

September 2018

### Chairman's Pen



India and the United States have had a long standing relationship, but in the economic front we have witnessed a major recent uptick but ties have equally been shaped by stark shifts in global power structures and geopolitical circumstances.

US has maintained its top rank as India's top most export destination for engineering goods in 2017-18 as well as for the first five months of the current fiscal April-August 2018-19. 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-August 2018-19 recorded at US\$ 37.25 billion maintaining a considerable trade surplus to the extent of US\$ 6.14 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 the impact of India's exports on US sanctions on Iran. The current edition presents a brief insight on the total trade pattern of the engineering sector in North America during the first five months of the current 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

**NEWSLETTER – North America**

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

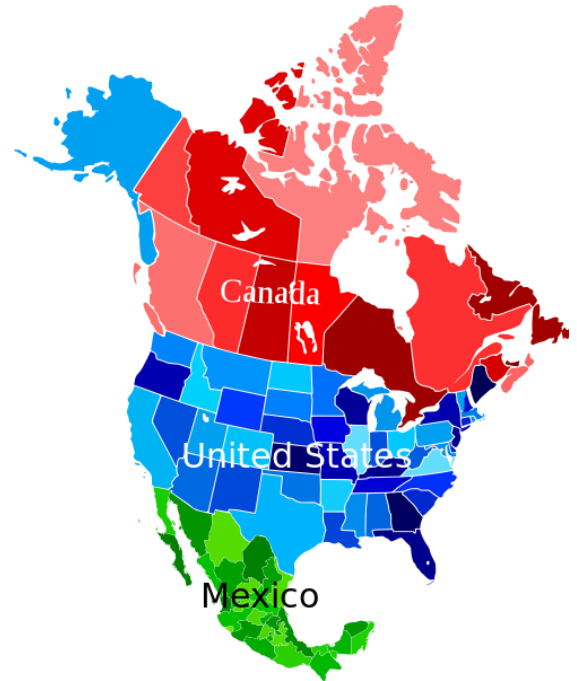
**Population:** 579 million (2016)

**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.



## Impact on India's exports on US sanctions on Iran

The new US sanctions against Iran set to come into effect from August 7th, and the US President announced that firms doing business with Tehran would be barred from doing business with the US. Even the European companies have also pulled out of Iran, arguing that they cannot risk the prospect of damage to their US business.

President Trump had already announced on 8 May 2018 that the US would pull out of the JCPOA<sup>1</sup>. He issued a National Security Presidential Memorandum that begins the process of re-imposing sanctions on areas including Iran's energy, petrochemical and financial sectors. This affects not only US companies and their foreign subsidiaries but also, through so-called secondary sanctions, non-US companies' business activities in Iran. In addition, the US will re-impose secondary sanctions which impact on non-US companies that carry out certain activities with Iran, following the expiry of sanction waivers with wind-down periods of either 90-days (deadline of 6 August 2018) or 180- days (deadline of 4 November 2018).

However, Trump's decision to re-impose sanctions calls for reflection about trade between Iran and India, and India's involvement in the Chabahar SEZ. Previously, India had maintained its right to trade with Tehran despite expansive US and EU sanctions on Iran, and had even received waivers from the US to continue respectable purchases of Iranian crude oil.

The uncertainty that arises from the sanctions imposed is not specifically on trade itself, but how it pressurises financial institutions to cut all ties with sanctioned companies, greatly restricting financial mechanisms from

<sup>1</sup> The Joint Comprehensive Plan of Action (JCPOA) was agreed in July 2015 between Iran and the P5+1 (China, France, Russia, the UK, the US and Germany) following two years of negotiations over Iran's nuclear programme.

building an economic relationship. Most importantly, the sanctions disallow access to the US financial system for any foreign, or domestic entity that conducts business with the expansive list of sanctioned Iranian companies/banks. This has led to situations where countries like India may be willing to trade or invest in Iran, but have no financial institutions willing to insure the shipments themselves.

