

January 2019

Chairman's Pen



Due to increased protectionism in the U.S. and Europe, engineering exports would likely slip by more than \$5 billion from the \$90 billion target set for this fiscal. Exports touched an all-time high of \$76.2 billion in 2017-18 and in the first nine months of the current fiscal 2018-19, it rose by 5.95 % over a year ago. Presently, there are issues and ambiguity on the continuation of U.S. GSP (generalised system of preferences) benefit scheme for India and rise of protectionism in the developed countries, which are likely to impact overseas shipment from India adversely going forward. Tariff war between the U.S. and China and possible phasing out of India's export promotion schemes are also notable challenges.

Engineering exports account for about 25% of India's total merchandise exports with the SME sector contributing about 35% of the shipments. The U.S. remained the top destination followed by UAE, Germany and the U.K. Capital goods, consumer durables, non-ferrous metals and its products and primary iron and steel, including ferro alloys, comprised the Indian export basket. However, India's growing economy are also attracting overseas investments in the engineering sector from countries like Korea and Germany. Even, after introduction of additional tariff of 25% on Chinese products, Indian products are expected to become competitive in the US market.

On behalf of EEPC India we have already started sensitizing our members about these opportunities. More support is required from the Government for organizing awareness programmes in order to boost exports. In order to engage more with the US, more and more promotional activities are needed to be carried out in US. Support from the Government is needed in this regard too.

Ravi Sehgal

Message from Chairman, Committee on Trade with North America



Anupam Shah

This edition of Territorial Newsletter for North America emphasised on the India's challenge on WTO dispute panel regarding imposition of safeguard duty on iron and steel products . The current edition also presents a brief insight on the total trade pattern of the engineering sector in North America during April-December of 2018-19. Further, it also 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.

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

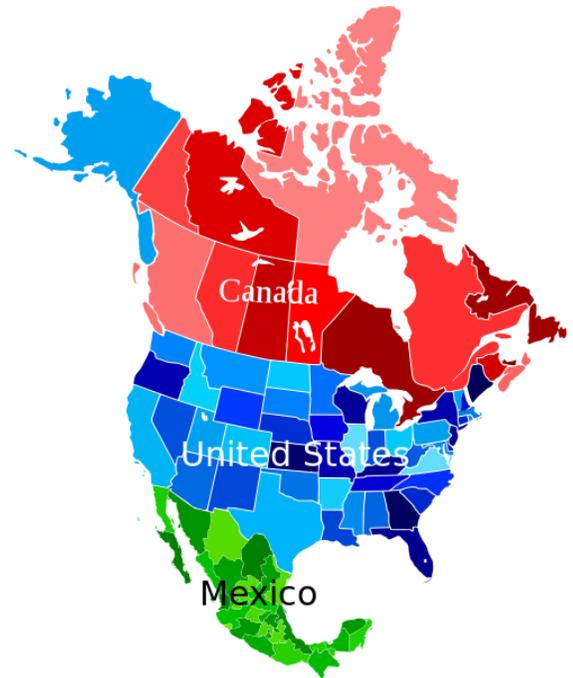
Population: 579 million (2016)

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.



India appeals against WTO dispute panel ruling regarding imposition of safeguard duty on some iron and steel products

India has challenged the World Trade Organisation (WTO) dispute panel's ruling that the country's move to impose safeguard duty on some iron and steel products was inconsistent with certain global trade norms, an official said. The appellate body and the panel are part of the WTO dispute settlement mechanism. It is a 164-member multilateral body which makes rules related to global exports and imports.

“On December 14, India notified the WTO's dispute settlement body of its decision to appeal to the Appellate Body on certain issues of law and legal interpretations in the panel report, the official said. The issue pertains to a case filed by Japan in December 2017 against India's decision to impose safeguard duty on some iron and steel products.

The Geneva-based appellate body can uphold, modify or reverse legal findings and conclusions of WTO's dispute panel and its reports. If the body's ruling goes against India, the country will have to comply with the order in six-seven months.

“India has challenged certain points of the panel's ruling,” the official added. Although the WTO's dispute panel ruled against India, interestingly the duty imposed by India ended in March 2019. Japan, which is the second largest steel producer in the world, had alleged that duties imposed by India violated WTO trade norms.

In September 2015, India imposed provisional safeguard duty of 20 per cent on import of certain categories of steel with a view to protect domestic producers. Later, it was reduced and extended till March this year. The dispute assumes significance as India and Japan implemented a comprehensive free trade agreement in 2011. It gave easy access to Japan in the Indian steel market.

The bilateral trade between the countries stood at \$15.7 billion in 2017-18. Trade is highly in favour of Japan as the trade deficit stood at about \$11 billion in that fiscal.

