

Territorial NEWSLETTER South Asia

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Chairman's Pen

South Asia is home to some of the fastest growing but ecologically vulnerable countries and studies reveal that climate change can have a devastating impact on the growth prospect of the region. The government of the SAARC member countries are aware of this and have taken steps towards implementation of a climate change policy and Electric Road Mass Transportation (ERMT) is a key factor in this sense. However, implementation of the ERMT programme requires equal participation from private investors. This edition of the South Asia newsletter therefore focuses on the role of private investment in implementation of ERMT in the SAARC member countries.

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

Ravi Sehgal

SAARC Territorial Committee Chairman's Note



Implementation of climate change policies is key to the economic development of the SAARC region and ERMT plays a very important role in the same. However, it also associates significant cost and may require private and public investment to achieve its desired target. With this background this edition of the South Asia newsletter briefs on the role of private investment in implementation of ERMT policy in the SAARC region.

Additionally, like our previous issues, an analysis of Indian engineering exports for April-March 2018-19 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



Implementation of Electric Road Mass Transportation (ERMT) in SAARC: Role of Private Sector Investment

South Asian Association for Regional Cooperation (SAARC), an intergovernmental alliance for 8 countries of South Asia, is also home to three of the top five countries in terms of vulnerability to climate change globally. While the region remains one of the fastest growing regions in the world, studies show climate change impacts may reduce the region's GDP by an average of 1.8% by 2050 and 8.8% by 2100. All SAARC members have agreed upon INDC (Intended Nationally Determined Contribution) goals to reduce their Green House gas (GHG) Emissions. Road transport being an important means of transportation in the entire region, Implementation of Electric Road Mass Transportation (ERMT) can be an effective way to achieve the INDC goal.

ERMT comes with its own set of advantages. First of all, it helps in reduction of pipe tail GHG emissions. Due to better Well-to-wheel efficiency, it requires lesser maintenance than diesel or petrol vehicles. It also

contributes towards reduction in noise pollution. Along with these advantages there are also several challenges associated with the implementation of ERMT. The requirements for implementation of ERMT along with the required buses and the charging station (which must be enabled with renewable energy) are quite expensive propositions. While this can be somewhat compensated by the lower operating costs of electric vehicles and battery swapping stations (batteries constitute 50% of the total a battery electric bus), there is a considerable requirement for government subsidies and private investment. Studies say that in implementation of ERMT, the biggest challenge that the SAARC countries will face would involve deployment include funding high capital expenditure associated with the implementation, installation of charging infrastructure and meeting electricity requirements for operations. This would be possible only with sufficient public and private investment in manufacturing and R&D efforts. Each and every government should design comprehensive policies and plans, defining national targets to be achieved along with guidelines. A recent study by PwC under the aegis of SAARC Energy Centre identifies the following area which should be prioritized in the government policies regarding ERMT.¹ These areas include

- Development and promotion of R&D
- Implementing safety parameters and ensuring their adherence
- Implementation plan with clear roles and responsibilities of the supporting agencies
- Financial and non-financial incentives
- Encouraging Private Sector Participation
- Consumer Awareness

Further another report by International Finance Corporation (IFC) identifies private sector investment as a key game changer in the implementation of ERMT. Creating markets for climate resilient infrastructure, climate-smart agriculture, expanding renewable energy capacity, sustainable transport, and green and resilient buildings, among others, can present serious investment opportunities for the private sector. IFC estimates a \$3.4 trillion climate investment opportunity for South Asia in key sectors between 2018 and 2030, assuming that each country will fully meet its INDC and relevant sectoral targets and policy objectives as stated.

IFC estimates the total private investment potential of the SAARC members in this aspect which is given below

Country	Potential investment in transport electric vehicles
Bhutan	US\$322 million
India	US\$ 667 million
Nepal	US\$ 2.5 billion

Source: <https://www.ifc.org/wps/wcm/connect/be4dacbd-18d1-4159-b9e9-e6a95e094d7a/Climate+Investment+Opportunities+in+South+Asia+-+An+IFC+Analysis.pdf?MOD=AJPERES>

The opportunity estimated for the six SAARC member countries, representing 7.38 percent of global carbon dioxide emissions, focuses on those sectors that have the greatest potential to attract private investment including renewable energy, transport, green buildings, urban water, climate-smart agriculture, and municipal solid waste management. While the INDCs are important as a precursor of climate investments, they need to be supplemented by a comprehensive approach to creating markets for climate business across these sectors.

