

Territorial NEWSLETTER South Asia

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Chairman's Pen

The North Eastern Region of India consisting of the states of Assam, Manipur, Meghalaya, Mizoram, Nagaland, Arunachal Pradesh, Sikkim and Tripura is a key factor in India's relations with its Eastern and South Eastern neighbours. Due to its strategic position, this landlocked region plays a crucial role in India's Act East Policy and its endeavor to connect with ASEAN and Far East Asia. However, lack of connectivity with the mainland India has plunged the region into economic backwardness with very poor state of infrastructure. This newsletter looks at the importance the region holds in India's foreign policy. It also tries to point out few issues that impede the infrastructural development of the region.



Ravi Sehgal

SAARC Territorial Committee Chairman's Note



The newsletter focuses on the importance of NER in India's relations with its immediate eastern neighbours, ASEAN and Far East. It also tries to point out some issues that plague the economic development of the region which needs to be addressed to realize the full potential of the region.

Akash Shah Like our previous issues, an analysis of Indian engineering exports for April-February 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



Regional Integration in South Asia: Role of North Eastern Region (NER)

Despite being the fastest growing economic bloc South Asia remains one of the least integrated regions in the world. The level of intra-regional cooperation lags far behind other economic blocs such as ASEAN and EU. While intra-regional trade in SAARC increased to only 5 percent from 2 percent between 1990s and 2017, ASEAN's intra-regional trade share increased from 17 percent to 25 percent during the same period. Moreover, in case of SAARC overall intra-regional trade is only 2 percent of its GDP while it is 20 percent for ASEAN. Almost 67 percent of trade potential in the region remains un-tapped.

The lack of intra-regional trade in SAARC can be majorly attributed to tariff and non-tariff barriers, weak infrastructure, lack of political will and poor awareness among the stakeholders. However, as the largest economy in the bloc and one of the fastest growing economies of world, India has understood the necessity of regional integration and how it is important for the economic progress of India's NER, a land-locked region comprising of eight states namely, Assam, Tripura, Meghalaya, Manipur, Mizoram, Arunachal Pradesh,

Nagaland and Sikkim and endowed with abundant resources but suffering from poor connectivity with rest of India. Apart from being resource rich, the region's significance also lies in its 5,000 kms of international border which it shares with countries including Bangladesh, Nepal, Bhutan, Myanmar and China.

State-wise Length of International Border in North-East

State	Bangladesh	Bhutan	Myanmar	Nepal
Arunachal Pradesh	0	217	520	0
Assam	263	267	0	0
Meghalaya	443	0	0	0
Manipur	0	0	398	0
Mizoram	318	0	510	0
Nagaland	0	0	215	0
Tripura	856	0	0	0
Sikkim	0	32	0	97.8

During the pre-independence era, the NERern Region (NER) of India was well connected with the rest of India via waterways and roadways. This connectivity had led to industrialisation in the region with the establishment of tea gardens and oil refinery in Assam. However, with the partition of 1947, the region became almost disconnected from the rest of India barring the narrow chicken's neck (Siliguri corridor) in North Bengal. The nearest land ports and sea ports in Kolkata, which were otherwise accessible, became difficult to reach. The ensuing economic isolation and disconnect with the rest of India led to the economic degradation of the landlocked NER. Despite the region's abundant natural resources, the economic potential of the region was never realised. The region again started to gain prominence in India's foreign policy after the articulation of India's Look East Policy (LEP) in 1990s. Since then, the successive governments have taken steps towards bettering the connectivity and integration of the region.

Infrastructural deficiency in terms of roads, railways, air services and power has been a major roadblock constraining development in the north eastern states. However, given the above background it is imperative for India to develop the infrastructure in NER to enable better connectivity with its Eastern and South eastern neighbours.