Each appeal is heard by three members of an Appellate Body comprising persons of recognized authority and unaffiliated with any government. Each member of the Appellate Body is appointed for a fixed term. Generally, the Appellate Body has up to three months to conclude its report.

India's latest trend in engineering exports to North America

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

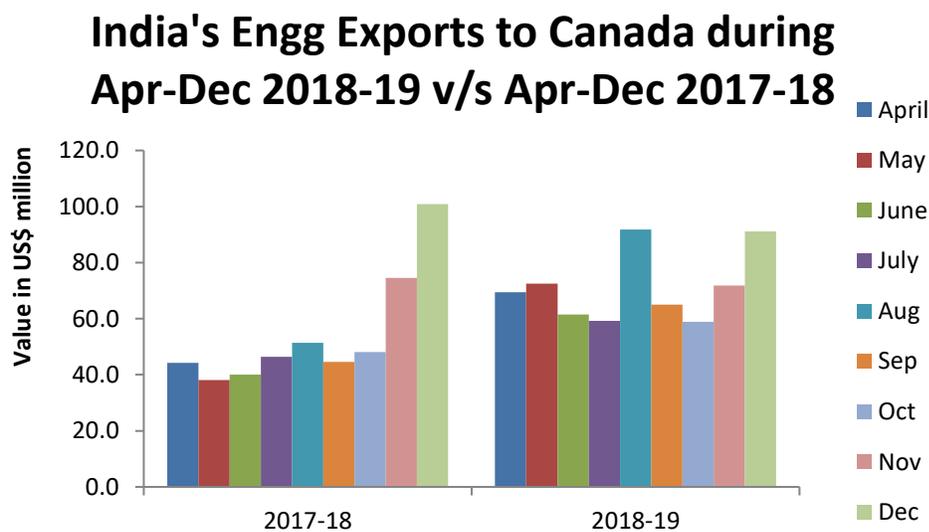
Table2: Engineering Exports to North America

Value in USD million

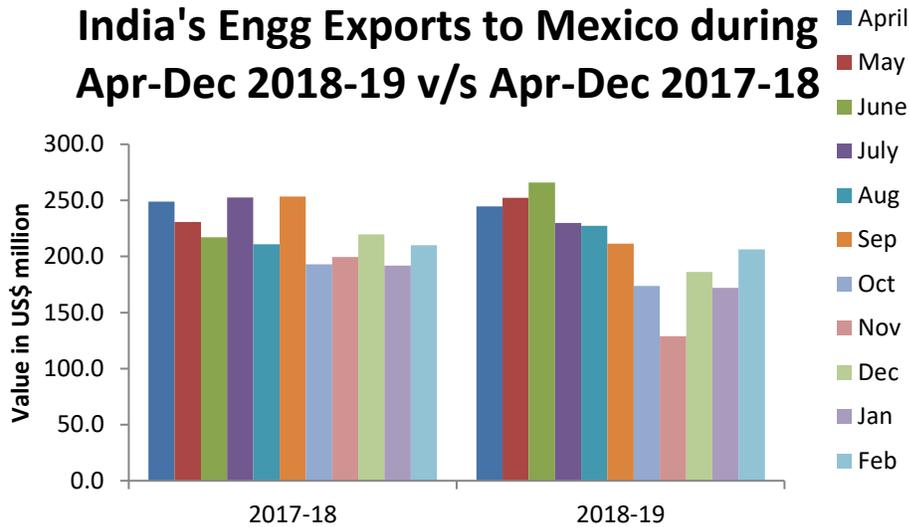
North America	April-December 2017-18 (USD million)	April-December 2018-19 (USD million)	Growth (%)
USA	7506.0	8763.5	16.8%
Mexico	2025.6	1920.1	-5.2%
Canada	488.3	641.6	31.4%
Total	10019.9	11325.2	13.0%

Source: DGCI&S

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



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



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

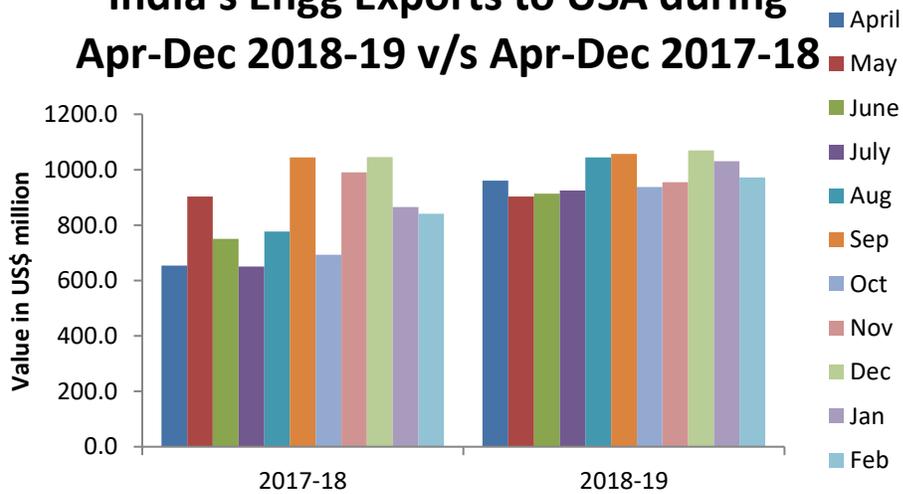


Table 3: Top 15 engineering panels exported to North America in April-December 2018-19 v/s April- December 2017-18

