

November 2018

Chairman's Pen



The time is ripe for drawing a new export strategy amid rising trade tensions between the world's two largest economies, the US and China. With pressure on the rupee in the wake of hardening of crude oil prices, bridging the trade deficit is of great significance for India's overall current account deficit. The best way forward for bridging the gap is to raise exports, moving with a definite strategy. While the government has already begun exercise on this strategy, we in the engineering sector would extend our full support, in terms of sharing key inputs and market intelligence from across different territories, mainly the US where the opportunities are galore in the backdrop of robust growth and vacation of space by the high tariff wall for the Chinese goods.

US has maintained its top rank as India's top most export destination for engineering goods in 2017-18 and also continuing its top rank during the first seven months of current fiscal April-October 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 trade with US during April-October 2018-19 recorded at US\$ 51.4 billion maintaining a considerable trade surplus. 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 update on the effect on India's steel and aluminium trade performance globally post US protectionist policy. The current edition presents a brief insight on the total trade pattern of the engineering sector in North America during the first seven months of the new fiscal 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

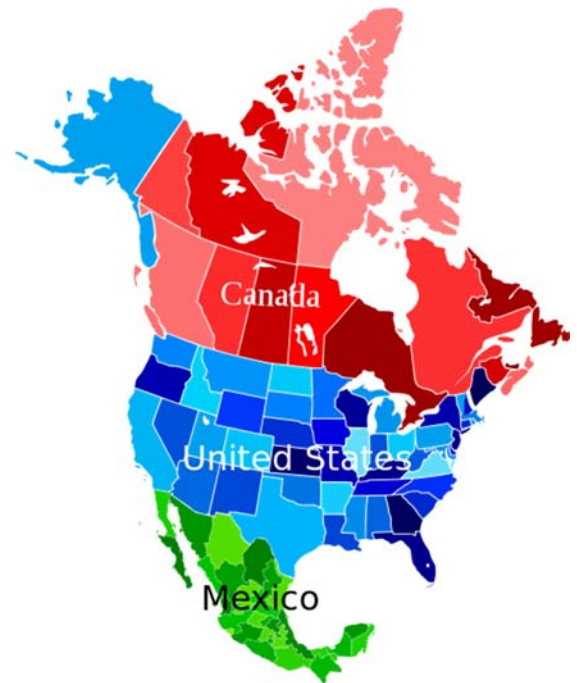
Population: 579 million (2016)

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.



Effect on India's steel and aluminium exports to US post imposition of Section 232 notification of US Trade Act

The United States have shaken the foundations of global trade, slapping steep tariff on billions of dollars' worth of goods from most countries. In order to cut trade deficit as well as unfair trade practices with China, the President placed import tariffs on solar panels and washing machines of 30 to 50 percent against China.

Later, in order to combat cheap metals flooding into US threatening their national security, the President issued Proclamations on adjusting imports of steel and aluminum into the United States, under Section 232 of the Trade Expansion Act of 1962, providing for additional import duties for steel mill and aluminum articles, effective March 23, 2018. Under this Section 232 of US Trade Expansion Act 1962, the United States (US) has imposed global tariff of 25% and 10% on certain steel and aluminium products, from most countries.

The impact of growing tension in merchant trade following the imposition of additional tariff on steel and aluminium by the US, and again the retaliatory measures adopted by China throttling the future of US investment in China and vice versa have caused significant tremor in the stability and efficacy of global steel trade. The uncertainty has particularly hurt the export oriented nations like Japan, South Korea, Turkey, Germany, Vietnam and Africa. It is interesting to know how the imposition of duties under Section 232 has eased out US to get over the scourge of unabated flow of cheap imports and rejuvenation of US manufacturing sector and unemployment problem during the last few months.

