

Territorial NEWSLETTER South Asia

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Chairman's Pen

Since the failure of SAARC as a successful regional initiative in South Asia, India along with its Eastern neighbours have engaged in a number of initiatives. This edition of the South Asia newsletter focuses on two such engagements namely BIMSTEC and BCIM giving brief details on their inception, objectives and challenges.

I sincerely believe that this edition will be insightful for our members and they will enjoy reading it.

Ravi Sehgal



SAARC Territorial Committee Chairman's Note

This edition of the South Asia newsletter focuses on India's sub-regional engagements such as BIMSTEC and BCIM detailing their prospects and challenges.

Like our previous issues, an analysis of Indian engineering exports for April 2019 is also presented in this newsletter from both country-wise and DGCI&S panel-wise perspectives. Other sections include trade news on South Asia, upcoming events in South Asian regions and tenders.

I believe our member exporters will find this newsletter helpful in making business decisions.

Basic Facts South Asia

Grouping: South Asia Association for Regional Cooperation

Area: 5,099,611 km²

Population:
1,713,870,000

GDP: US\$ 3.292 trillion

Countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka

Climate: The climate of South Asia can be divided into three basic kinds: tropical, dry, and temperate

Natural Resources: Rich agricultural land, minerals, energy resource



India's Sub-regional Engagements: Problems and Prospects

Consequent to the failure of SAARC in becoming an active and fruitful regional engagement platform, India as the leader of the SAARC region invested in a number of sub-regional initiatives. In keeping with India's 'Look East' and 'Act East' policies, many of these initiatives focused on India's eastern neighbourhood. The chief among them are

- Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)
- Bangladesh China India Myanmar (BCIM) initiative

In this article we briefly discuss the reason behind adopting these initiatives and the challenges associated with them.

Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)

The initiative was floated in 1997 and was constituted by the following members Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand. The original declaration comprised of eight areas of potential

cooperation which included trade, investment and industry, technology, human resources development, tourism, agriculture, energy, infrastructure and transportation. At present cooperation among the member states are happening in 14 areas ranging from agriculture to public health. Unlike other such initiatives which are focused towards the geopolitical leanings of the region, BIMSTEC's focus has always been on regional economics, development and concern. With members from both South and South East Asia this initiative gives birth to a significantly large common market with definite cost advantages in terms of human resource. Especially for the countries in South Asia, BIMSTEC is a way to engage with not only the South East Asian nations but also extend its reach to the markets of the Far East including Korea, Japan and China. In this respect, BIMSTEC holds a very important position in India's ACT East Policy. Looking at the importance of this initiative, a framework was adopted to negotiate an FTA in 2004. The Trade Negotiation Committee of BIMSTEC was instructed to expedite its task and conclude the FTA by 2014. However, little progress was achieved in this regard. India further pushed the issue during the BIMSTEC leaders' meeting in Goa, India, in 2016.

Despite the importance of this initiative, BIMSTEC has not gained much momentum and has not been able to bring out results as was expected out of it. This is because of several challenges faced by the member nations. Progress in most of its mandated areas of co-operation is not sufficient. For instance in case of the FTA whose framework was adopted way back in 2004, there are several market access issues such as the liberal movement of professionals and easy investment conditions in retail operations. Moreover, there are already a number of bilateral trade agreements among the member countries reducing the need for another FTA in the region. There is also lack of leadership, resources and institutionalization. For instance it took 17 years for BIMSTEC to establish a permanent secretariat in Dhaka in 2014. The 4th BIMSTEC summit which happened in August 2018 in Kathmandu however offers some ray of hope however there are also concerns about the regional geopolitics coming in way of the future projects. Most importantly BIMSTEC's challenge would be to stay relevant in the current geopolitical discourse in the Asia Pacific region. It should be able to find a way of prospering its agenda at a time when other regional projects, such as the Belt and Road Initiative, the Free and Open Indo-Pacific and the Asia Africa Growth Corridor are far ahead in securing regional participation.