US\$ Million

DGCI&S Engineering Panels	April-December 2017-18 (USD million)	April-December 2018-19 (USD million)	Growth (%)
Motor Vehicle/cars	1683.8	1917.5	14%
Electric Machinery and Equipment	946.1	1582.6	67%
Products of Iron and Steel	1425.2	1492.3	5%
Auto Components/Part	957.0	1148.4	20%
Aluminum and products	618.9	865.2	40%
Industrial Machinery and parts	612.6	745.3	22%
OTHER MISC. ITEMS	527.5	622.6	18%
Aircrafts & Spacecraft	491.7	413.5	-16%
IC Engines and Parts	361.2	378.6	5%
Machinery for ATMs	283.4	363.4	28%
Iron and Steel	410.2	319.9	-22%

DGCI&S Engineering Panels	April-December 2017-18 (USD million)	April-December 2018-19 (USD million)	Growth (%)
Medical and Scientific Instruments	187.0	219.4	17%
Pumps of all types	176.9	213.6	21%
Air condition and Repair Machinery	87.3	165.9	90%
Other Construction Machinery	110.8	164.9	49%

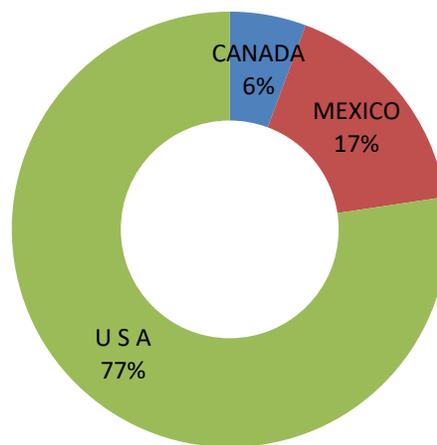
Source: DGCI&S

After EU, Indian engineering exports to North America ranked 2nd during April-Dec 2018-19. USA is the top most export destination for Indian engineering goods with imports of over US\$ 8763.54 million for the fiscal April-Dec 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-Dec 2018-19.

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

Fig3: India's engineering export share to North American Countries (%) during April- December 2018-19 vis-à-vis April- December 2017-18

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



Source: DGCI&S

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

1. USA

Indian engineering exports to USA, continues to be the highest during April-December 2018-19. At present, it accounts for over 77.4% of India's total engineering export to North America (and 14.8% 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 7th largest export destination for engineering products during April-December 2018-19, moving few place down in the rank order among India's top export destinations compared to that of same period last fiscal. At present, it accounts 17% of India's total engineering export to North America (and 3.2 per cent of India's global engineering exports) during April-December 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 5.7% of India's total engineering exports to North America (and 1.1% of India's global engineering exports) during April-December 2018-19.

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

News in Focus

❖ WTO to set up dispute panel in India-US case on steel, aluminium duties

The dispute settlement body of World Trade Organisation (WTO) has agreed to set up a panel to assess if high customs duties imposed by the US on certain steel and aluminium products infringes global trade norms, an official said. India had approached Geneva-based WTO for setting up of the dispute panel as both the countries failed to resolve the issue in a bilateral consultation process under the dispute settlement mechanism of the WTO. "The dispute settlement body has agreed to establish a panel to rule whether additional duties imposed by the US on imports of certain steel and aluminum products comply with WTO rules," the official added.

Consultation is the first step of the dispute settlement process at the WTO. If the two countries are not able to reach a mutually agreed solution through consultation, a country can request for a WTO dispute settlement panel to review the matter.

Imposition of high import duties on these items by the US has impacted exports of these products by Indian businesses. India has alleged that the US move is also not in compliance with global trade norms.

Besides India, Russia, Norway, Canada, Mexico, Switzerland, and European Union have also dragged the US in the WTO on Washington's move to impose 25 per cent and 10 per cent import duties on certain steel and aluminium products, respectively, which triggered global trade tensions.

India has a significant export interest to the US on the steel and aluminium sector. India exports steel and aluminium goods worth about USD 1.6 billion a year to the US. The US had imposed these duties on grounds of national security.