¹ <http://www.saarcenergy.org/wp-content/uploads/2018/02/ERMT-SAARC-Report-151217.pdf>

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

India's engineering exports to Top 5 South Asian countries during Apr-Mar 2018-19
(All values in USD million)

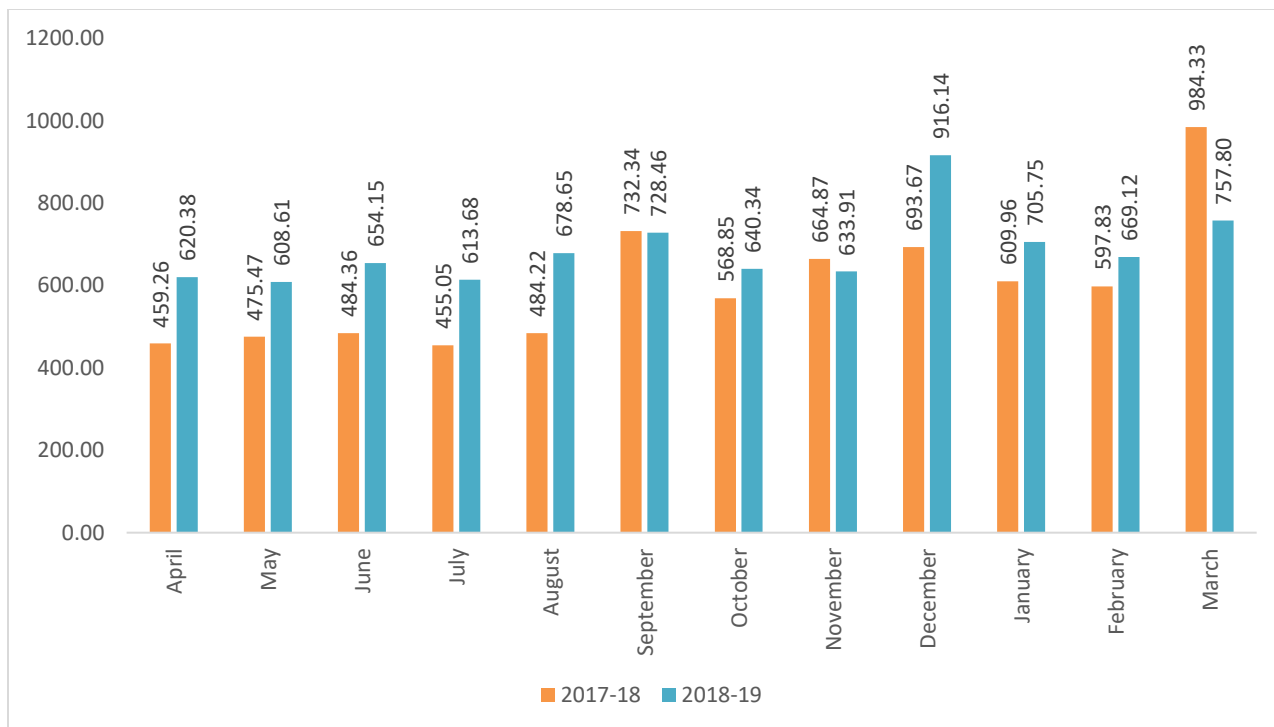
Row Labels	Export March 18	in 2017-	Export March 2018-19	in Growth (%)	Export in Apr- March 2017-18	Export in Apr- March 2018-19	Growth (%)
BANGLADESH	287.48		333.33	15.95%	2455.28	2864.24	16.66%
NEPAL	280.58		225.30	-19.70%	2571.02	2977.76	15.82%
SRI LANKA	325.74		118.88	-63.50%	1579.13	1740.09	10.19%
AFGHANISTAN	31.52		25.57	-18.87%	132.88	145.23	9.29%
BHUTAN	27.31		22.81	-16.49%	221.73	262.31	18.30%
PAKISTAN	24.85		19.85	-20.11%	189.54	181.74	-4.11%
MALDIVES	6.86		12.07	75.91%	60.62	55.63	-8.23%
SOUTH ASIA	984.33		757.80	-23.01%	7210.21	8226.99	14.10%

Source: DGCIS

During March 2019, engineering exports to South Asia declined by 23% over March 2018. Barring Bangladesh and Maldives exports to the other countries registered negative growth over March 2018. Exports to Sri Lanka experienced the maximum decline to the tune of 63.5% followed by Pakistan, Nepal, Afghanistan and Bhutan. Bangladesh remained the top most export destination in the region.

In terms of cumulative figures (April to March 2018-19) Nepal remained the biggest importer of Indian engineering followed by Bangladesh. Decline in cumulative exports was evident in only Pakistan and Maldives. All South Asian nations witnessed growth in engineering imports (14.1%) from India during Apr - March 2018-19 over the same period last fiscal.

