

Territorial NEWSLETTER South Asia

EPC INDIA
ENGINEERING THE FUTURE

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Chairman's Pen

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"Wealth is chasing the purchasing power, whereas the Sustainable growth is chasing people power..." This is truly reflected by the current global emerging market scenarios. The 'Low income' South Asia was relatively resilient to the recurrent global economic shocks over the last decade. Further, the focus of global economic investments has now shifted from developed nations to the emerging 'Next Eleven' (N-11) growth economies as identified by Goldman Sachs investment bank and economist Jim O'Neill. The N-11 include Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea and Vietnam.

South Asia hosts two nations among the 'Next Eleven' economies apart from resurgent India leading itself in the global economic growth charts. More importantly the South Asian nations have found themselves on one of the most busiest maritime trade routes, that provide significant opportunities for integration with rest of the world.

China and India are two leading stallions of the 21st century. The competition between them is set to shape the future economic emergence of the South Asia. It is, thus, highly important for India to strategize its approach and integration with South Asia, so as to maximize its economic gains from its international trade.

SAARC Territorial Committee Chairman's Note



P R Venkatachalam

Engineering exports from South Asia as a whole have witnessed a tough period over the first three quarters of year 2015-16, with the decline of over 22%. This decline, however, ranges among South Asian nations from 2% to 141%. On the other hand China's global engineering exports over the same period declined by only 1.8%, and to South Asian nations, it increased by significant 24%.

The trend should be an eye opener for Indian policy strategists. There is no doubt that current global economic scenarios are testing the inherent economic strengths of trading nations.

Nothing short of an all round and focused strategic economic integration of South Asian Nations will yield any fruits. Keeping this as an urgent need of an hour, the newsletter endeavors the background of such developments which has called upon such imperatives. A newsletter also makes an attempt to understand the implications of China's growing influence on the region.



Basic Facts South Asia

Area: 5,099,611 km²

Population: 1,713,870,000

GDP: US\$9.9 trillion

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

Implications of growing Chinese influence on South Asia's Engineering Sector

I. Preface

South Asia, constituting over 24% of global population, is a highly strategic region for India. India has enjoyed substantial regional influence in South Asia, primarily driven by its unique Geo-Economic advantage offered by Sub-continental position, segregating other regional nations. This influence, however, has not been translated into economic and trade benefits, when considered especially in the light of existing potential.

There is a growing section of middle class with rising purchasing power, and the region shows high demand for technological solutions. It might be recalled that to facilitate trade and regional integration, countries in South Asia formed the South Asian Free Trade Area (SAFTA) on 6 January 2004 at the [12th SAARC summit](#) in [Islamabad, Pakistan](#). India's inability to fully benefit from SAARC arises from several reasons, including the issue of mistrust between member countries. Such issues make the region one of the least economically integrated regions in the world.

On the other hand, over last few decades, China has been able to forge significant partnerships with South Asian nations through trade, diplomacy, aid and investments. The trend is manifesting itself into a more strategic and economic importance, having strong implications for India and the major global economies in future. Data shows that India's engineering export to South Asia was about half that of China in 2014.

II. Chinese Vs India's Engineering Exports Trends (HS Codes Chapter 72-94) Between Yr: 2005 - 2015:

Chinese Engineering Exports to South Asia (2006-2014) (HS Codes Chapters 72-94) USD Mn						
Importers	2006	2008	2010	2012	2014	% Growth (2006-14)
World	600374.794	914455.198	1004091.673	1276396.344	1433688.137	138.80
SOUTHASIA (Excl: India)	3641.721	5594.878	6883.215	9337.458	12662.117	247.70
Pakistan	2072.687	3153.87	3208.127	4509.026	6276.361	202.81
Bangladesh	956.069	1407.84	2450.767	2651.725	4246.486	344.16
Sri Lanka	456.895	774.562	833.42	1467.819	1555.921	240.54
Nepal	73.755	118.684	244.52	339.198	323.426	338.51
Afghanistan	73.503	112.479	112.53	330.751	189.869	158.31

Maldives	8.724	19.464	32.91	32.297	66.102	657.70
Bhutan	0.088	7.979	0.941	6.642	3.952	4390.91

India's Engineering Exports to South Asia (2006-2014) (HS Codes Chapters 72-94) USD Mn						
Importers	2006	2008	2010	2012	2014	% Growth (2006-14)
World	27,951	46,591	56,099	65,295	77,779	178.27
SOUTHASIA (Excl: India)	1,376	2,051	2,860	3,607	6,925	403.36
Sri Lanka	721	698	1,404	1,496	3,751	420.07
Bangladesh	336	625	589	1,145	1,536	357.09
Nepal	150	423	572	691	1,383	820.93
Bhutan	39	63	95	81	41	6.03
Pakistan	70	130	117	95	138	97.07
Afghanistan	42	85	61	74	51	21.25
Maldives	17	27	23	24	24	39.73

III. Major observations

- Chinese exports to South Asia increased 247%, while that of India 403% during 2006 to 2014
- In terms of value, China's increased its engineering exports by over USD 9 Bn, while India by USD 5.5 Bn during 2006 to 2014
- It is important to note that despite that India gained significant growth during the above period, but in 2015, India has suffered major setback in the region (-22% decline in engineering exports, while China gained significant 24% increase). This signifies that Chinese strategies of investments in building infrastructure and engineering projects in the South Asian region may have yielded results significantly.

