

Territorial NEWSLETTER South Asia

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Chairman's Pen



Ravi Sehgal

The fear of a global trade tension that has been initiated with the announcement of hike in steel and aluminum tariff by the US in march 2018 has caused a lot of panic for the nations across the globe. Economies in Asia that depends mainly on expansion of foreign trade and inflow of foreign investments for sustained economic growth of their respective countries as well as for the region as a whole may saw a consequence which is damaging for their economic prospect once the trade war starts. Although, Indian still sector is not likely to be hit severely due to very low amount of Indian steel exports in the US, possibility of trade diversion could invite cheap imports of steel.

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



PR Venkatachalam

Our 27th issue has highlighted the effect of international trade war on Asian economy, the growth of which have surpassed the global growth on an annual average basis for the last 15 years. Most of the Asian nations may start facing a hard time as a consequence of this possible trade war as foreign trade and investemnts have been the two key growth drivers of these economies till now.

Like our previous issues, an analysis of Indian engineering exports for April - May 2018 is also presented in this newsletter from both country-wise and DGCI&S panel-wise perspective. 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

Cover Story

The uncertain scenario in the international trade is not certainly good news for the Asian nations as economies of this continent depend heavily on foreign trade and investments as the key driver of sustained economic development ...

What's in News

- **China approves \$1 billion loan for Sri Lanka highway...**
- **Nepal PM to press India for banned currency swap**
- **Bangladesh official says no rush for free trade pact with China...**
- **China says Nepal a natural area for cooperation with India ...**

Tenders

More latest News from Tenders

Upcoming Events

Grouping: South Asia Association for Regional Cooperation

Area: 5,099,611 km²

Population: 1,713,870,000

GDP: US\$ 3.1 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



Recent Global Trade Tensions may Adversely Impact Asia's Trade

The US govt. in March 2018 announced to impose 25% tariff on steel and 10% tariff on aluminium imported from all countries except Canada and Mexico in order to protect the interest of domestic manufacturers. Retaliations or threat of retaliation to this move started coming from several nations and economic regions like China and EU. Both China and US proposed a number of retaliatory tariffs on each other's import that sparked the fear of a global trade war.

Now, this uncertain scenario in the international trade is not certainly a good news for the Asian nations as economies of this continent depend heavily on foreign trade and investments as the key driver of sustained economic development.

During the last 15 years ending 2017, economic growth in Asia outperformed that of the world with an annual average growth of 6% against 4% of global growth. Meanwhile, Asia's share in total global GDP also increased significantly to 35% from 25% in these 15 years. This growth was led by more participation in global trade and inflow of investments which was reflected in the fact that Asia's share in global exports spiked from about 29% in 2002 to 38% in 2017, while its share of global imports increased from about 22% to 31% during the period.

The following fact will help to understand the trade and economic scenario of Asian economies in the last 15 years more clearly. Merchandise trade in Asia (in value terms) grew at an average of 17.5% between 2002 and 2008 before the global financial crisis struck. Since 2010, the annual growth in the value of merchandise trade plummeted significantly, with the sharpest contraction (-13%) observed in 2015. The most recent data from International Monetary Fund's World Economic Outlook (April 2018) suggests that Asia's merchandise trade continued to shrink in 2016, but then recovered partially in 2017, although the growth rate remained well below the pre-crisis average.

The tepid recovery notwithstanding, Asian economies should well be concerned about a gradual erosion of a rule-based multilateral trading system, particularly given the tit-for-tat tariff threats especially by the US and China.

For now, the global trade environment will be much less buoyant and much more uncertain than it was in the past. This does not bode well for Asian economies, particularly those, which are heavily dependent on international trade and investment as a means of sustained growth. With Trump's "America First" economic platform, the administration's preference for bilateral agreements over multilateral ones as a means of promoting "fair trade", as well as its willingness to use unilateral sanctions rather than work through the WTO to manage its trade concerns ("fair, reciprocal trade"), there is a clear vacuum in global trade leadership.

China could potentially take on that mantle, but to be viewed as being a credible champion of a rules-based international economic order, it must eschew some of its own mercantilist and predatory behaviour and begin to better respect intellectual property rights (IPRs). A Trans-Pacific trade war would not be to anyone's benefit.

For the rest of Asia, it is critical that they reaffirm the importance of an open, transparent and rules-based multilateral trading system, while pushing forward with greater intra-regional trade initiatives that are of mutual benefit.

For India, the impact may not be so worrisome. In 2017, Indian steel exports to the US stood at 0.64 million metric tonnes that accounted for 5% of India's total steel exports. Again, steel exports stood at 7.8% of domestic crude steel production with Vietnam and Nepal being the two largest markets (at 11% of export share) during the same year. Thus, this hike in import duty by the US would have negligible impact on Indian steel production in the short term. However, possibility of cheap imports from other nations through trade diversion cannot be completely ruled out.

