

Territorial NEWSLETTER South Asia

EEPC INDIA
ENGINEERING THE FUTURE
Vanijya Bhavan (1st Floor)
International Trade Facilitation
Centre (ITFC)
1/1 Wood Street,
Kolkata - 700016
www.eepcindia.org



Issue 30: August 2018



Chairman's Pen

Owing to its geographical location, Bhutan assumes a very strategic role in India's neighbourhood policy. This has been time and again proved, recent reference to the Doklam standoff. Therefore, following the official visit of Bhutan's Prime Minister H.E. Dasho Tshering Tobgay in July this year, this newsletter looks at the bilateral ties between India and Bhutan. It also looks into the recent strategic issues that plague the otherwise friendly ties between the two nations and tries to make some observations.

Ravi Sehgal

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



SAARC Territorial Committee Chairman's Note

India's partnership with Bhutan has recently gained more importance with the looming threat of China's entry into South Asia's politics and economy. Hence, this edition of the newsletter is dedicated to the India-Bhutan relations. The article looks into the various facets of their strategic partnership and also points out to some problems that may deter the bilateral relations.

Akash Shah

Like our previous issues, an analysis of Indian engineering exports for April-July 2018 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



Deepening of India-Bhutan Bilateral Relation

Nestled in the Himalayas and located between India and Tibet, the Royal Kingdom of Bhutan remains a very strategic neighbor and ally for India. Its importance for India rose since the Chinese annexation of the Tibet and it continues to play a significant role in India-China relations. This was recently witnessed in the Doklam standoff.

Apart from being a strategic partner for India, Bhutan is also an important ally in the BBIN initiative which predominantly focuses on establishing connectivity among the four member countries (India, Bangladesh, Bhutan and Nepal). Additionally Bhutan is also an important source of hydropower for India. Hence a politically and economically stable Bhutan is very critical for India's development.

India's importance in Bhutan's economic development is also unquestionable. India remains Bhutan's largest trade partner. India has also contributed financially towards Bhutan's Five Year Plans. India also plays important role in Bhutan's infrastructural development especially its hydropower projects. The electricity

generated is re-exported back to India and the earnings contribute towards 40 percent of all revenues earned by Bhutan and 25 percent of its GDP.

While the above discussions show a very positive picture of India-Bhutan relations, off late there has been an increasing view in Bhutan against India's interference in Bhutan internal affairs. There have been allegations against India's big brotherly attitude. There has also been a looming threat of Bhutan's growing proximity to China. China has already launched soft tactics in this way by providing Chinese scholarships to Bhutanese students and sending emissaries to Bhutan. Also, in recent years Chinese tourists to Bhutan have increased. In 2015, 9399 Chinese tourists arrived in Bhutan (19% of the total tourist arrivals in Bhutan) as against 5 in 2005. The young generation in Bhutan is also interested to take benefits of Chinese investment in the country.

Given this, India needs to step cautiously. While continuing with investment and foreign investment, India should respect Bhutan's sovereignty and socio-cultural environment. It should also take advantage of its strong ties with the Bhutanese monarchy and keep out of Bhutan's domestic politics.

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

India's engineering exports to Top 5 South Asian countries during Apr-Aug 2018 (All values in USD million)

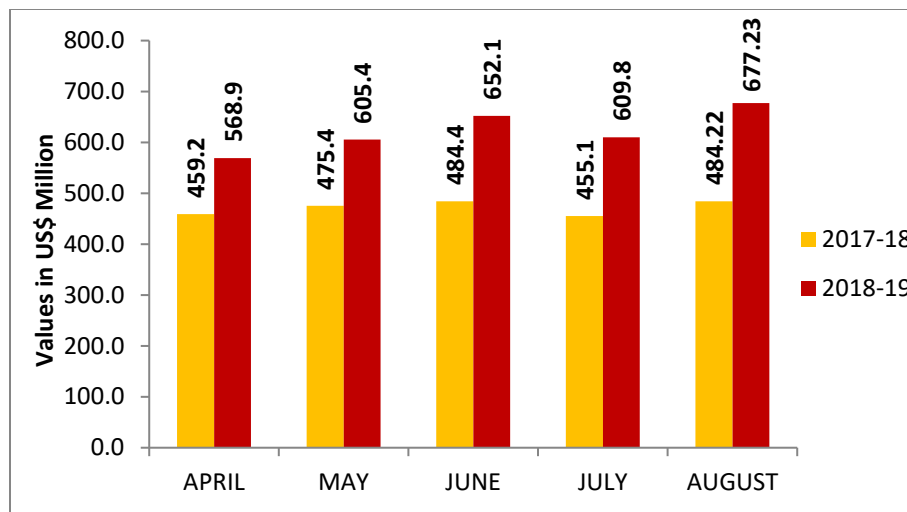
Country	Export in Aug 2017	Export in Aug 2018	Growth (%)	Export in Apr-Aug 2017	Export in Apr-Aug 2018	Growth (%)
NEPAL	163.47	244.49	49.56	834.32	1247.92	49.57
BANGLADESH	196.48	238.31	21.29	876.46	1126.43	28.52
SRI LANKA	91.33	137.96	51.06	470.87	539.18	14.51
BHUTAN	11.09	24.50	120.99	78.24	114.13	45.88
PAKISTAN	13.37	15.70	17.40	60.02	71.40	18.96
SOUTH ASIA	484.22	677.23	39.86	2358.37	3173.84	34.58

Source: DGCIS

During Aug 2018, growth in engineering exports to South Asia was recorded at 39.86% as against 34% in July, 34.63% in Jun, 27.4% in May and 23.89% in Apr 2018. Bhutan became the top exporting destination in South Asian region with 120% growth in August 2018 while its immediate follower Bangladesh witnessed a 51.06% growth higher than that in July 2018. Apart from Afghanistan and Maldives, other south Asian nations saw higher year-on-year imports of Indian engineering products during Jul 2018.