As sourced from Trade Map, during the first 11 months of 2018 (including January and February prior to the duty imposition) US steel imports have reached around 29 MT which is nearly 10.4% lower compared to the previous year. On the other hand, as far as India is concerned, the value of exports from India to US during 2017-18 under these affected tariff lines was US\$ 618.39 million for steel products and US\$ 637.81 million for aluminium. However as of now, it would be difficult to assess the impact on India's exports to US. Nevertheless, the provisional value of exports for the 1st and 2nd Quarter (April-Sep) of 2018-19 after the imposition of the Section 232 tariffs vis-à-vis the 1st and 2nd Quarter of 2017-18 indicate that the exports have come down from US\$ 382 million to US\$ 197 million in case of affected steel products and have increased from US\$ 236 million to US\$ 337.9 million in respect of affected aluminium products. From all the trade figures, does it mean that US would continue to impose additional tariff of 25% on steel for some more years?

It is pertinent to mention that the recent proposal of signing a new agreement superseding the NAFTA, tentatively called USMCA, is not going to benefit the energy sector without removing the tariff barriers which does not seem to be a part of the proposed agreement. The latest closure by General Motors plant in the US adding to the unemployment by a few thousands more in the US and Canada is a case in point. WTO has already referred the matter of tariff imposition by the US under Section 232 of US Trade Act to dispute settlement body as proposed by EU, Japan and India with the definite knowledge that there is no guarantee that the US would abide by the DSB conclusions if these are found to be at variance with US notification.

It is to be noted that India's import of finished steel from US has been valued at US\$ 29.7 million in the first quarter (April-June) of the current fiscal (2018-19) compared to US\$ 39.7 million same period last fiscal registering 25% less in the growth figures during the aforesaid period. Infact exports from US has been diverted by South Korea and Japan that found new destination in India as imports of finished steel from South Korea to India in first three months (April-June) of the current fiscal was 40% more compared to same period last fiscal. Overall, during the first quarter (April-June) of the current year (2018-19), the total imports of finished steel by India have gone up by 25% compared to the previous year, while exports have fallen by around 17%. Thus India is more or less getting affected by the US trade actions. WTO has ruled against India's imposition of Safeguard Duties on the petition filed by Japan. It is unfortunate that a powerful economy gets away with higher duty imposition while India is charged with violation for resorting to a perfectly WTO complaint measure to arrest cheap imports.

India's latest trend in engineering exports to North America

India engineering export with North America – country wise during the month of June for the new fiscal of 2018 is depicted in the table below. Nations which had the highest demand for Indian engineering products during April-October for the current fiscal 2018-19 in absolute values include:

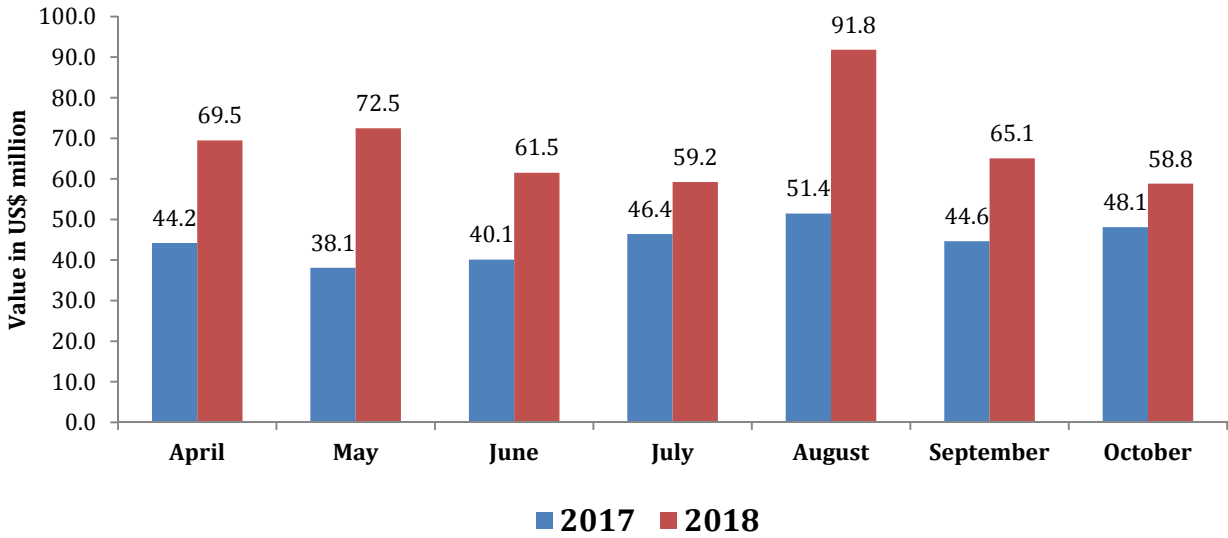
Table2: Engineering Exports to North America
Value in USD million

