

# Territorial NEWSLETTER South Asia

**EETPCINDIA**  
ENGINEERING THE FUTURE

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### Chairman's Pen



T S Bhasin

Nepal, Bangladesh and Sri Lanka are the three major importers of Indian engineering products in the South Asian region. Aircraft was the highest exported engineering product to Sri Lanka but lack of demand of the same pulled down Sri Lanka to third place in the current fiscal from the status of largest importer in the previous one. The economy of Sri Lanka however was expected to see higher growth in 2016 and even better in 2017 as per the projection of its central bank. This Island nation has been eyeing the vast market of China and intends to finalize a FTA with the richest economy of Asia. New Zealand is another nation Sri Lanka may come up with an FTA in the next couple of years.

I believe this informative newsletter will be helpful for our member exporters to expand their export base in South Asian region.

### SAARC Territorial Committee Chairman's Note



PR  
Venkatachalam

Economic progress in Sri Lanka is the focus issue of our eleventh Newsletter on South Asia. Sri Lanka is one of our major trading partner from South Asia that has passed through an economic slowdown in 2015 but growth is projected to be higher in 2016 and 2017. The government has also raised the target level for FDI for the next few years. Moreover, Sri Lanka wants to negotiate two FTAs with China and New Zealand in the ongoing year. Potency of Sri Lanka as an emerging economy has been discussed in this issue.

An analysis of Indian engineering exports for Apr - Dec 2016-17 is also provided in this newsletter from both country-wise and DGCI&S panel-wise perspective. Other sections include News section, Upcoming events in SA regions and tenders.

### Cover Story

*Sri Lanka's strong intention to go for two FTAs with China and New Zealand in 2017 that will open these two major market before their producers as well as consumers....*

### What's in News

- **World Bank Group led initiative to help India's MSMEs get faster access...**
- **European Commission proposes reinstating Sri Lankan trade concession...**
- **World Bank is working with Bhutan to Improve Fiscal Sustainability...**
- **And more....**

### Tenders

*More latest News from Tenders*

### Upcoming Events

Territorial  
NEWSLETTER – South Asia

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## Basic Facts South Asia

Area: 5,099,611 km<sup>2</sup>

Population: 1,713,870,000

GDP: US\$9.9 trillion

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

## Sri Lanka is considering FTA with China and the New Zealand

Sri Lanka has been showing keen interest to explore a bilateral Free Trade Agreement (FTA) with China for long while China is also looking positively towards the same. Both sides are agreed to materialize the FTA in order to open up the vast Chinese market to Sri Lanka's producers, manufacturers and exporters. Now, as per news source, the Sri Lankan Prime Minister will visit China during May 2017 and Sri Lanka aims to finalize the talk on FTA in this year only. The Lankan Ambassador to Beijing said that it was the 65th anniversary of China-Sri Lanka trade relation and signing a FTA would be the best way to commemorate this relationship.

China signed a deal with Sri Lanka late last year to further develop the strategic port of Hambantota and build a huge industrial zone nearby as a step forward to China's ambition to create a modern-day "Silk Road" across Asia. China spent almost \$2 billion so far on Hambantota port and a new airport and wants to spend much more as a part of China's "One Belt, One Road" initiative to build a new Silk Road with massive investments in infrastructure from Asia to Europe and beyond.

China and Sri Lanka are already major business partners and some sort of trade complementarities arise between these them that both the nations are likely to exploit. This FTA, if comes into force, will not only boost bilateral trade between China and Sri Lanka but also help Lanka to get rid of its reliance on traditional markets in Europe and USA.

Another country, Sri Lanka has been eyeing for a FTA, is New Zealand. As per the government source from Sri Lanka, both these nations will open diplomatic posts in each other's nations and are considering a free trade agreement. Both the governments are interested to draw a roadmap for strengthening economic ties that could yield a FTA in turn.

Government source of New Zealand said that Sri Lanka and New Zealand do have trade complementarities that raise the potential for high volume trade in both ways. However, the FTA may also include "other like-minded nations".

However, trade between Sri Lanka and New Zealand is at present growing at a modest pace. Total trade is registered at NZ\$307 million in this year to October 2016. New Zealand's export to Sri Lanka was at NZ\$240 million during the same time period. Sri Lanka is a major buyer of New Zealand's main goods export, dairy products.