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



Source: DGCIS Data, EEPCC Research

Panel-wise trend in engineering exports to South Asia during Apr-March 2018-19

Top 10 engineering panels exported to South Asia during Apr-March 2018-19 are listed below (Value of Exports measured in USD Million)

Panel	Export in March 2017-18	Export in March 2018-19	Growth (%)	Export in Apr-March 2017-18	Export in Apr-March 2018-19	Growth (%)
Iron and Steel	161.142	146.122	-9.32%	1523.640	1745.559	14.57%
Motor Vehicle/cars	84.389	96.153	13.94%	824.063	987.909	19.88%
Industrial Machinery	85.442	96.116	12.49%	857.773	887.131	3.42%
Two and Three Wheelers	53.480	52.282	-2.24%	680.003	663.118	-2.48%
Auto Components/Part	51.176	49.469	-3.34%	490.100	509.876	4.04%
Products of Iron and Steel	52.814	46.968	-11.07%	411.057	406.274	-1.16%
Nuclear Reactors Industrial Boilers	8.796	46.372	427.16%	55.480	201.615	263.40%
Electric Machinery	41.494	41.563	0.17%	327.116	408.005	24.73%
Aluminium and products	58.787	26.399	-55.09%	285.099	300.087	5.26%
Other Construction Machinery	47.713	23.265	-51.24%	391.071	329.260	-15.81%

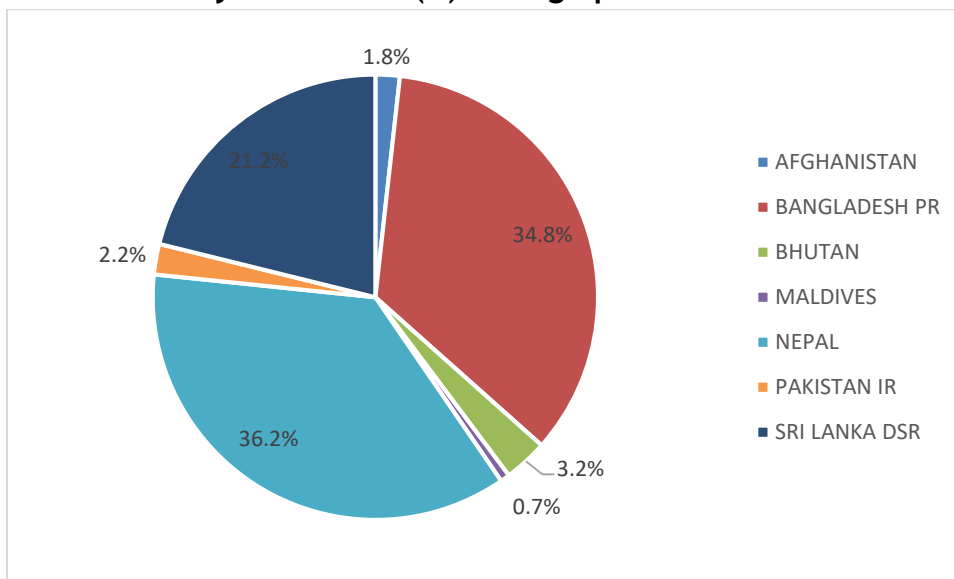
Source: DGCIS

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 March 2019 followed by Motor Vehicle/Cars, Industrial machinery, Two and three wheelers and Auto Components. There was a significant rise in the exports

of Nuclear reactors and industrial boilers (427%). Y-o-y decline was noticed in Iron and steel, Two and three wheelers, Auto components and parts, Products of iron and steel, Aluminium and products and Other construction machinery. Maximum decline was witnessed in Aluminium and products.

On a cumulative basis during April to March of 2018-19, Iron and Steel, Motor Vehicle/cars, Industrial Machinery, Two and three wheelers and Electrical machinery topped the list of engineering product groups exported to South Asia. Substantial growth was witnessed in Nuclear reactors and industrial boilers. Other groups that experienced a rise include Electrical machinery (24.7%), Motor Vehicle/cars (19.8%) and iron and steel (14.5%). Barring Two and three wheelers, Products of iron and steel and Other construction machinery all the others in top 10 exported panels recorded positive year-on-year growth during Apr - March 2018-19.

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



Source: DGCIS Data, EEPC Research

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

Nepal: Nepal was the largest destination for Indian engineering products among all South Asian nations during Apr - March 2018-19 with around 36.2% 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 - Nov 2018-19 with over 35% share.

Top exported Products: Motor Vehicle/Cars, Nuclear reactors and industrial boilers, Industrial Machinery, Iron and steel and Auto components.

Sri Lanka: Sri Lanka was the third largest export destination for India's engineering exports in the South Asian region during Apr - March 2018-19 with a share of 21.2%.

Top exported Products: Two and Three Wheelers, Iron and steel, Motor Vehicle/cars, Industrial Machinery, and Products of iron and steel.

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), Baudhaloka 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

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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