Bangladesh China India Myanmar (BCIM) initiative

The BCIM initiative was launched in 1999 in the form of an economic corridor connecting Kolkata, India and Kunming, China via Bangladesh and Myanmar. The rationale for such a corridor was the prospective market that this corridor may offer. Moreover, the area has vast natural resources and with quality investment provides ample scope of economic development. Moreover, it was also argued that if China and India cooperated economically they can bring peace and stability in the South Asian sub-region. Five key areas were outlined as the immediate plan. These included building modern communication and transportation networks, expansion of intra-regional trade, development of tourism, the institution of economic and technological cooperation by leveraging ancient ties and the promotion of cultural exchanges. Conceived as a sub-regional economic cooperation, the above ideas formed the basis of launching the BCIM initiative in 1999 in Kunming, the capital of Chinese Yunnan province. As evident from the above discussion, two prominent objectives had driven the BCIM initiative since the beginning - one is economic integration of the sub-region that would also enable integration of Asia and the other is development of the border regions. The year 2013 was crucial in the development of BCIM initiative. In February that year a car rally from Kunming to Kolkata (K2K) was organised with great success.

While the initiative was floated with significant momentum. With the announcement of the “One Belt One Road” initiative by China, BCIM has lost the earlier zeal. The experts also argue there is a sense that China’s grand strategy of trans-boundary connectivity needs to be critically studied to better understand its implications on India’s strategic interests. This emerging concern is casting its shadow over the BCIM corridor.

Trend of India's Engineering Export with the South Asian Nations

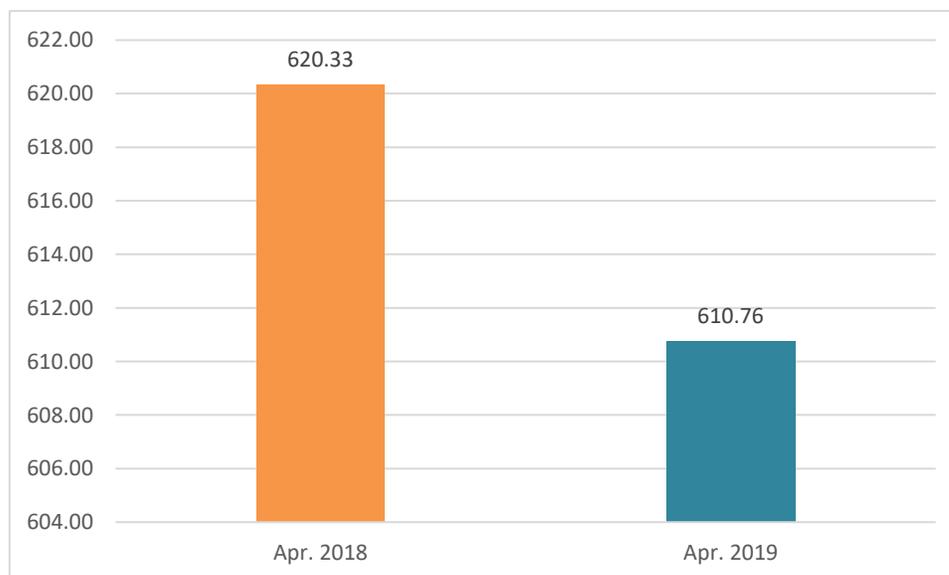
India’s engineering exports to Top 5 South Asian countries during April 2019 (All values in USD million)

Row Labels	Export in April 2018	Export in April 2019	Growth (%)
BANGLADESH	238.83	236.67	-0.90%
NEPAL	249.11	226.28	-9.16%
SRI LANKA	79.29	80.34	1.33%
BHUTAN	25.02	24.85	-0.67%
PAKISTAN	15.56	21.53	38.36%
AFGHANISTAN	6.60	17.09	159.10%
MALDIVES	5.93	3.99	-32.63%
SOUTH ASIA	620.33	610.76	-1.54%

Source: DGCIS

During April 2019, engineering exports to South Asia declined by 1.54% over April 2018. There was increase in exports to Afganistan (159%), Pakistan (38.36%) and Sri Lanka (1.33%). All other countries experienced a decline in imports from India led by Maldives (-32.63%), Nepal (-9.16%) and Bangladesh (-0.9%). Bangladesh was the topmost export destination in the region.