Meanwhile, the central bank of Sri Lanka predicted higher economic growth for this South Asian nation in 2017 at around 5.5% - 6% as against an expected 4.5% in 2016. However, the prediction was revised downward from the earlier 6.3% as the central bank of Lanka raised its key policy interest rates by 100 basis

points (bps) since February, after increasing the statutory reserve ratio by 150 bps at the end of 2015. The bank also included some risk factors to growth going forward.

Another optimistic prediction by the government of Sri Lanka was to set up a target of USD50 billion of foreign investments in the next 5 - 10 years to support infrastructure development. New Industrial Zones may help Sri Lanka to fulfill its investment target.

The Prime Minister, as reported by the news agency Reuter said that the aim of the government is to create a US\$4 billion new market for exports focusing on sectors like electronics, information technology services, tourism etc. Finalization of FTAs with India, China, and Singapore will surely help Sri Lanka to reach the target.

Source: [www.reuters.com](http://www.reuters.com)

### Food for thought

*These two proposed FTAs could have implications for export of engineering products from India. These needs to be further probed since there are several products in which China and New Zealand could become competitor for India in Sri Lanka market.*

## Trend of India's Merchandise Trade with the South Asian Nations

### India's engineering exports to Top 5 South Asian countries during April - December 2016

(All values in USD million)

Region	Dec 2015	Dec 2016	Growth %	April - Dec 2015	April - Dec 2016	Growth %
NEPAL	88.25	154.33	74.89	926.57	1597.74	72.44
BANGLADESH	115.72	185.27	60.10	1061.92	1435.44	35.17
SRI LANKA	96.97	96.37	-0.62	2052.19	1048.75	-48.90
BHUTAN	12.83	13.66	6.45	140.59	211.81	50.65
PAKISTAN	14.98	13.82	-7.72	91.64	98.75	7.76

Source: DGCIS

After a drop in November 2016, India's engineering exports to the South Asian region achieved 36.3% year-on-year growth during the month of December 2016. Top two importers of Indian engineering product in the South Asian region Nepal and Bangladesh recorded noticeable growth in imports but Sri Lanka, the highest importer of last fiscal conceded nearly 50% drop in imports due to massive fall in the import of Aircrafts. Pakistan and Afghanistan were the other two nations of the South Asian region to join Sri Lanka in this regard. Cumulative exports of Indian engineering products to this region also saw marginal growth during Apr - Dec 2016 as against a decline during Apr - Nov 2016. Sri Lanka and Afghanistan were the two nations recorded decline in engineering imports from India on a cumulative basis while Nepal and Bangladesh achieved sizeable growth during the first nine months of fiscal 2016-17.

## Panel-wise trend in engineering exports to South Asia during December 2016

Top 10 panels exported to South Asia during December 2016 are listed below (Value of Exports measured in USD Million)

Name of the Panel	Export in Dec 2015	Export in Dec 2016	Growth (%)	Exports in Apr-Dec 2015	Exports in Apr-Dec 2016	Growth (%)
Iron and Steel	43.14	86.32	100.07	606.54	854.58	40.89
Motor Vehicle/cars	55.12	69.25	25.62	704.65	672.08	-4.62
Industrial Machinery	56.61	68.52	21.02	424.19	531.88	25.39
Two and Three Wheelers	41.97	54.65	30.21	343.68	431.85	25.65
Auto Components/Parts	30.63	36.90	20.48	222.98	352.74	58.19
Electric Machinery and Equipments	14.32	17.61	22.99	174.83	239.08	36.75
Products of Iron and Steel	22.86	14.83	-35.14	168.46	180.98	7.43
Other Construction Machineries	9.59	28.39	196.20	74.23	173.82	134.17
Ships Boats and Floating Structure	0.00	5.99	---	62.66	144.17	130.09
Aluminium and products	7.79	21.38	174.40	96.40	112.41	16.60

Source: DGCIS

Nine of the top 10 exporting panels from Indian engineering sector recorded growth in exports to South Asia barring 'Products of Iron and Steel' during Dec 2016. On a cumulative basis, only the second highest exporting product group 'Motor vehicle/cars' conceded 4.6% decline during the first nine months of fiscal 2016-17 among the top ten product groups. Top exporting group 'Iron and Steel' saw nearly 41% higher exports during Apr - Dec 2016 over the same period last year and the third highest exporting product group 'Industrial Machinery' registered 25.4% higher exports on a cumulative basis. On the flipside, exports of Indian 'Aircrafts and Spacecrafts' to the South Asian region declined by 98.6% during Dec 2016 and by 91.9% during Apr - Dec 2016 over the same period last year.