A steady flow of funds and schemes have been created for the NER by the central Government to address their infrastructural challenges. Designated as special category states, NER states enjoy liberal norms for externally aided infrastructure projects, special packages for socio economic development from the Central government, 10% mandatory earmarking of funds by the central ministries for the NER etc. Yet, the concerns pertaining to infrastructure remain and continue to constrain overall development of the region. For instance, while a number of infrastructure development initiatives have been adopted by the central government, there are several impediments including land acquisition issues, difficult terrain and climatic factors absence of good contractors and mismanagement of finances and resources which act as roadblock for infrastructural development in the region. Given NER's importance in India's foreign policy, it is imperative that government looks into solving these issues and paves the way for greater infrastructural development in NER.

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

India's engineering exports to Top 5 South Asian countries during Apr-Feb 2019 (All values in USD million)

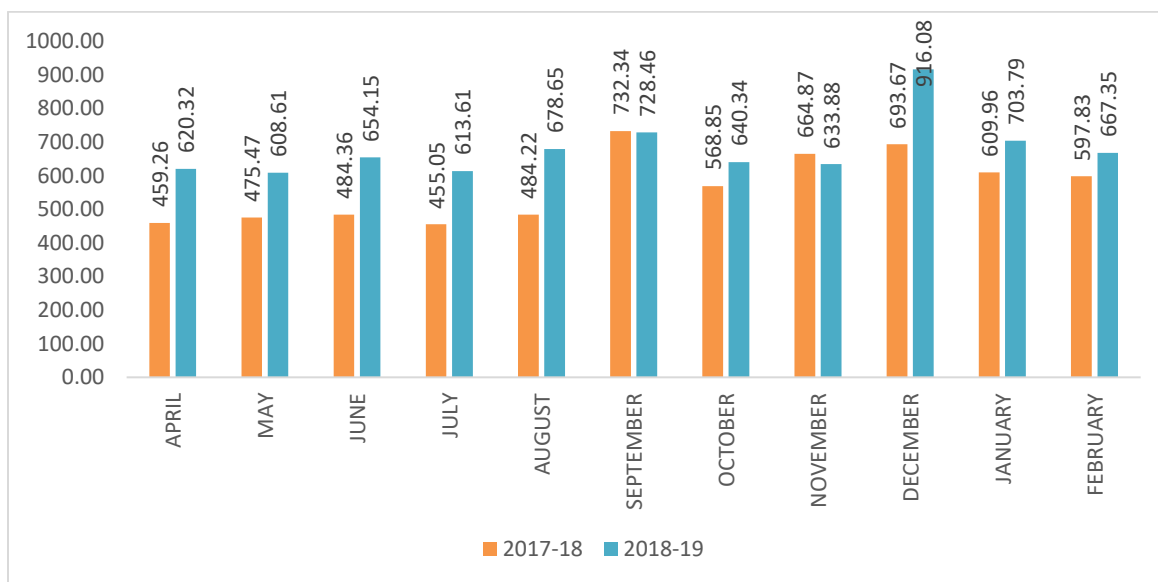
Country	Export in February 2018	Export in February 2019	Growth (%)	Export in Apr - Feb 2018	Export in Apr - Feb 2019	Growth (%)
AFGHANISTAN	9.21	9.13	-0.9%	101.36	119.66	18.1%
BANGLADESH PR	217.88	248.54	14.1%	2167.80	2530.81	16.7%
BHUTAN	20.74	22.32	7.7%	194.42	239.50	23.2%
MALDIVES	7.29	3.08	-57.7%	53.76	43.56	-19.0%
PAKISTAN IR	19.59	11.33	-42.2%	164.69	161.89	-1.7%
NEPAL	240.73	197.00	-18.2%	2290.44	2748.59	20.0%
SRI LANKA DSR	82.40	175.95	113.5%	1253.40	1621.21	29.3%
SOUTH ASIA	597.83	667.35	11.6%	6225.88	7465.24	19.9%

Source: DGCIS

During February, 2019 growth in engineering exports to South Asia was recorded at 11.6%. Nepal remained the top exporting destination in South Asian region however it experienced a decline of 18.2% over February 2018. Healthy growth was noticed in exports to Sri Lanka, Bangladesh and Bhutan.