Source:

Article published in the 'Live Mint' on 23rd May 2018 by Ramkishen S. Rajan, Professor, National University of Singapore and Sasidaran Gopalan, assistant professor, Nazarbayev University, Kazakhstan.

<https://www.livemint.com/Opinion/F2HPnwyBRFlpDpVzNEkyYN/International-trade-tensions-a-worry-for-Asia.html>

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

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

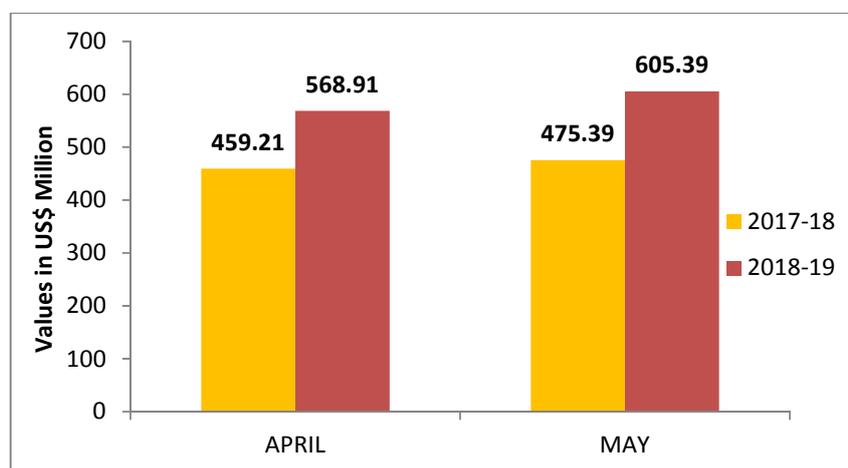
Country	Export in Apr 2017	Export in Apr 2018	Growth (%)	Export in Apr-May 2017	Export in Apr-May 2018	Growth (%)
NEPAL	167.71	266.16	58.71	326.23	472.69	44.89
BANGLADESH	179.44	198.51	10.63	342.86	437.32	27.55
SRI LANKA	94.51	93.76	-0.79	190.79	173.06	-9.3
BHUTAN	15.05	22.87	52	35.95	47.89	33.2
PAKISTAN	13.09	13.8	5.4	26.87	29.37	9.29

Source: DGCIS

India's engineering exports to South Asia grew for the second straight month in fiscal 2018-19 on a year-on-year basis and for the tenth straight months as a whole. During May 2018, growth in engineering exports to South Asia grew by a higher 27.4% as against 23.89% in Apr 2018. Nepal achieved 58.7% growth in May 2018 to come up as the largest export market replacing Bangladesh while Bangladesh recorded a much lower 10.6% growth during the month. Sri Lanka saw a marginal 0.8% decline in engineering imports from India in May 2018 after a decline of 17.48% in the previous fiscal. Other than Sri Lanka, All six south Asian nations achieved year-on-year growth in imports of Indian engineering products during May 2018.

The scenario remained largely the same when cumulative figures were taken into consideration. Nepal was the top importer of Indian engineering followed by Bangladesh with impressive growth in imports while Sri Lanka continued to face lower imports. All other South Asian nations except Sri Lanka witnessed rise in engineering imports from India during Apr - May 2018-19 over the same period last fiscal.

