

Territorial NEWSLETTER South Asia

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Chairman's Pen

Bangladesh is a key partner in India providing crucial linkage to India's North East and acting as interlocutor in India's Act East Policy. With the conclusion of the Bangladesh elections recently, this newsletter looks at the dynamics of India Bangladesh relations focusing on the recent connectivity and cooperation initiatives.



Ravi Sehgal

I believe this newsletter will certainly enhance the knowledge base of our member exporters focusing on South Asian region and will help them to take informed decision in business.

SAARC Territorial Committee Chairman's Note



Akash Shah

The newsletter focuses on the recent India-Bangladesh initiatives on facilitating cross-border trade and bilateral cooperation between the two nations. It reiterates Bangladesh's importance in India's foreign policy and looks into various connectivity and cooperation initiatives that strengthens the bilateral relationship between the two nations.

Like our previous issues, an analysis of Indian engineering exports for April-January 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-Bangladesh Relations: Recent Initiatives

With the conclusion of the recent general elections in Bangladesh, there are high expectations in India about greater India-Bangladesh cooperation. Bangladesh plays a very vital role in India's neighbourhood policy. It is a key interlocutor in India's Act East Policy. Not only this, Bangladesh also provides better connectivity between mainland India and its North Eastern region thereby facilitating people to people movement and bringing down trade and logistic costs.

Bangladesh remains India's largest trading partner in South Asia. The total trade between the two countries increased from USD 7.5 billion to USD 9.2 billion between 2016-17 and 2017-18 registering a growth of 24%. The trade balance is skewed towards India, attributed mainly to lower variety in Bangladeshi export basket and lower demand from Indian sides for Bangladeshi products. To encourage more Bangladeshi exports into India, duty free entry was granted in 2011 under the South Asian Free Trade Area. This helped increase Bangladeshi exports into India from around USD 350 million to around USD 900 million. Bangladesh is also working on this by encouraging Indian manufacturers to invest in Bangladeshi SEZs. In 2018, Bangladeshi Prime

Minister announced that three Bangladeshi SEZs have been earmarked for India. These have been notified and once operational will encourage Indian companies to manufacture their products in Bangladesh and export them back to India. India's investment in Bangladesh during FY 2016-17 remained at USD 2.5 billion.

The two countries are also cooperating in various sub-regional connectivity initiatives. The protocol routes via inland waterways between India and Bangladesh transport approximately 3.5 million tonnes of cargo. In October last year the two countries signed an addendum to 'Protocol on Inland Water Transit and Trade' (PIWTT) between India and Bangladesh. Another agreement was also signed for using the Mongla and Chittagong ports for transporting goods to and from India. Other than inland waterways the two countries are also strengthening cooperation in railway connectivity. In September, 2018, India and Bangladesh kick started three railway connectivity projects including one at Kulaura-Shahbazpur, one at Akhaura-Agartala and one at Chilahati-Haldibari. In terms of land connectivity Bangladesh and India have a number of land customs station. Moreover, in 2015, Bangladesh, India, Nepal and Bhutan signed the BBIN Motor Vehicles Agreement (MVA) which is supposed to regulate the passenger and cargo movement along specific corridors. While the agreement has not yet been ratified by Bhutan, if implemented it would bring down transportation cost substantially and lead to significant time saving.

India also grants Bangladesh Lines of credit (LOC) and grants worth upto USD 8 billion. India and Bangladesh also cooperate in science and technology. The technical and Economic Cooperation programme goes a long way in strengthening bilateral ties and encouraging more people to people connect.

Growing Chinese investment in Bangladesh however remains a threat for India. India must strengthen its position in Bangladesh to overcome this threat. Bangladesh is dependent on China for its military hardware, however India has also expressed interest in cooperating with Bangladesh in this sector. The country has granted a USD 500 million LOC for procurement of defense related products from Bangladesh. This only implies India's willingness to rise up to the threat of increasing Chinese presence in the region. Moreover, India is also investing in infrastructural projects in Bangladesh especially those that strengthen its connectivity with Bangladesh. With trade and people-to-people connect being the key areas of importance in the Indo-Bangladesh relations, this momentum needs to be maintained.