Month-wise Trend in Total Engineering Export to South Asia April 2018 Vis-à-vis April 2019 (Value in USD Million)



Source: DGCIS Data, EEPC Research

Panel-wise trend in engineering exports to South Asia during April 2018 vis-à-vis April 2019

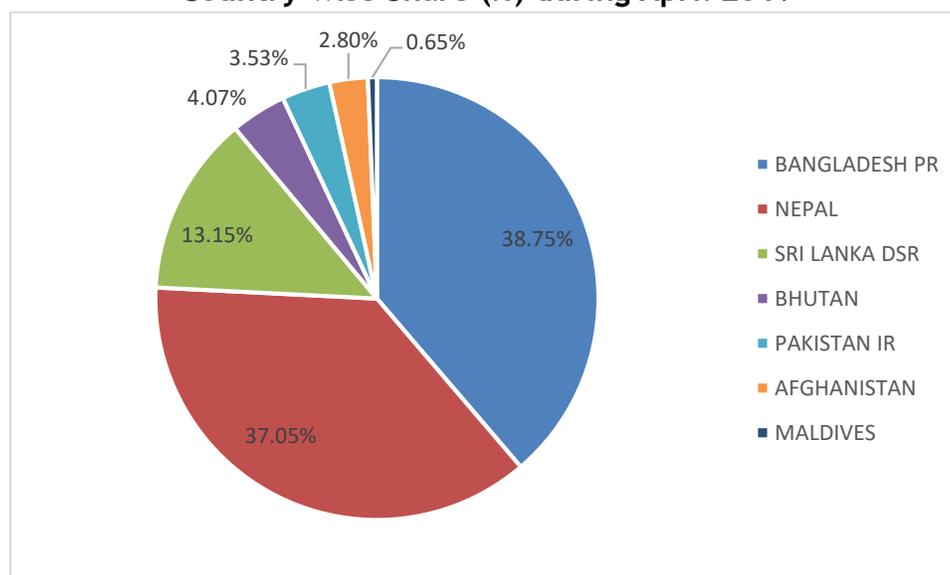
Top 10 engineering panels exported to South Asia during April 2019 are listed below (Value of Exports measured in USD Million)

Panel	Export in April 2018	Export in April 2019	Growth (%)
Iron and Steel	149.94	159.45	6.34%
Industrial Machinery	75.97	68.83	-9.40%
Motor Vehicle/cars	69.49	52.63	-24.26%
Electric Machinery a	29.73	50.25	69.03%
Products of Iron	34.08	35.34	3.69%
Two and Three Wheeler	51.80	34.48	-33.43%
Auto Components/Part	37.31	33.49	-10.24%
Aluminium and product	13.03	30.00	130.18%
Other Construction Machinery	38.24	21.91	-42.70%
Nuclear Reactors In	7.21	14.89	106.45%

Source: DGCIS

Product group-wise analysis of Indian engineering exports to South Asia showed that 'Iron and Steel' remained the highest exported engineering product group to South Asia in April 2019 followed by Industrial machinery, Motor Vehicle/Cars, Electric machinery, Products of iron and steel and Two and three wheelers. Among the top 10 panels, maximum y-o-y increase was evident in Aluminium and its products (130.18%) followed by Nuclear reactors and industrial boilers (106.45%), Electric machinery (69%), Iron and steel (6.34%) and Products of iron and steel (3.69%). All other panels experienced a decline which was led by Other construction machinery (-42.7%), Two and three wheelers (-33.43%) and Motor vehicles and cars (-24.26%).

Country-wise Share (%) during April 2019



Major Importers of India's engineering products to South Asia during April 2019

Bangladesh: Bangladesh was the largest destination for Indian engineering products among all South Asian nations during April 2019 with around 38.75% share.

Top exported Products: Iron and Steel, Motor Vehicle/cars, Other Construction Machinery, Industrial Machinery, Two and Three Wheelers.

Nepal: Second largest importer of Indian engineering products among all South Asian nations during April 2019 with over 37% share.

Top exported Products: Iron and steel, Motor Vehicle/Cars, Industrial Machinery, Two & three wheelers and Other construction machinery.

Sri Lanka: Sri Lanka was the third largest export destination for India's engineering exports in the South Asian region during April 2019 with a share of 13.15%.

Top exported Products: Two and Three Wheelers, Industrial Machinery, Motor Vehicle/cars, Ships Boats and Floating Structure and Products of Iron and Steel.

Anti-dumping measures

- At present, no anti-dumping case on Engineering product being investigated by Nepal, Bangladesh or Sri Lanka, the top three importers of Indian engineering products in South Asian region, against India as per the WTO website.
- On the other hand the WTO website shows no anti-dumping case is being investigated by India at present on imports of engineering products from those three nations.

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