In cumulative terms Nepal remained the top importer of Indian engineering followed by Bangladesh with impressive growth in imports. Exports to Sri Lanka also experienced growth when compared to April to Feb 2018. Overall exports to South Asia increased by 20% when compared to April-Feb 2018.

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



Source: DGCIS Data, EEPIC Research

Panel-wise trend in engineering exports to South Asia during Apr-Feb 2019

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

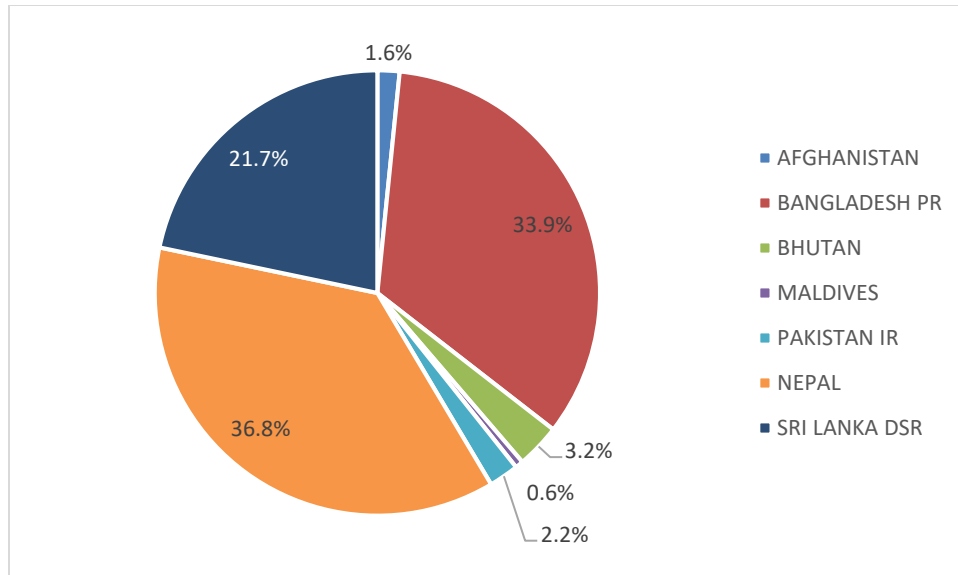
Sector	Export in February 2018	Export in February 2019	Growth (%)	Export in Apr - Feb 2018	Export in Apr - Feb 2019	Growth (%)
Ships Boats and Floating structure	10.14	109.95	984.0%	179.86	674.56	275.0%
Iron and Steel	136.73	106.19	-22.3%	1362.50	1599.24	17.4%
Industrial Machinery	67.92	69.71	2.6%	772.33	789.90	2.3%
Motor Vehicle/cars	70.32	63.96	-9.0%	739.67	891.47	20.5%
Auto Components/Part	48.73	45.90	-5.8%	438.92	460.20	4.8%
Products of Iron and Steel	38.59	40.28	4.4%	358.24	358.75	0.1%
Electric Machinery	25.28	36.85	45.8%	285.62	366.25	28.2%
Two and Three Wheelers	54.50	36.64	-32.8%	626.52	610.84	-2.5%
Nuclear Reactors, Industrial boilers and Parts	4.07	30.21	641.5%	46.66	154.99	232.2%
Aluminium and its Products	19.23	20.87	8.6%	226.31	273.71	20.9%

Source: DGCIS

Ships, boats and floating structures remained the highest exported engineering product group to South Asia in February 2019 followed by Iron and steel, Industrial machinery, Motor Vehicle/Cars and Auto components and parts. Export of Ships, boats and floating structure to South Asia experienced the highest year-on-year gain followed by Nuclear reactor and boilers and electric machinery. Two and three wheelers export experienced maximum decline during the same period followed by motor vehicles and cars and auto components and parts.