The OFAC sanctions have hit India's export trade with high potential countries like Iran, Iraq, Russia, Syria, Sudan, Somalia, Libya, Lebanon and Venezuela. Exporters are being denied facilitation of transactions by AD banks due to the imposed OFAC sanctions on these countries. Many Indian exporter's organizations have collectively requested the Government that some mechanism should be devised to regularize such payment and the grant of export benefits on such exports. Presently, exporters who are receiving the payment but not the e-BRC, have been suggested by various export councils to request the bank for a Forward Inward Remittance Certificate that should be submitted to the Customs for fulfilling the payment receipt criteria.

In summary, all of India's investments, commitments and perceived success of connectivity to Central Asia and Afghanistan face the possibility of gathering dust and one of India's most prominent overtures for expanding influence in the region is likely to get effectively crippled.

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

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

**Table2: Engineering Exports to North America**

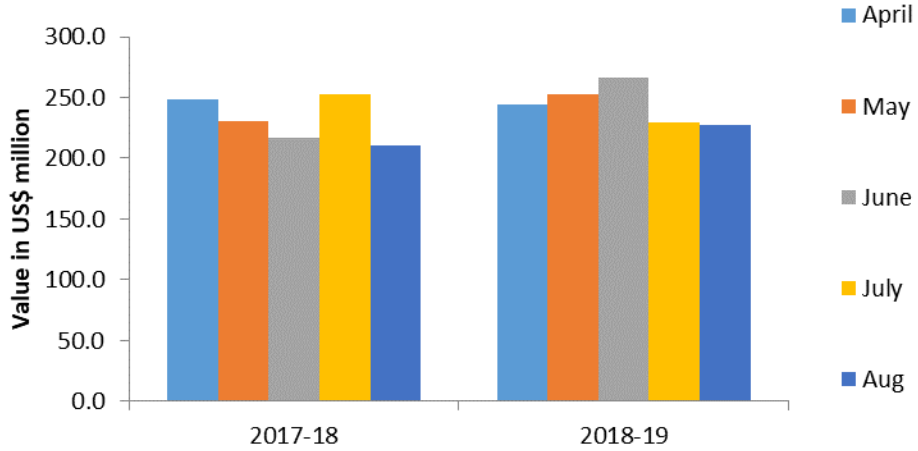
Value in USD million

North America	April-August 2017-18 (USD million)	April-August 2018-19 (USD million)	Growth (%)
USA	3733.0	4746.7	27.2%
Mexico	1160.3	1220.2	5.2%
Canada	220.2	354.5	61.0%
<b>Total</b>	<b>5113.5</b>	<b>6321.4</b>	<b>23.6%</b>

