction of President Donald J. Trump, U.S. Trade Representative Robert Lighthizer announced today that the United States intends to terminate India's and Turkey's designations as beneficiary developing countries under the Generalized System of Preferences (GSP) program because they no longer comply with the statutory eligibility criteria.

India's termination from GSP follows its failure to provide the United States with assurances that it will provide equitable and reasonable access to its markets in numerous sectors. Turkey's termination from GSP follows a finding that it is sufficiently economically developed and should no longer benefit from preferential market access to the United States market.

By statute, these changes may not take effect until at least 60 days after the notifications to Congress and the governments of India and Turkey, and will be enacted by a Presidential Proclamation.

### **Background**

Under the United States GSP program, certain products can enter the United States duty-free if beneficiary developing countries meet the eligibility criteria established by Congress. GSP criteria include, among others, respecting arbitral awards in favor of United States citizens or corporations, combating child labor, respecting internationally recognized worker rights, providing adequate and effective intellectual property protection, and providing the United States with equitable and reasonable market access. Countries can also be graduated from the GSP program depending on factors related to economic development.

#### *India*

The United States launched an eligibility review of India's compliance with the GSP market access criterion in April 2018. India has implemented a wide array of trade barriers that create serious negative effects on United States commerce. Despite intensive engagement, India has failed to take the necessary steps to meet the GSP criterion.

#### *Turkey*

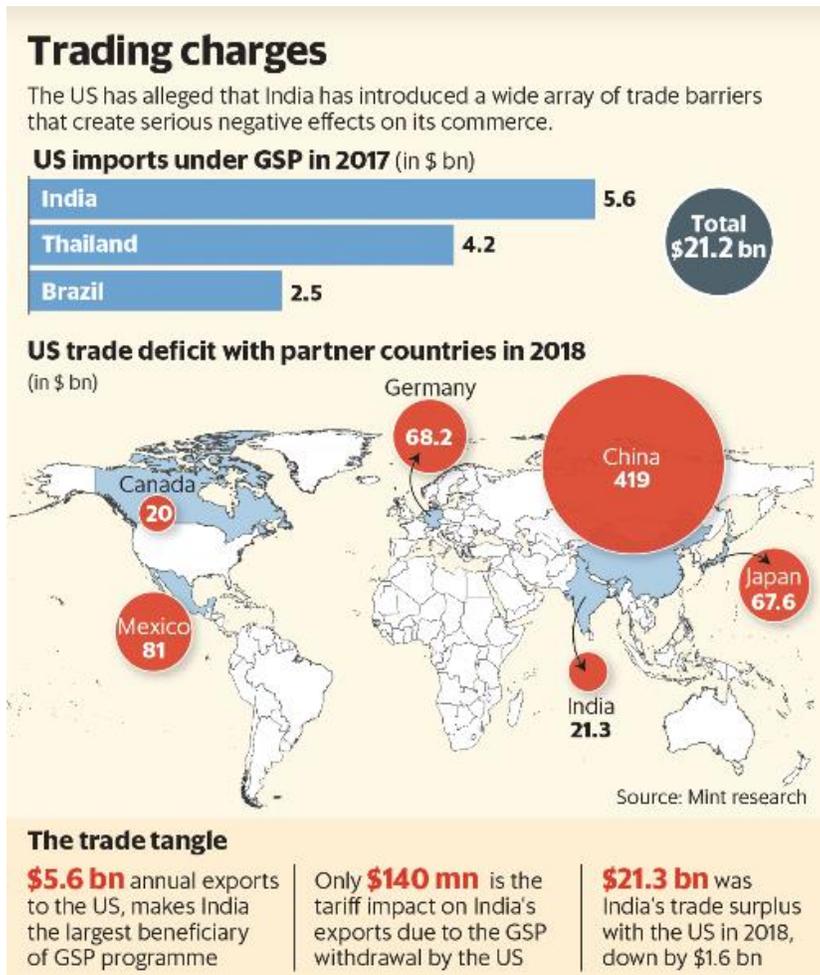
The United States designated Turkey as a GSP beneficiary developing country in 1975. An increase in Gross National Income (GNI) per capita, declining poverty rates, and export diversification, by trading partner and by sector, are evidence of Turkey's higher level of economic development.

Source: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/march/united-states-will-terminate-gsp>

### ❖ **How India should respond to dispute over tariffs with US**

About 100km south-west of Delhi in the industrial belt of Bawal in Haryana stands an assembly plant of Harley-Davidson. One of only three such plants the iconic American motorcycle company has outside the US, it employs 170 people. That's a small number, but in Trump's fight against what he calls the unfair trade practices of "tariff king" India, which has led to the US withdrawing zero tariff benefits on some 1,900 Indian products, Harley-Davidson loomed large.

Trump's repeated tirades against high Indian tariffs on premium bikes forced India to reduce the duty on completely built units of such bikes to 50% from 75%. India, however, denied the charge of being a high-tariff nation, holding that its tariff regime is fully compliant with its commitments under the World Trade Organisation rules. Sajeev Rajasekharan, managing director of Harley-Davidson India, in an interview, refused to reveal the capacity of the Bawal plant. But he said 13 out of the 17 models of the bikes sold in India are assembled in India, including the best-seller Street 750cc.