## Upcoming exhibitions in South Asian Countries

Events	Date	Venue	Link
DHAKA AUTO PARTS SHOW 2017 ('Dhaka Motor Show' will also be held)	23-Mar-2017 to 25-Mar-2017	International Convention City Bashundhara, Dhaka Bangladesh	<a href="http://www.eventseye.com/fairs/f-dhaka-auto-parts-show-23462-1.html">http://www.eventseye.com/fairs/f-dhaka-auto-parts-show-23462-1.html</a>
Pakistan Auto Show 2017	7-Mar-2017 to 9-Mar-2017	Karachi Expo Centre, karachi, Pakistan	<a href="https://www.jetro.go.jp/j-messe/tradefair_en/PakistanAuto_52572">https://www.jetro.go.jp/j-messe/tradefair_en/PakistanAuto_52572</a>
POWEELEC INDIA 2017	09-Mar-2017 to 11-Mar-2017	Bombay Convention & Exhibition Centre, Goreagon (East) Mumbai - 400 063	<a href="http://www.eventseye.com/fairs/f-powerelec-india-22958-1.html">http://www.eventseye.com/fairs/f-powerelec-india-22958-1.html</a>

ACMA Automechanika New Delhi 2017	21-Mar-2017 to 24-Mar- 2017	Pragati Maidan, New Delhi, India	<a href="https://www.jetro.go.jp/j-&lt;br/&gt;messe/tradefair_en/AMND2017_48898">https://www.jetro.go.jp/j- messe/tradefair_en/AMND2017_48898</a>
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## News in Focus

### South Asia

#### World Bank Group led initiative to help India's MSMEs get faster access to credit

In India, the micro, small and medium enterprise sector plays a crucial role in the country's economy. Almost 50 million such enterprises operate in various industries across India, employing over 100 million people. More than half of them are based in rural areas, while over 7 percent of entrepreneurs are women. In all, the sector accounts for a substantial 37 percent of India's GDP and over 40 percent of its exports. However, lack of adequate and timely access to finance has remained the sector's biggest challenge, constraining its growth.

**Link:** <http://www.worldbank.org/en/news/feature/2017/02/02/world-bank-group-led-initiative-help-indias-msmes-get-faster-access-credit>

#### European Commission proposes reinstating Sri Lankan trade concession

The European Union's executive on Wednesday proposed that the bloc reinstates a trade concession to Sri Lanka as an incentive to the government to promote human rights and good governance.

**Link:** <http://in.reuters.com/article/sri-lanka-trade-concession-idINKBN14V27F>

#### World Bank CEO Supports Pakistan Reforms, Sees Indus Progress

World Bank Chief Executive Officer Kristalina Georgieva ended a three-day visit to Pakistan today by supporting a deepening of Pakistan's reforms for accelerating growth and saying she had "constructive discussions" with the country's leadership on the Indus Waters Treaty.

**Link:** <http://www.worldbank.org/en/news/press-release/2017/01/28/world-bank-ceo-supports-pakistan-reforms-sees-indus-progress>

#### World Bank is working with Bhutan to Improve Fiscal Sustainability, Access to Finance and Investment Climate

This is the second of two operations to support Bhutan's Eleventh Five-Year Plan (2013-2018) goals of promoting green socio-economic development and achieving self-reliance. The operation will promote fiscal discipline, increase access to finance for enterprises, and improve the climate for business entry and investment in Bhutan.

Link: <http://www.worldbank.org/en/news/press-release/2016/12/22/working-with-bhutan-improve-fiscal-sustainability-access-finance-investment-climate>

## Tender Information in South Asian Countries

Location	Title	Deadline
India	Development Of Recreational. Commercial Hospitality Health And Other Urban Infrastructure Projects	02-Mar-2017
Nepal	Construction Of Wall, Park, Picnic Spot In The Premises Of Amlashwor Temple, Baireni	28-Feb-2017
Bangladesh	Procurement Of Plant Design Supply Install And Commission For Conversion Of 100 Mw Baghabari Gas Turbine Power Plant To 150 Mw Combined Cycle Power Plant	19-Apr-2017
India	Engineering, Design, Supply, Erection, Testing And Commissioning Of Barrage Control And Monitoring Systems For Water Distribution & Barrage Management Of Virbhadra Barrage, Pashulok, Rishikesh, Distri	27-Feb-2017

For more contract notices, Please register with Tenderinfo and follow the link: <http://www.tendersinfo.com> and search for South Asia.

### EEPC India South Asia Territorial Newsletter

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