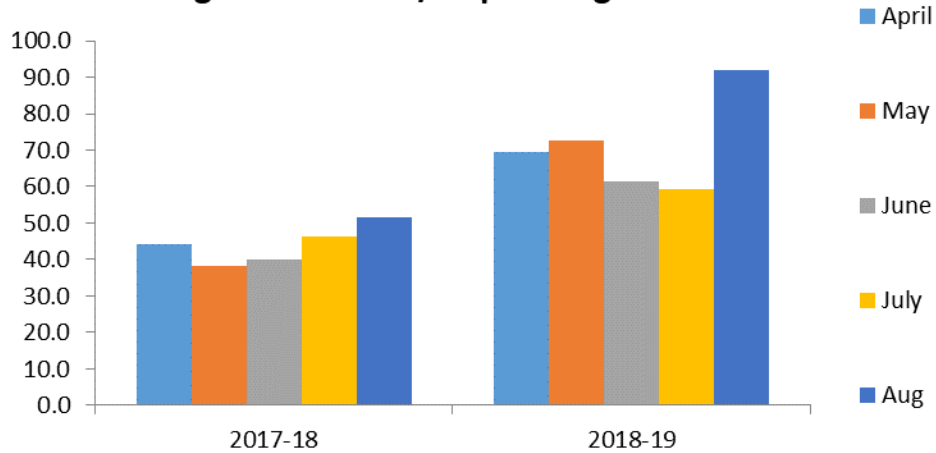
Source: DGCI&S

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

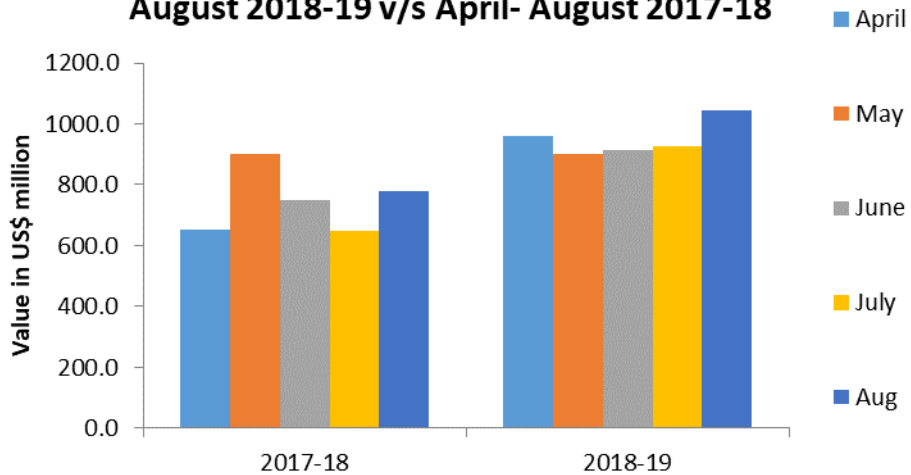
### India's Engg Exports to Mexico during April-August 2018-19 v/s April- August 2017-18



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



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



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

US\$ Million

DGCI&S Engineering Panels	April-August 2017-18 (USD million)	April-August 2018-19 (USD million)	Growth (%)
Motor Vehicle/cars	764.0	1104.1	45%
Electric Machinery and Equipment	431.5	855.7	98%
Products of Iron and Steel	779.9	815.0	4%
Auto Components/Parts	513.4	617.1	20%
Aluminum and products	276.2	520.7	89%
Other Industrial Machinery	313.9	412.8	31%
Other Miscellaneous Items	281.5	330.1	17%
Aircraft and Spacecraft	248.9	259.0	4%
IC Engines and Parts	226.3	210.3	-7%
Machinery for ATMs	146.6	192.3	31%
Iron and Steel	250.7	189.0	-25%
Medical and Scientific Instruments	101.2	121.7	20%
Pumps of all types	97.0	107.5	11%
Air Condition and Repair Machinery	38.5	93.8	144%
Other Construction Machinery	53.0	89.3	69%

Source: DGCI&S

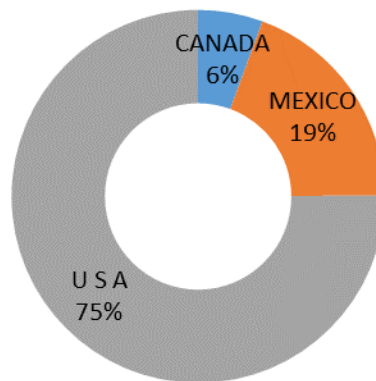
After EU, Indian engineering exports to North America ranked 2nd during September 2018 of the current fiscal 2018-19.

As before USA retained its numero uno position, being the top exporting destination for India's engineering products in August 2018. It registered significant positive cumulative growth during April-August 2018 over April-August 2017 of 27.2 percent. 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 August 2018.

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

**Fig3: India's engineering export share to North American Countries (%) during April- August 2018-19**

## April-August 2018-2019



Source: DGCI&S

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

#### 1. USA

Indian engineering exports to USA, continues to be the highest during August 2018. At present, it accounts for over 75.1% of India's total engineering export to North America (and 14.1% 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 moved one spot down from rank 5 to rank 6 as India's largest export destination for engineering products during April-August 2018. At present, it accounts 19.3% of India's total engineering export to North America (and 3.6 per cent of India's global engineering exports) during April-August 2018.

*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 5.6% of India's total engineering exports to North America (and 1.1% of India's global engineering exports) during April-August 2018.

*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.



### ❖ **Safeguard duty will push tariffs up and hamper capacity growth, say solar power developers**

Solar power developers have warned that the implementation of 25 per cent safeguard duty on solar cells and panels imported from China and Malaysia will push solar tariff up, make solar power less competitive and lead to slowdown in capacity addition.