North America	April-October 2017 (USD million)	April-October 2018 (USD million)	Growth (%)
USA	5470.8	6740.4	23.2
Mexico	1606.5	1605.2	-0.1
Canada	312.9	478.3	52.9
Total	7390.2	8824.0	19.4

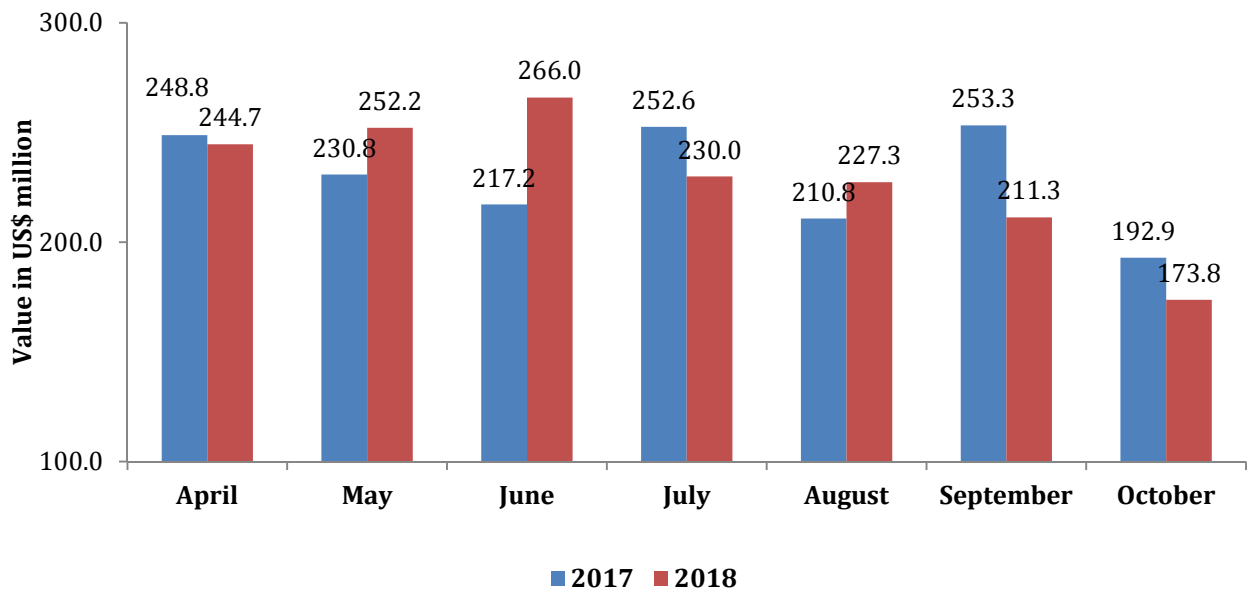
Source: DGCI&S

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

India's Engg Exports to Canada



India's Engg Exports to Mexico



India's Engg Exports to USA

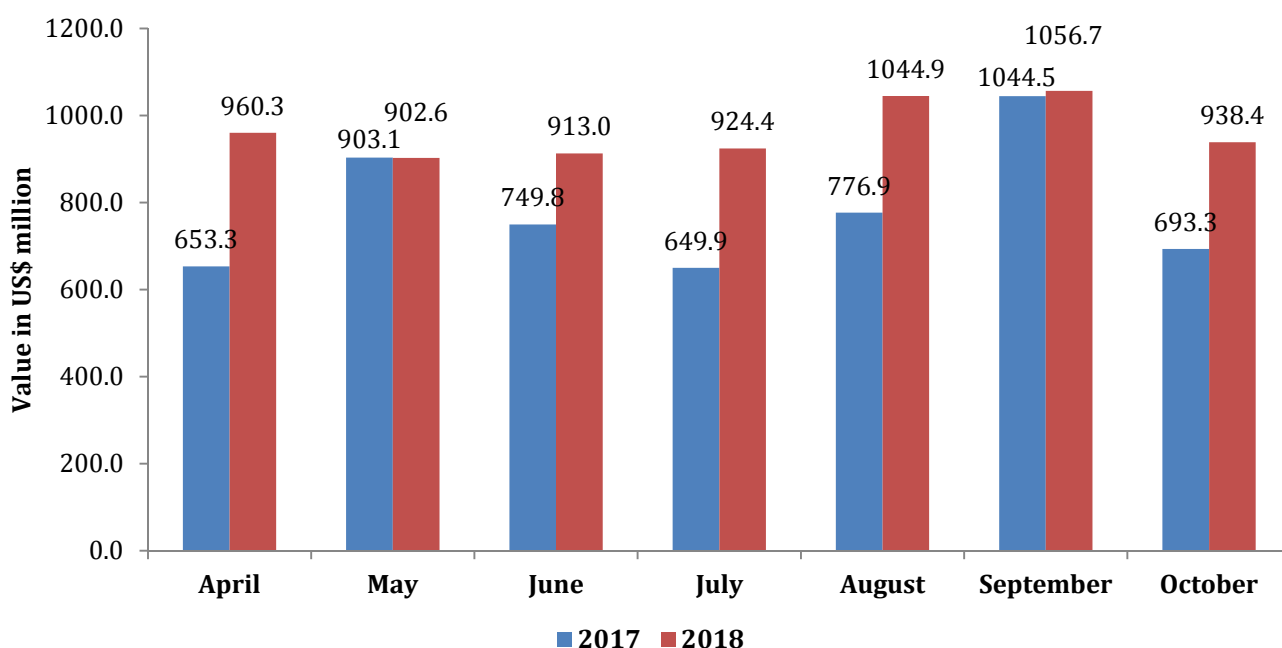


Table 3: Top 15 engineering panels exported to North America in April- October 2018 vis-à-vis April- October 2017

US\$ Million

DGCI&S Engineering Panels	April- October 2017 (USD million)	April- October 2018 (USD million)	Growth (%)
Motor Vehicle/cars	1074.7	1494.7	39.1
Electric Machinery and Equipment	657.5	1248.6	89.9
Products of Iron and Steel	1098.7	1142.4	4.0
Auto Components/Part	717.5	875.2	22.0
Aluminium and products	429.3	695.4	62.0
Industrial Machinery and parts	453.6	584.7	28.9
OTHER MISC. ITEMS	398.9	474.4	18.9
Aircrafts & Spacecraft	350.5	336.0	-4.1
IC Engines and Parts	294.1	290.3	-1.3
Machinery for ATMs	213.6	280.8	31.5
Iron and Steel	317.1	257.0	-18.9
Medical and Scientific Instruments	140.3	170.4	21.4
Pumps of all types	131.1	157.1	19.9
Air condition and Repair Machinery	58.5	133.2	127.6
Other Construction Machinery	79.4	123.7	55.8