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

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

Country	Export in January 2018	Export in January 2019	Growth (%)	Export in Apr - Jan 2018	Export in Apr - Jan 2019	Growth (%)
AFGHANISTAN	5.38	9.36	74.0%	92.15	110.54	19.9%
BANGLADESH PR	210.94	215.96	2.4%	1949.93	2282.36	17.0%
BHUTAN	24.06	20.02	-16.8%	173.68	217.18	25.0%
MALDIVES	5.15	3.67	-28.8%	46.47	40.49	-12.9%
NEPAL	260.29	247.39	-5.0%	2049.72	2551.59	24.5%
PAKISTAN IR	15.85	14.80	-6.6%	145.10	150.53	3.7%

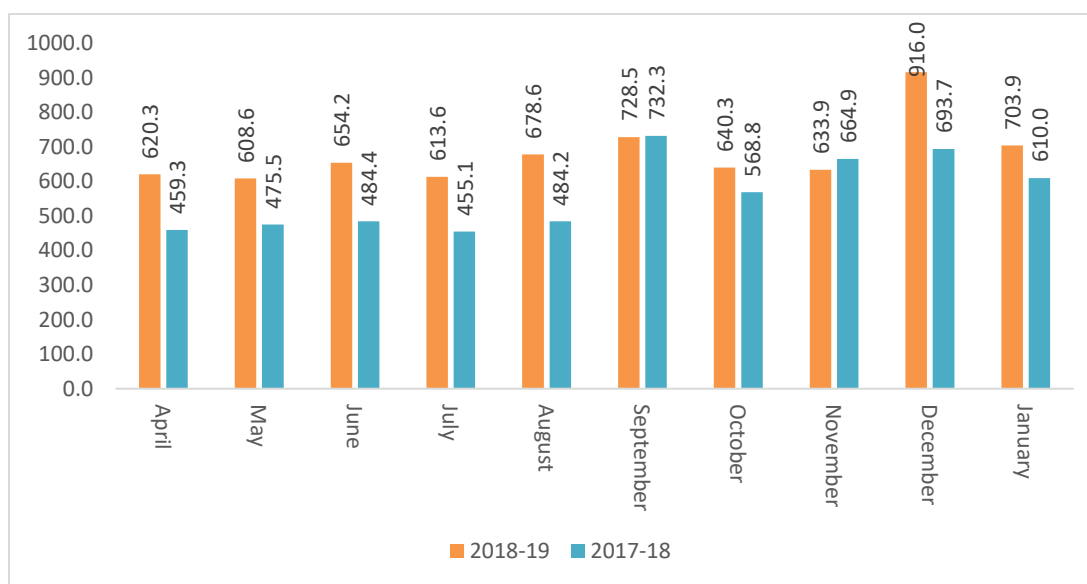
SRI LANKA DSR	88.30	192.73	118.3%	1170.99	1445.27	23.4%
SOUTH ASIA	609.96	703.93	15.4%	5628.05	6797.94	20.8%

Source: DGCIS

India's engineering exports to South Asia continued to grow for the fourth straight month in fiscal 2018-19 on a year-on-year basis and for the twelve straight months as a whole. During Jan 2019, growth in engineering exports to South Asia was recorded at 15.4% over Jan 2018. While exports to Nepal, the top exporting destination in South Asian region declined by 5% in Jan 2019 compared to that of Jan 2018, Sri Lanka during the same period experienced a growth of 118%. Exports to atleast four countries including Bhutan, Nepal, Pakistan and Maldives experienced a dip on a year-on-year basis.

The export scenario changed when cumulative figures were taken into consideration. Nepal was again the top importer of Indian engineering but considering cumulative figures, there was an increase in exports to Nepal by 24.5% in April to Jan 2019 compared to that of April to Jan 2018. Infact apart from Maldives all other countries experienced a rise in engineering imports from India during the said period.

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



Source: DGCIS Data, EEPC Research

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

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

Sector	Export in January 2018	Export in January 2019	Growth (%)	Export in Apr - Jan 2018	Export in Apr - Jan 2019	Growth (%)
Iron and Steel	136.8	150.1	9.72%	1213.9	1481.3	22.03%
Ships Boats and Floating structure	12.3	93.2	657.71%	169.4	584.8	245.28%