When cumulative figures were taken into consideration, Nepal was the top importer of Indian engineering followed by Bhutan with impressive growth in imports, 49.57% and 45.88% respectively. All South Asian nations witnessed growth in engineering imports from India during Apr - Aug 2018-19 over the same period last fiscal.

Month-wise Trend in Total Engineering Export to South Asia (Apr-Aug 2018-19)



Source: DGCIS Data, EEPC Research

Panel-wise trend in engineering exports to South Asia during Apr-Aug 2018

Top 10 engineering panels exported to South Asia during Apr-Aug 2018 are listed below (Value of Exports measured in USD Million)

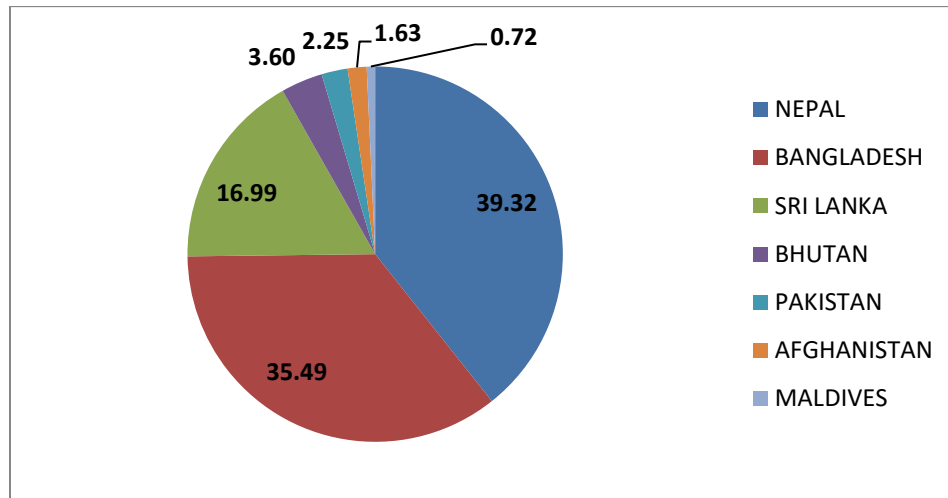
Panel	Export in Aug 2017	Export in Aug 2018	Growth (%)	Export in Apr-Aug 2017	Export in Apr-Aug 2018	Growth (%)
Iron and Steel	104.53	154.28	47.59	383.88	597.15	55.56
Motor Vehicle/cars	57.56	65.61	13.99	217.15	302.49	39.30
Industrial Machinery	58.15	69.03	18.70	250.76	272.30	8.59
Two and Three Wheelers	54.68	64.88	18.65	210.70	227.67	8.06
Auto Components/Parts	36.34	53.13	46.22	136.16	180.30	32.42
Products of Iron & Steel	19.20	24.77	28.98	106.15	126.34	19.02
Electric Machinery and Equipments	18.57	29.22	57.35	84.26	118.52	40.67
Other Construction Machinery	14.59	17.10	17.17	76.75	115.20	50.09
Aluminium and products	22.28	28.48	27.82	65.10	97.46	49.71
Ships Boats and Floating Structure	0.01	13.48	228028.15	48.52	71.67	47.73

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 August 2018 followed by Motor Vehicle/Cars, Industrial machinery and Two and Three Wheelers. All the top 10 engineering product groups exported to South Asian region recorded year-on-year growth.

On a cumulative basis Apr-Aug 2018-19, Iron and Steel, Motor Vehicle/cars and Industrial Machinery topped the list of engineering product groups exported to South Asia. The first two product groups saw substantial growth in exports while the growth witnessed by Industrial machinery export was in single digit. All the top 10 exported panels recorded positive year-on-year growth during Apr - Jul 2018-19.

Country-wise Share (%) during Apr-Aug 2018-19



Source: DGCIS Data, EEPC Research

Major Importers of India's engineering products to South Asia during Apr-Aug 2018-19

Nepal: Nepal was the largest destination for Indian engineering products among all South Asian nations during Apr - Jul 2018-19 with around 39.3% share.

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

Bangladesh: Second largest importer of Indian engineering products among all South Asian nations during Apr - Jul 2018-19 with over 35.49% share.

Top exported Products: Industrial Machinery, Auto Components/Parts, Iron and Steel, Two & three wheelers, Motor Vehicle/Cars.

Sri Lanka: Sri Lanka was the third largest export destination for India's engineering exports in the South Asian region during Apr - Jul 2018-19 with a share of 17%.

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

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.

EEPC India South Asia Territorial Newsletter

Contact: Debolina Mukherjee

Email: dmukherjee@eepcindia.net

Phone no: 033-40120320