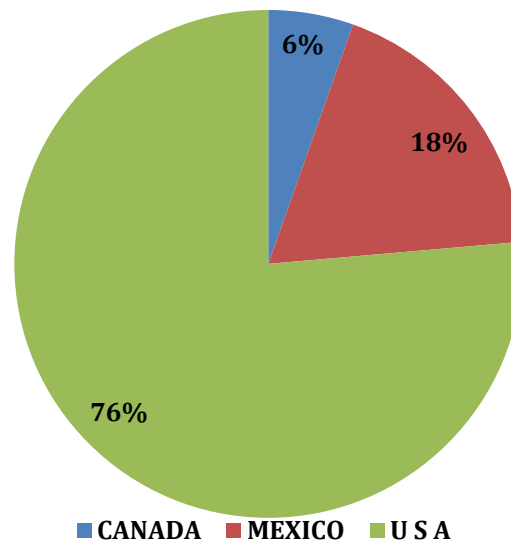
Source: DGCI&S

After EU, Indian engineering exports to North America ranked 2nd during April-October 2018 of the current fiscal 2018-19. USA remained at the top for Indian engineering exports with imports of over US\$ 938.44 million in the month of October 2018. 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-October 2018.

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

Fig3: India's engineering export share to North American Countries (%) during April- October 2018

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



Source: DGCI&S

Country wise India's engineering exports to North America in October 2018

1. USA

Indian engineering exports to USA, continues to be the highest during October 2018. At present, it accounts for over 76% of India's total engineering export to North America (and 14.5% 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-October 2018, moving few place down in the rank order among India's top export destinations. At present, it accounts 18% of India's total engineering export to North America (and 3.5 per cent of India's global engineering exports) during April-October2018.

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

3. Canada

Canada accounts for 6% of India's total engineering exports to North America (and 1% of India's global engineering exports) during April-October 2018.

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.

News in Focus

❖ **US-China tiff food for engineering exporters- Time is ripe to draw new export strategy-EEPC India**

The trade war between the US and China seems to have opened up a new window for engineering exporters, who have asked the government to come out with a strategy to help traders. “There are both opportunities and challenges for us. We can increase our engagement with the US as also China, seeking to occupy the markets which would be vacated in the midst of the ongoing mutual tariff increases by the top two economies,” Ravi Sehgal, chairman of EEPC India, said.

The focus should be on value addition and increasing the competitiveness of exporters, which can be achieved by fixing some of the procedural issues for tax refunds and customs clearances, he added. EEPC India, representing engineering exports that account for about one-fourth of the country's total exports, said it would work with the government in identifying opportunities arising out of the new global trade paradigm, marked by the tariff war between the US and China.

The Engineering Export Promotion Council (EEPC) of India on Tuesday said the time is ripe for drawing a new export strategy amid rising trade tensions between the world's two largest economies, the US and China. The council also hailed the centre for “responding well” to the global trade tensions by maintaining a stance that serves the cause of Indian exporters best, realising how critical exports are for the country's big macro picture.

With pressure on the rupee in the wake of hardening of crude oil prices, bridging the trade deficit is of great significance for India's overall current account deficit, said council's Chairman Ravi Sehgal. “The best way forward for bridging the gap is to raise exports, moving with a definite strategy. While the Commerce Ministry has already begun exercise on this strategy, we in the engineering sector would extend our full support, in terms of sharing key inputs and market intelligence from across different territories, mainly the US where the opportunities are galore in the backdrop of robust growth and vacation of space by the high tariff wall for the Chinese goods,” he said.

According to him, there are both opportunities and challenges for exporters. “We can increase our engagement with the US as also China, seeking to occupy the markets which would be vacated in the midst of the ongoing

mutual tariff increases by both the top two economies,” he said. “There should be both medium-to-long-term strategies as also the short-term game plan. The first and immediate focus should be on the short-term plan in the wake of the global tariff war, which is not abating any time soon,” the council said in a statement. (IANS)

According to a commerce ministry study, the hike in US tariffs on imports from China has give an opportunity to India to push for higher exports in 180 items — ranging from textiles to marine products — with additional shipment potential of up to \$8.7 billion a year.