(To be continued in forthcoming issue of next month... *'Implications of growing Chinese influence on South Asia's Engineering Sector'*)

December Export Trends

India's engineering exports to South Asia for the month of December recorded a negative growth of -57%, witnessing significant downward trend against the month of November which was -17.42%. Exports to Sri Lanka and Nepal has posted biggest decline in the exports of over USD 385.47 and 57.6 million respectively. This has continued to disappoint in line with overall trends. Exports to Bangladesh, Pakistan and Afghanistan recorded only marginal growth.

**Table 4: December trends in engineering exports to the South Asian countries
(All values in USD million)**

Region	December'14	December'15	Growth %	April'14 - Dec'2014	April'15 - Dec'15	Growth %
South Asia	763.68	327.26	-57.15	5510.86	4262.18	-22.66
Bangladesh	120.52	122.63	1.75	1095.80	1068.65	-2.48
Pakistan	13.05	14.35	9.97	104.39	88.59	-15.13
Sri Lanka	484.13	98.66	-79.62	3110.91	2053.82	-33.98
Nepal	127.45	69.85	-45.19	1087.69	849.70	-21.88
Bhutan	13.73	0.01	-99.96	68.17	105.78	55.16
Afghanistan	2.63	18.38	599.56	28.09	67.90	141.77

Figure 1: Source: DGCIS

News in Focus

South Asia

South Asia's recent ICT gains are impressive, but much more needs to be done to bridge the digital divide.

In January 2016, the World Bank released World Development Report 2016 (WDR 2016) that further probes digital dividends -- the broader development benefits from using digital technologies.

- To derive digital dividends, South Asian countries must work on 'analogue complements'
- Already mobile phones have cut cross most income and societal barriers
- Lower prices and wide coverage that are desirable public policy objectives

<http://www.scidev.net/south-asia/digital-divide/analysis-blog/bridging-south-asia-s-digital-divide-with-budget-telecom.html>

Small cities are 'key' to South Asia's urban future

South Asia's medium-sized and secondary cities, rather than its megacities, will determine whether urban development succeeds or fails in the region says a UN report.

- Planning for an urban future must start with the region's medium and secondary cities , says UN report
- The data revolution can help flatten urban inequities, which are significant problem in South Asia
- Asian cities need to prioritise inclusivity at the planning stage to avoid aggravating inequity

<http://www.scidev.net/south-asia/cities/news/small-cities-key-to-south-asia-urban-future.html>

Nepal

As fuel crisis grips Nepal, solar industry eyes growth

With power outages lasting up to 15 hours a day and the price of diesel used to power generators soaring, the Himalayan nation's solar industry is eyeing a boom in sales. "We have already seen a 10 per cent increase each year in the number of houses using solar energy," said Ram Prasad Dhital, chief of the state-run Alternative Energy Promotion Centre.

<http://thehimalayantimes.com/business/as-fuel-crisis-grips-nepal-solar-industry-eyes-growth/>

Nepal, India propose to build six power corridors

Nepal and India propose to construct at least six cross-border power corridors to ensure trading in energy between the two close neighbours on a long-term basis.

These 400 Kv lines will be constructed on the Attariya-Uttarakhand, Lamki-Tikuniya, Kohalpur-Rupaidiha, Butwal-Gorakhpur, Muzaffarpur-Dhalkebar and Inaruwa-Bihar corridors.

http://www.business-standard.com/article/news-ians/nepal-india-propose-to-build-six-power-corridors-116012700674_1.html

Birgunj border opens, goods entering Nepal from India on carts at nighttime

Goods are smoothly entering Nepal via Birgunj from India as the Raxaul-based Indian customs have allowed carts ferrying them to cross the border. Cargo vehicles, however, have not entered Nepal.

The border entry point witnessed a virtual standstill after the United Democratic Madhesi Front resorted to border obstruction following the promulgation of Constitution four months ago. Border entry points in other districts have already opened.

<https://thehimalayantimes.com/nepal/birgunj-border-opens-goods-entering-nepal-from-india-smoothly-but-on-carts/>

Pakistan

Pakistan will prove to be a big market for global manufacturers: Bol

LAHORE: China-Pakistan Economic Corridor (CPEC) and Turkmenistan-Afghanistan-Pakistan-India (Tapi) gas pipeline project will be game changers in the region and by 2017 the government will be able to get rid of power shortages, declared Board of Investment (BoI) Chairman Dr Miftah Ismail.