On 4 March, the Trump administration decided to scrap duty benefits on \$5.6 billion of exports from India by early May, alleging that India has introduced a "wide array of trade barriers that create serious negative effects on United States commerce". Both sides were negotiating a trade package after the United States Trade Representative in April last year announced that it was reviewing India's GSP eligibility. However, "disproportionate" demands by the US led to a collapse of the talks, leading to the withdrawal of GSP benefits from India, the largest beneficiary of the US programme. India has the option of enforcing tit-for-tat tariff hikes on 29 US products including almonds, apples and phosphoric acid worth \$235 million in response to that measure. But India has been deferring its implementation month after month, apparently unwilling to take a harsh measure amid ongoing talks between the two sides on a possible trade package. India is unlikely to implement the decision and may yet again extend the deadline by another month after the current deadline expires on 31 March.

Source: <https://www.financialexpress.com/opinion/why-the-rupee-depreciation-has-not-helped-in-improving-indias-exports-yet/1357586/>

## Factsheets on Antidumping Duty and Countervailing Duty Investigations of Imports

❖ On April 10, 2018, the Department of Commerce (Commerce) announced its affirmative final determinations in the antidumping duty (AD) investigations of imports of cold-drawn mechanical tubing from the People's Republic of China (China), Germany, India, Italy, Korea, and Switzerland.

Source: <https://enforcement.trade.gov/download/factsheets/factsheet-multiple-cold-drawn-mechanical-tubing-ad-final-041018.pdf>

- ❖ On June 20, 2018, the Department of Commerce (Commerce) announced the affirmative preliminary determinations of the countervailing duty (CVD) investigations of imports of large diameter welded pipe from China, India, Korea, and Turkey.  
Source: <https://enforcement.trade.gov/download/factsheets/factsheet-multiple-large-diameter-welded-pipe-cvd-prelim-062018.pdf>
- ❖ On June 20, 2018, U.S. Secretary of Commerce Wilbur Ross announced that the Department's Bureau of Industry and Security (BIS) has begun granting its first product exclusions from the Section 232 tariffs on imports of steel.  
Source: <https://www.commerce.gov/news/press-releases/2018/06/department-commerce-grants-first-product-exclusion-requests-section-232>
- ❖ On August 13, 2018, U.S. Department of Commerce announced the affirmative final determinations in the antidumping duty (AD) and countervailing duty (CVD) investigations of imports of stainless steel flanges from India. The Department of Commerce determined that exporters from India have sold stainless steel flanges in the United States at 19.16 to 145.25 percent less than fair value. Commerce also determined that India is providing countervailable subsidies to its producers of stainless steel flanges at rates ranging from 4.92 to 256.16 percent.  
Source: <https://enforcement.trade.gov/download/factsheets/factsheet-india-stainless-steel-flanges-ad-cvd-final-081318.pdf>
- ❖ On August 21, 2018, the Department of Commerce (Commerce) announced its affirmative preliminary determinations in the antidumping duty (AD) investigations of imports of large diameter welded pipe from Canada, China, Greece, India, Korea, and Turkey.  
Source: <https://enforcement.trade.gov/download/factsheets/factsheet-multiple-large-diameter-welded-pipe-ad-prelim-082118.pdf>

## Upcoming Exhibitions in North America

**Table 7: List of Exhibitions**

Events	Date	Venue	Link
ALUMINUM USA	Oct 2019	Nashville, US	<a href="http://www.aluminum-us.com/">http://www.aluminum-us.com/</a>
AUTOMOTIVE AFTERMARKET PRODUCT EXPO (AAPEX)	5 <sup>th</sup> -7 <sup>th</sup> Nov 2019	Expo & Convention Center, Las Vegas, USA	<a href="https://www.aapexshow.com/">https://www.aapexshow.com/</a>
WORLD OF CONCRETE	03 - 07 Feb 2020	Las Vegas , USA	<a href="https://www.worldofconcrete.com/en/attendee.html">https://www.worldofconcrete.com/en/attendee.html</a>
FABTECH 2019	11 <sup>th</sup> -14 <sup>th</sup> Nov, 2019	Chicago, USA	<a href="https://www.fabtechexpo.com/">https://www.fabtechexpo.com/</a>

## Tender information in North America

**Table 8: Tender related information**

Title	Deadline	Country	Link
<a href="#"><u>Carefusion Pump Module</u></a>	31 <sup>st</sup> May 2019	United States	<a href="http://www.tendersinfo.com/details/444140472?desc=Carefusion-Pump-Module">http://www.tendersinfo.com/details/444140472?desc=Carefusion-Pump-Module</a>
<a href="#"><u>Blasting Grit</u></a>	28 <sup>th</sup> May 2019	United States	<a href="http://www.tendersinfo.com/details/444140462?desc=Blasting-Grit">http://www.tendersinfo.com/details/444140462?desc=Blasting-Grit</a>
<a href="#"><u>Selector Assembly M</u></a>	8 <sup>th</sup> Jan 2019	United States	<a href="http://www.tendersinfo.com/details/444140438?desc=Selector-Assembly-M">http://www.tendersinfo.com/details/444140438?desc=Selector-Assembly-M</a>
<a href="#"><u>Brake Shoe</u></a>	24 <sup>th</sup> May 2019	United States	<a href="http://www.tendersinfo.com/details/444140434?desc=Brake-Shoe">http://www.tendersinfo.com/details/444140434?desc=Brake-Shoe</a>
<a href="#"><u>Chain Assembly Tire</u></a>	24 <sup>th</sup> May 2019	United States	<a href="http://www.tendersinfo.com/details/444140416">http://www.tendersinfo.com/details/444140416</a>

For more information, please subscribe to EEPC India's services on International/Global Tender Notifications, upcoming projects and many more. The service keeps you abreast with latest information on tender notices, pre-qualifications, regular corrigendum and procurement notices from government and private organizations all over the world. Through this service, EEPC INDIA provides you numerous business opportunities at very competitive charges.

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