Sources said Indian exporters could look at grabbing a part of the market of about \$2-3 billion or more, depending on how quickly and effectively they move

Source: <http://www.eepcindia.org/download/181121104849.pdf>

❖ **Rupee depreciation has not helped in improving India’s exports**

The main argument of proponents of non-intervention in foreign exchange markets in the face of a rapid depreciation of the rupee is that the currency acts as an equilibrating mechanism to shrink India’s current account deficit. The merchandise trade data for September 2018 was probably the first empirical test for the hypothesis. As a summary, if only a narrow one, the metric of the exchange rate—the USD-INR rate—fell from an average 67.0 during April-June to 68.7 in July, 69.6 in August to 72.3 in September. Although it is still early days yet—factoring in of lags in trade pricing contracts and transactions invoicing—evidence of trade elasticities responding to the depreciating currency should have begun to show up.

In the first sign of a response of India’s trade to the depreciated rupee (INR), the merchandise trade deficit narrowed sharply to \$14 billion in September 2018, down from an average \$17 billion over May-August. However, the \$3.4 billion cut in the deficit was almost entirely due to lower imports, with exports barely creeping up by \$100 million.

While exports in September contracted 2.2%, this might not be an accurate metric of a business response to the currency, being largely because of the base effect of the sharp spike in export growth in September 2017 that was probably the result of a one-time adjustment to pent up demand, post the frictions generated before and just after the transition to GST. This said, export by value remained at the \$28 billion monthly level in September, about the same as the average \$27.5 billion during the four previous months. In terms of the composition, the approximately \$1 billion rise in petro products and gems and jewellery over August 2018 was offset by a drop in exports of engineering goods and textiles.

However, it suggests that the exchange rate alone does very little of the heavy lifting of trade adjustment. The government and other authorities have already initiated measures, but more effective structural measures are needed as an ongoing process to increase India’s competitive efficiency.

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

- ❖ 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
ATX Midwest Automation Technology Expo	31 Oct- 1 st Nov 2018	Minneapolis, USA	http://atxminn.designnews.com/
Aircraft Interiors Expo Americas	25th-27th Sep 2018	Boston Convention & Exhibition Center, Boston, MA, United States	http://www.aircraftinteriorsexpo-us.com/
IMTS International Manufacturing Technology Show	10-15 th September, 2018	Chicago, USA	https://www.imts.com/
Semicon West	10 th July-12 th July, 2018	San Francisco, USA	http://www.semiconwest.org/
ALUMINUM USA	Oct 2019	Nashville, US	http://www.aluminum-us.com/
Canadian international Auto Show	15 - 24 Feb 2019	Toronto, Canada	https://www.autoshow.ca/
NACE Automechanika	08 - 10 Aug 2018	USA	https://events.messefrankfurt.com/archive//fullschedulesnace18/4896/10-08-2018/List

Tender information in North America

Table 8: Tender related information

Title	Deadline	Country	Link
Entry Ramp Enclosure - Ccri (35 Pgs) And 1	8 th Jan 2019	United States	http://www.tendersinfo.com/details/440115070?desc=Entry-Ramp-Enclosure---Ccri-(35-Pgs)-And-1
F-16 Valve Assembly	19 th Dec 2018	United States	http://www.tendersinfo.com/details/440114994?desc=F-16-Valve-Assembly
Shaft Assembly Stra In Repair/modification	8 th Jan 2019	United States	http://www.tendersinfo.com/details/440114834?desc=Shaft-Assembly-Stra-In-Repair/modification-Of
Request For Information - Truck-tractor And Trailers	4 th Jan 2019	United States	http://www.tendersinfo.com/details/440114666?desc=Request-For-Information---Truck-tractor-And-Trailers
Elevator Modernization	10 th Jan 2019	United States	http://www.tendersinfo.com/details/440111697?desc=Elevator-Modernization

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