"By 2025 the country's middle class population will reach 100 million, which will prove to be a big market for global manufacturers," Ismail said while speaking at the South Asian Federation of Accountants Conference 2016, organised by the Institute of Chartered Accountants of Pakistan.

<http://tribune.com.pk/story/1037108/pakistan-will-prove-big-market-for-global-companies-boi/>

Pakistan to manufacture cellphones, smartphones

Pushed by burgeoning demand, and encouraged by examples of China and India, Pakistan has decided to domestically manufacture cellphone and smart phones.

<http://www.khaleejtimes.com/business/economy/pakistan-to-manufacture---cellphones-smartphones>

Sri Lanka

Sri Lanka unveils Megapolis plan

Jan 29, 2016 (LBO) - Sri Lanka's Western Region Megapolis plan was unveiled with handing over of the plan ceremoniously to the President and Prime Minister at a special function in Colombo, Friday.

Minister Patali Champika Ranawaka said the project will take Sri Lanka across the world as a developing nation.

"This is the first step that we are taking towards reaching developed country status and for this we need to come out of this hap-hazard urbanization, shanties, waste disposal and traffic congestion issues," he said.

<http://www.lankabusinessonline.com/sri-lanka-unveils-megapolis-plan/>

Sri Lanka plans 'economic corridor' with Andra Pradesh

Sri Lanka is planning an economic corridor with the coastal state of Andra Pradesh, Prime Minister Ranil Wickremesinghe had told top industrialists from India at a global forum in Switzerland.

Indian business could invest in a port city being reclaimed out of the sea, the Colombo Port, Trincomalee port, Wickremesinghe had said at meeting with members of the Confederation of Indian Industry on the sidelines of a World Economic Forum in Davos, Switzerland.

http://www.economynext.com/Sri_Lanka_plans_economic_corridor_with_Andra_Pradesh-3-4066.html

Bangladesh

Record Exports Seen Rising as Bangladesh Woos U.S. Consumers

As the world's large emerging markets falter, frontier economies like Bangladesh and Vietnam are holding steady. Bangladesh's increasing market share in the European Union and recovering U.S. demand shield it from China's slowdown, while better demographics offer it an edge over other Asian nations.

<http://www.bloomberg.com/news/articles/2016-01-24/record-exports-seen-rising-in-this-fast-growing-asian-economy>

SAARC Tenders in News *(For more details and similar tenders log on: INTRACEN Procurement Map)*

Country-Location- Closing Date- Tender Estimated Cost- Tender No.	Requirements
Bhutan-Thimpu- 24/02/2016-Bid Security Amount 2%	Tender are Invited for Provision of Tower Works at Gompakha, Gomtu, under the international competitive bidding process. The products are included under HS Codes 730820 Towers and lattice masts, iron or steel.
Kabul - Afghanistan - 27/02/2016 -	Trans-Hindukush Road Connectivity Project, invites Expression of Interest for provision of technical and procurement audit. The tender is based on Procurement Method: Quality And Cost-Based Selection.
Kathmandu - Nepal - 14/02/2016 - Bid Security Amount: Not Disclosed- 31550706	Tenders are invited for Procurement of Transformer, Electronics Items, Engineering Items and Office Equipment. The products includes 850431 - Transformers electric power handling capacity not exceeding 1 KVA, nes

Country-Location- Closing Date- Tender Estimated Cost- Tender No.	Requirements
Kathmandu - Nepal - 17/02/2016 - Bid Security Amount: Not Disclosed- 31567165	850432 - Transformers electric power handling capa > 1 KVA but <= 16 KVA, nes 850433 - Transformers electric power handling capa > 16 KVA but <= 500 KVA 850434 - Transformers electric havg a power handlg capacity exceedg 500 KVA, nes The Tender estimated cost is NPR 4,983,149 Tenders are invited for Procurement of Medicine and Surgical Items. Products included Syringes, with or without needles.

Upcoming Events in South Asia

Country	Exhibition Name	Date	Venue	Link
Bangladesh	PAPASIA	16-17 Mar 2016	-	http://nexgengroup.in/papasia
Bangladesh	FOOD PRO AND AGRO BANGLADESH	23 -26 Mar 2016	BICC	http://www.gtexglobal.com/
Sri Lanka	POWER, RE POWER, SOLAR SRI LANKA	23-25 Mar 2016	SLECC	http://cems-reexpo.com/; http://www.eventseye.com/fairs/f-power-sri-lanka-14855-1.html; http://www.eventseye.com/fairs/f-solar-sri-lanka-16320-1.html

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