Biswajit Dhar, professor of economics at Jawaharlal Nehru University, stated that the US decision would not only impact India's export of these goods but also affect global trade.

Some experts, however, said that dragging the US in the dispute over the issue is not in favour of India, as New Delhi has a trade surplus with Washington.

India's exports to the US in 2017-18 stood at about USD 48 billion, while imports were USD 26.7 billion.

Both the countries are also involved in several other disputes in the WTO. Those disputes are in the areas of poultry, export incentives, solar and steel.

In retaliation to the imposition of duties by the US, India has decided to increase customs duty on 29 American products such as almond, walnut, pulses and iron and steel items. The duties would come into effect from December 17.

Source: <https://economictimes.indiatimes.com/news/economy/foreign-trade/wto-to-set-up-dispute-panel-in-india-us-case-on-steel-aluminium-duties/articleshow/66939820.cms?from=mdr>

❖ **US-China trade war opened window of opportunity for India**

India has a window of opportunity in the midst of the US-China trade war and that the trade imbalance between China and India will be corrected as Chinese consumption increases. As the US-China trade war refuses to abate despite talks of a truce, China is facing higher import duties on exports to the US and would now look to markets such as India where the products can be finished and exported from.

“The trade war has made the finishing in China very difficult because of high duties. There is a diversification of final stages of finishing. Made-in-China products will have trouble going in some markets like the US,” said Fung, honorary chairman of Li & Fung group of companies.

“While there are places like Vietnam and Bangladesh that are becoming active, they have limited capacity while India has infinite capacity. We are making that transition ourselves and moving in this direction by necessity,” he said. The group, which has been in export trading and global supply chain management since 1906, wants to push its supply of global brands to Indian retailers through business-to-business ecommerce platform ShopX, which it invested in this year.

Alongside, Chinese markets are also opening to imports and Li & Fung itself is looking at India as a supply base, said Fung. India and China have had a growing trade imbalance, with the deficit widening to \$63 billion in 2017-18.

Source: <https://economictimes.indiatimes.com/news/economy/foreign-trade/us-china-trade-war-opened-window-of-opportunity-for-india-victor-fung/articleshow/67151974.cms?from=mdr>

❖ **India Again Defers Duty Hike on U.S. Products Till Jan. 31**

India for the fourth time deferred the deadline to impose retaliatory customs duties on 29 US products, including almond, walnut and pulses, by another 45 days, the government has said.

According to a notification by the finance ministry, the implementation of the duty hike has been postponed until January 31, 2019.

The commerce ministry had asked its finance counterpart to extend the deadline further.

In June, India decided to impose retaliatory tariffs from August 4. But it was extended by 45 days till September 18 and then till November 2. In November, the decision to impose these duties was deferred till December 17.

As part of imposition of higher import duties, New Delhi has notified higher tariffs on several products. While import duty on walnut is to be hiked to 120 per cent from 30 per cent at present, duty on chickpeas, Bengal gram (chana) and masur dal will be raised to 70 per cent, from 30 per cent currently. Levy on lentils will be increased to 40 per cent, from 30 per cent.

The duty hike move by India was in retaliation to US President Donald Trump's March 9 decision to impose heavy tariffs on imported steel and aluminium items.

Senior officials of India and the US are in discussions to finalise a kind of trade deal. Both sides are holding two track discussions -- to increase trade in short and medium term, and identify long-term trade potentials.

India is pressing for exemption from high duty imposed by the US on certain steel and aluminium products, resumption of export benefits to certain domestic products under their generalised system of preferences (GSP), greater market access for its products from agriculture, automobile, automobile components and engineering sectors. On the other hand, the US is demanding greater market access through cut in import duties for its agriculture goods, dairy products, medical devices, IT and communication items, the official added.

India's exports to the US in 2017-18 stood at USD 47.9 billion, while imports were USD 26.7 billion. The trade balance is in favour of India.

Commerce and Industry Minister Suresh Prabhu will hold bilateral discussions on trade issues with US Commerce Secretary Wilbur Ross on February 14 here.

Source: <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-again-defers-duty-hike-on-us-products-till-jan-31/articleshow/67143329.cms?from=mdr>

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	http://www.aluminum-us.com/
AUTOMOTIVE AFTERMARKET PRODUCT EXPO (AAPEX)	5 th -7 th Nov 2019	Expo & Convention Center, Las Vegas, USA	https://www.aapexshow.com/
WORLD OF CONCRETE	03 - 07 Feb 2020	Las Vegas , USA	https://www.worldofconcrete.com/en/attendee.html
FABTECH 2019	11 th -14 th Nov, 2019	Chicago, USA	https://www.fabtechexpo.com/

Tender information in North America

Table 8: Tender related information

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

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Contact: Shrilata Ghosh

Email: sghosh@eepcindia.net

Phone no: 033-40120360