The Ministry of Finance had, earlier this week, notified imposing a safeguard duty of 25 per cent for a year till July 29, 2019, followed by a duty of 20 per cent for the following six months and 15 per cent for another six months (till July, 29, 2020).

The safeguard duty was proposed by the DGTR after it was found out that the increased imports of solar cells have caused “serious injury” and “threaten to cause serious injury” to the domestic producers.

The notification was issued despite the Orissa High Court staying the imposition of safeguard duty until August 20, following a petition from one of the largest solar developers, ACME Solar.

An ICRA note said while imposition of safeguard duty for a short period of two years is unlikely to lead to any significant increase in the domestic solar module or cell manufacturing capacity, the move will lead to 15 per cent increase in the capital cost for a solar power project.

The industry players expect the safeguard duty to increase the solar tariff by 50-70 paise. Considering the average weighted tariff of ₹2.66, the tariff will cross ₹3 a unit.

Shashi Shekhar, Vice-Chairman of ACME Group, which emerged as the lowest bidder in multiple SECI auctions quoting record tariff of ₹2.44 per unit, said demand for solar power has increased because of the low tariffs achieved so far.

“Why would discoms buy solar power if the tariff goes above ₹3 per unit when they can rather opt for thermal power,” Shekhar asked.

“Application of the safeguard duty would adversely impact commercial viability of some solar power projects and the increased tariffs will be ultimately passed on to the customers, hampering adoption of clean energy,” Nikunj Ghodawat, CFO at CleanMax Solar, one of the largest rooftop solar developers, said.

Samitla Subba, Head Communications, Azure Power, said the industry now expects a slowdown in the growth of solar power generation as several auctions have been cancelled recently as the tariff bid was above ₹3/unit.

Source: <https://www.thehindubusinessline.com/economy/macro-economy/safeguard-duty-will-push-tariffs-up-and-hamper-capacity-growth-say-solar-power-developers/article24575126.ece>

### ❖ **India becomes dumping ground for Chinese and Japanese steelmakers**

The trade war has thrown a serious challenge to the Indian economy as it has become the most favoured dumping ground for steel makers from Asian manufacturing powerhouses. China along with Japan and South Korea has started to divert their steel exports to Indian amid the global tariff war triggered by the Donald Trump administration.

The steel imports from the world's largest steel producer soared 67 percent to 3,62,000 tonnes in the April-June period as against 2,17,000 tonnes in the previous quarter. This has come in contrast with the crash in the overall merchandise imports from China.

On the similar lines, imports from South Korea and Japan have also flooded the Indian Market, with a surge of 35 percent and 47 percent to 7,46,000 tonnes 3,74,000 tonnes, respectively, in the June quarter, as against last quarter. Japan and Korea have signed a free trade agreement with India and their imports enjoy duty relief. The oversupply of the steels from these countries has impacted the prices of domestic steel so much that the imported steel are available at a price 10 percent lower in comparison to the steel produced in India.

There is a direct relation between the drop in the exports to the US from China, Japan and Korea vis-à-vis surge in the export to India. The combined steel imports to the US from these three countries tanked by 17 percent, or

2,41,000 tonnes, in the June quarter as against the previous quarter whereas their exports to India soared by 4,59,000 tonnes, up by 45 percent from the March quarter.

This has come against the US safeguarding its economy from the cheaper steel imports from these countries. These countries not only are diverting their US exports to India but also the exports which were destined to the European countries.

There is a threat to India to become the net importer of the steel in the current financial year after it was a net exporter of steel for two consecutive financial years, supported by the government policies.

Source: <https://www.ibtimes.co.in/trade-war-india-becomes-dumping-ground-chinese-japanese-steelmakers-777064>

### ❖ US sanctions on Iran cast shadow on Indian exports

With the new US sanctions against Iran set to come into effect on Tuesday, the fate of India's rice and tea exports may now depend on the possible exemption of food and medicines from the sanctions and the agreement on oil imports reached between New Delhi and Tehran.