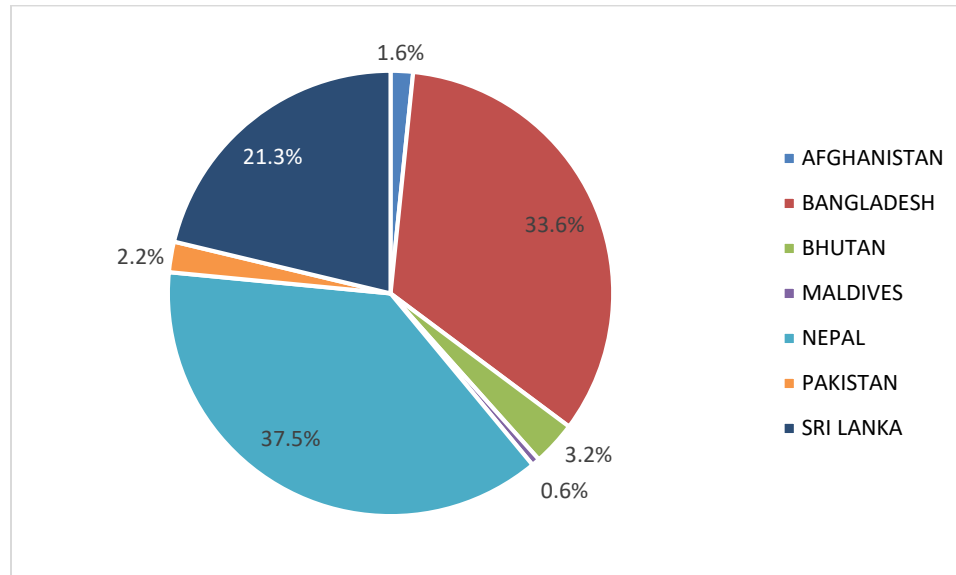
Motor Vehicle/cars	78.5	77.4	-1.42%	667.8	826.7	23.79%
Industrial Machinery	72.8	65.2	-10.46%	702.3	717.5	2.17%
Auto Components/Part	43.5	44.5	2.45%	390.0	414.1	6.17%
Products of Iron and Steel	38.0	38.3	0.77%	313.1	314.1	0.31%
Electric Machinery	31.5	32.6	3.38%	254.6	325.2	27.74%
Two and Three Wheelers	47.4	31.1	-34.35%	571.9	574.1	0.39%
Other Construction Machinery	47.8	30.8	-35.58%	299.2	282.3	-5.66%
Nuclear Reactors, Industrial boilers and Parts	3.7	23.1	518.65%	42.5	124.4	192.90%

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 January 2019 followed by ships, boats and floating structures, Motor Vehicle/Cars and Industrial machinery. Exports of ships, boats and floating structures recorded a significant growth of 657% in January 2019 over January 2018. Among the top 10 panels, industrial machinery experienced a dip of 10% in January 2019 over January 2018. Other panels which experienced a dip included motor vehicles, two and three wheelers and other construction machineries.

On a cumulative basis, ships, boats and floating structures and nuclear reactors ad boilers 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 except other construction machinery recorded positive year-on-year growth during Apr - Jan 2018-19.

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



Source: DGCIS Data, EEPIC Research

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

Nepal: Nepal was the largest destination for Indian engineering products among all South Asian nations during Apr - Jan 2018-19 with around 37.5% share.

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

Bangladesh: Second largest importer of Indian engineering products among all South Asian nations during Apr - Jan 2018-19 with over 33.6% share.

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

Sri Lanka: Sri Lanka was the third largest export destination for India's engineering exports in the South Asian region during Apr - Jan 2018-19 with a share of 21.3%.

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

Upcoming exhibitions in South Asian Countries

Events	Date	Venue	Link
COMFAST	Jun 14-17, 2019	Pragati Maidan, New Delhi, India	http://www.tofairs.com/fairs5.php?reg=23&fld=&sct=141
IEE EXPO (INTERNATIONAL ELEVATOR & ESCALATOR EXPO)	Jun. 22 - 24, 2019	Bombay Convention and Exhibition Centre (BCEC), Western Express Hwy, NESCO, Goregaon, Mumbai, Maharashtra 400063	https://www.eventseye.com/fairs/cst1-trade-shows_india_electrical-electro-technical-engineering.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
INDIAN MACHINE TOOLS SHOW	June 14-17, 2019	Pragati Maidan, New Delhi, India	http://www.tofairs.com/expo.php?fair=108825

South Asia

If Trump and Kim can meet, why not other countries: Nepal on stalled SAARC summit

Nepalese Foreign Minister Pradeep Kumar Gyawali also cited last year's historic talks between US President Donald Trump and North Korean leader Kim Jong-un in Singapore, saying dialogue was the only way to address differences

Link: <https://economictimes.indiatimes.com/news/defence/if-trump-and-kim-can-meet-why-not-other-countries-nepal-on-stalled-saarc-summit/articleshow/67484096.cms>

SAARC nations must have synergy

The conundrum of South Asian identity, involving the challenges posed by the 1947 Partition, internal politics of each country and meddling by the U.S. and China, could be resolved if the “negative discourse” on the region was driven out of the public domain and the borders were rendered irrelevant, a panel of diplomats, essayists and foreign policy experts said here on Friday.

Link: <https://www.thehindu.com/news/national/saarc-nations-must-have-synergy/article26093369.ece>

Sri Lanka banks on RBI swaps to boost its reserves: PM

Sri Lankan Prime Minister Ranil Wickremesinghe on Thursday said that the SAARC swap arrangement with the Reserve Bank of India (RBI) is part of the international assistance to boost the island's flagging reserves.

Link: https://www.business-standard.com/article/pti-stories/sri-lanka-banks-on-rbi-swaps-to-boost-its-reserves-pm-119011000756_1.html

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