On a cumulative basis between April to Feb 2019, all 10 major sectors experienced a rise in exports to South Asia barring two and three wheelers when compared to April to Feb 2018. Again, ships, boats and floating structures became the major gainer followed by nuclear reactors and boilers, electric machinery, motor vehicles and cars.

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



Source: DGCIS Data, EEPC Research

Major Importers of India’s engineering products to South Asia during Apr-Feb 2018-19

Nepal: Nepal was the largest destination for Indian engineering products among all South Asian nations during Apr - Feb 2018-19 with around 36.8% share.

Top exported Products: Iron and Steel, Industrial Machinery, Motor Vehicle/cars, Products of iron and steel, and Other Construction Machinery.

Bangladesh: Second largest importer of Indian engineering products among all South Asian nations during Apr - Feb 2018-19 with over 33.9% share.

Top exported Products: Auto Components/Parts, Industrial Machinery, Motor Vehicle/cars, Iron and Steel and Nuclear Reactors and Boilers.

Sri Lanka: Sri Lanka was the third largest export destination for India's engineering exports in the South Asian region during Apr - Feb 2018-19 with a share of 21.7%.

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

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.

Upcoming exhibitions in South Asian Countries

Events	Date	Venue	Link
INTERNATIONAL AUTO PARTS SHOW	Aug. 15-18, 2019	BMICH (Bandaranaike Memorial International Conference Hall), Buddhaloka Mawatha, Colombo 00700, Sri Lanka	https://www.eventseye.com/fairs/cst_1_trade-shows_sri-lanka_automotive-engineering-systems-components.html
AUTOMOTIVE ENGINEERING SHOW - CHENNAI	Jul. 04-06, 2019	Chennai Trade Centre, CTC Complex, Mount Poonamalle High Rd, Nandambakkam, Chennai, Tamil Nadu 600089	https://www.eventseye.com/fairs/cst_1_trade-shows_india_automotive-engineering-systems-components.html
BANGLADESH BUILDCON	Jun 20 - 22, 2019	International Convention City Bashundhara Kuril Bishwa Road Next to 300 ft. Purbachal Express Highway Dhaka, Bangladesh	https://www.eventseye.com/fairs/f-bangladesh-buildcon-22962-1.html
AMTEX	Jul. 10-13, 2019	Pragati Maidan, New Delhi, India	https://www.eventseye.com/fairs/cst_1_trade-shows_india_metal-working-industries.html

News in Focus

South Asia

Sub-regionalism is superseding a stagnant SAARC

Despite being founded with the lofty ideal of promoting regional development and integration over 30 years ago, regional unity continues to elude the South Asian Association for Regional Cooperation (SAARC).

Link: <https://www.eastasiaforum.org/2019/02/23/sub-regionalism-is-superseding-a-stagnant-saarc/>

We will present Nepal's new identity at Davos

Prime Minister KP Sharma Oli left for Davos, Switzerland, on Sunday leading a Nepali delegation to the 49th Annual Meeting of the World Economic Forum. This is the first time the Nepali PM is attending the WEF Annual Meeting. PM Oli will address two sessions – 'Strategic Outlook on South Asia' and 'Shaping the Future of Democracy' on January 22 and 23 respectively, as a panelist.

Link: <https://thehimalayantimes.com/nepal/we-will-present-nepals-new-identity-at-davos/>

Bangladesh's new FM to give fresh impetus to BBIN initiative

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The BBIN initiative is a sub-regional grouping to promote connective among the four neighbours in South Asia. The failure of SAARC as a regional grouping has prompted those countries to form this sub-regional group.

Link: <https://bdnews24.com/economy/2019/01/23/bangladeshs-new-fm-to-give-fresh-impetus-to-bbin-initiative>

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