"We are keen to study the details of the US sanctions against Iran. If food and medicines are exempt, it would be good news for exporters of rice and maybe of tea as well. But, exports also depend on India's continued oil imports from Iran in the absence of which it might be difficult to work out a suitable payment mechanism," a government official told *BusinessLine*.

As the fresh US sanctions are to be largely targeted towards graphite, raw or semi-finished metals (aluminium, steel, coal), or software for integrating industrial processes, New Delhi is hopeful that food and medicines supply would be exempted.

Restrictions are also expected on purchase or acquisition of US dollar banknotes by Iran and the trade in gold or precious metals.

"If rice and tea are exempted from sanctions, a part of the problem of Indian exporters is solved. But much would depend on the payment mechanism worked out between India and Iran for these exports as there would be sanctions against dollar payment," the official said.

A rupee-rial payment mechanism, through the existing arrangement in the UCO Bank or a similar one worked out with Iran's Pasargad bank's proposed branch in Mumbai, could work out well but on one condition.

"Iran's interest in continued imports of rice and tea from India and working out a suitable payment mechanism could be tied to India's decision to continue a substantial part of its oil import from the Islamic country after November 4, when US sanctions on oil are operationalised," the official added. Continued oil imports might also lead to Iran increasing its imports from India to reduce the existing trade gap so that the "barter-like" rupee-rial mechanism works to its full potential, he added. India's imports from Iran in 2017-18, dominated by petroleum, were valued at \$11.11 billion while exports were worth just \$2.65 billion and comprised mainly of rice and tea.

The situation for exporters to Iran, at present, is uncertain, agrees Ajay Sahai from the Federation of Indian Export Organisation. "We have to wait and seen what India decides on imports of oil from Iran. Only when oil payments are to be made, will there be a mechanism for remittance of money due on oil imports," Sahai explained.

No directions to banks

While officially there are no directions to Indian banks to stop payments for trade with Iran, with US sanctions in place some may be reluctant in negotiating export documents and releasing payments, another exporter added.

Vijay Setia from the All Indian Rice Exporters' Association is hopeful that rice exports will not be affected as it was an essential commodity and was sure to be exempted from sanctions. "Once it is clear that rice is exempted, the payment mechanism can be worked out as the sanctions would only be against the US dollar and not against other currencies," he said.



Source: <https://www.thehindubusinessline.com/news/world/us-sanctions-on-iran-may-cast-shadow-on-indian-exports/article24617261.ece>

## ❖ India reviews RCEP plan, forms GoM

India is having second thoughts on whether to join the 16-nation Regional Comprehensive Economic Partnership (RCEP) that includes China with which it has the largest merchandise trade deficit. Amid growing domestic resistance that pervades not only industry but also several key economic ministries, India has set up a panel of ministers, headed by commerce and industry minister Suresh Prabhu, to see if the mega trade deal is in the country's best interests.

Apart from Prabhu, the panel comprises interim finance minister Piyush Goyal, defence minister (former commerce minister) Nirmala Sitharaman and housing and urban affairs minister Hardeep Singh Puri, sources told FE. Puri has been chosen for his earlier experience in trade diplomacy as an IFS officer. The panel will hold its first meeting on August 10. "Not just industry, certain ministries are also opposing RCEP," said one of the sources.

The move comes amid pressure from other potential RCEP members to show substantial progress in negotiations by the end of this year. India, however, feels while most RCEP members want New Delhi to commit more to further liberalise its goods trade, they are reluctant to offer anything substantial in return in services trade, especially on unrestricted movement of skilled professionals that is of immense interest to India. As such, domestic industries — from steel to pharmaceuticals — have been criticising our various existing trade agreements with Asean, Japan and South Korea on the grounds that India's trade deficit with these countries have only widened after these pacts came into force and there was little for domestic industry to benefit from.

Also, India had a record \$63-billion goods trade deficit with China in 2017-18. If, on top of this, a free trade agreement with China is effected through the RCEP (of which Beijing is a key member), cheap products will flood the market, they have argued. The steel ministry, for instance, argues that without any FTA, India has a trade deficit (in steel) of 2 million tonnes with China and "considering the trend, it's imperative that pursuant to signing of RCEP, the trade deficit will further widen".

The pharma industry, too, fears that cheap Chinese products will have unrestricted entry to India.

Moreover, according to a 2016 estimate by the finance ministry, India could lose tax revenue of Rs 75,733 crore a year if it scraps tariff on merchandise imports entirely, if it were emulate zero duty model over a period of time. Although the urgency of concluding the RCEP at the earliest considerably eased after the US pulled out of a competing, mega trade deal — the Trans-Pacific Partnership. Still, members believe that the RCEP be concluded fast to counter the trade war initiated by the US more effectively. Already, Asean foreign ministers held meetings last week with their counterparts from India, South Korea and Australia, aimed at expediting RCEP talks.

For its part, India has proposed to eliminate tariffs on 80% of products with a margin of 6%, depending on the level of development of the other country as part of the RCEP negotiations. This means India may have to scrap duties on 74% of goods from China in the long run. However, many RCEP members want India to commit to abolish duties on 92% of its goods.

India has already made it clear that it's opposed to an "early harvest". This means it wants agreements on all the three pillars of negotiations — goods, services and investment — be implemented only as a package, not one at a time. So even if a consensus is reached early on goods (which is what most nations want), India feels it shouldn't be enforced in isolation.

India has already sweetened its offer considerably, without much commitment from others in services. Initially, India had offered to abolish 80% of tariff lines for 10 Asean members, 65% of tariff lines for Japan and South Korea and 42.5% for China, Australia and New Zealand. In return, while South Korea and Japan were willing to offer 80% tariff elimination for Indian goods, China was ready to remove only 42.5% tariff lines. Australia and New Zealand offered to abolish 80% and 65%, respectively, of tariff lines for merchandise imports from India.

Source: <https://www.financialexpress.com/economy/mounting-resistance-india-reviews-rcep-plan-forms-gom/1271919/>

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

- ❖ On January 17, 2018, the Department of Commerce (Commerce) announced the affirmative preliminary determinations of the countervailing duty (CVD) investigations of imports of stainless steel flanges from China and India.  
Source: <https://enforcement.trade.gov/download/factsheets/factsheet-multiple-stainless-steel-flanges-cvd-prelim-011718.pdf>
- ❖ On February 12, 2018, the Department of Commerce (Commerce) announced the initiation of AD investigations of imports of large diameter welded pipe from Canada, China, Greece, India, Korea, and Turkey and 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-line-pipe-ad-cvd-initiations-021218.pdf>
- ❖ On March 8, 2018, President Trump exercised his authority under Section 232 of the Trade Expansion Act of 1962 to impose a 25 percent tariff on steel imports and a 10 percent tariff on aluminum imports in order to protect national security. The President's Section 232 decisions are the result of investigations led by the Commerce Department, after review and comment by other relevant Federal agencies. Customs and Border Protection began collecting the tariffs on March 23, 2018. This interim final rule is effective March 19, 2018.  
Source: [https://www.commerce.gov/sites/commerce.gov/files/federal\\_register\\_vol\\_83\\_no\\_53\\_monday\\_march\\_19\\_2018\\_12106-12112.pdf](https://www.commerce.gov/sites/commerce.gov/files/federal_register_vol_83_no_53_monday_march_19_2018_12106-12112.pdf)
- ❖ 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>

### 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)	5th-7th 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	11th-14th Nov, 2019	Chicago, USA	<a href="https://www.fabtechexpo.com/">https://www.fabtechexpo.com/</a>
International Manufacturing Technology Show	14th-19th Sep, 2020	Chicago, USA	<a href="https://www.imts.com/">https://www.imts.com/</a>

### Tender information in North America

**Table 8: Tender related information**

Title	Deadline	Country	Link
<a href="#">Carefusion Pump Module</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="#">Blasting Grit</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="#">Acquisition Of A Vehicle</a>	10 <sup>th</sup> July 2019	Mexico	<a href="https://www.tendersinfo.com/details/445148369?desc=Acquisition-Of-A-Vehicle">https://www.tendersinfo.com/details/445148369?desc=Acquisition-Of-A-Vehicle</a>

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**EEPIC India North America Territorial Newsletter**

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