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



Source: DGCIS Data, EEPIC Research

Panel-wise trend in engineering exports to South Asia during April - May 2018

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

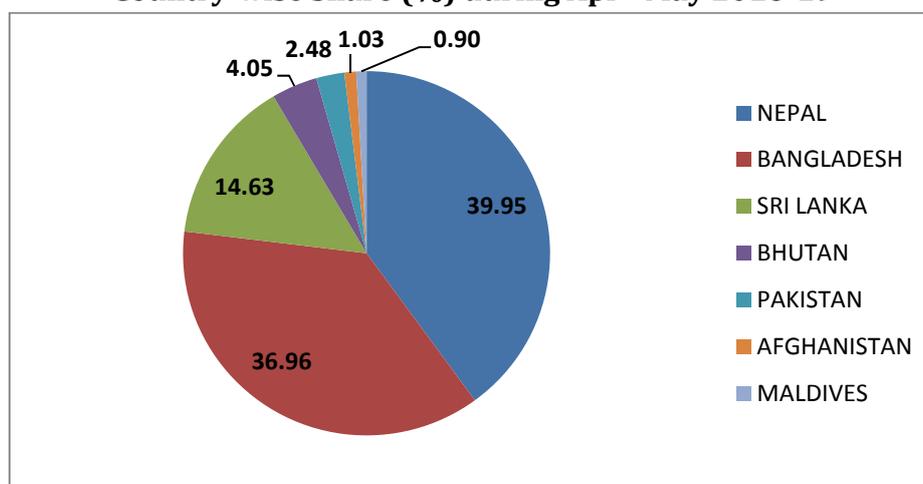
Panel	Export in Apr 2017	Export in Apr 2018	Growth (%)	Export in Apr-May 2017	Export in Apr-May 2018	Growth (%)
Iron and Steel	101.22	147.82	46.03	194.54	285.10	46.55
Motor Vehicle/cars	54.73	80.80	47.63	100.54	145.65	44.86
Industrial Machinery	61.09	61.50	0.67	128.81	130.94	1.65
Two and Three Wheelers	52.68	48.99	-7.01	107.12	99.96	-6.69
Auto Components/Parts	35.34	41.80	18.30	59.86	77.51	29.49
Products of Iron and Steel	25.12	39.28	56.33	53.71	72.10	34.24
Other Construction Machinery	21.70	36.14	66.55	47.76	68.51	43.45
Electric Machinery and Equipments	23.60	26.53	12.40	44.96	53.37	18.72
Ships Boats and Floating Structures	23.16	12.63	-45.48	23.17	38.55	66.42
Aluminium and products	11.46	17.74	54.86	25.08	30.44	21.38

Source: DGCIS

Product group-wise analysis of Indian engineering exports to South Asia showed that Motor Vehicle/Cars became the second highest exported engineering product group to South Asia during May 2018 after Iron and Steel. Only Two and Three Wheelers and Ships and Boats witnessed year-on-year decline during May 2018-19 among the top 10 engineering product groups exported to South Asian region. Out of the total 33 engineering panels as classified by DGCI&S, 8 panels recorded year-on-year drop in exports.

The scenario remained largely the same on a cumulative basis too. Iron and Steel, Motor Vehicle/cars and Industrial Machinery topped the list of product group exported to Bangladesh in that order during the first two months of the current fiscal. The first two product groups saw substantial growth in exports while the growth witnessed by Industrial machinery export was just marginal. Only Two and Three Wheelers out of the top 10 exported panel recorded negative year-on-year growth during Apr - May 2018-19, while 8 out of the total 33 panels conceded the same. Mostly panels with lower exports witnessed this.

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



Source: DGCIS Data, EEPIC Research

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

Nepal: Nepal replaced Bangladesh to become the top exporting destination for Indian engineering products among all South Asian nations during Apr - May 2018-19 with around 40% share.

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

Bangladesh: Pushed down by Nepal to become the second largest importer of Indian engineering products among all South Asian nations during Apr - May 2018-19 with nearly 37% share.

Top exported Products: Industrial Machinery, Auto Components/Parts, Iron and Steel, Motor Vehicle/Cars, 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 - May 2018-19 with a share of 14.6%.

Top exported Products: Two and Three Wheelers, Motor Vehicle/cars, Ships Boats and Floating Structure, Iron and Steel, 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
ENMACH - Engg and Machine Tools Sri Lanka	10-Aug-2018 To 12-Aug-2018	Bandaranaike Memorial International Conference Hall, Colombo	https://www.jetro.go.jp/j-messe/center/srilanka.html
UNITED AGRI TECH 2018	17-Aug-2018 To 20-Aug-2018	Thamukam Ground Mellur, Tallakulam Madurai, Tamil Nadu 625002, India	https://www.eventseye.com/fairs/f-united-agri-tech-25466-1.html
IMEX - MACHINE TOOLS EXPO 2018	29-Aug-2018 To 31-Aug-2018	Pragati Maidan Near Delhi Zoological Park, Mathura Road Delhi, India	https://www.eventseye.com/fairs/f-imex-machine-tools-expo-7254-1.html
HANDTOOLS &	29-Aug-2018	Pragati Maidan	https://www.eventseye.com/fairs/f-

FASTENERS EXPO 2018	To 31-Aug-2018	Near Delhi Zoological Park, Mathura Road Delhi, India	handtools-fasteners-expo-25015-1.html
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News in Focus

South Asia

Bangladesh is keen on buying renewable power from India

India's neighbour Bangladesh is exploring the possibility of expanding electricity trade between the two countries using capacity generated from renewable sources.

Link: <https://www.thehindubusinessline.com/news/bangladesh-is-keen-on-buying-renewable-power-from-india/article24305432.ece>

Sri Lanka High Commissioner: Vision Offers Opportunities for Indian Businesses

Ms. Chitrangane Wagiswara, high commissioner of Sri Lanka in New Delhi, India, urged Indian companies to take advantage of the ample business opportunities in Sri Lanka. She said Sri Lanka's Vision 2025 positions the country as an export-oriented economic hub at the center of the Indian Ocean.

Link: <https://www.sasec.asia/index.php?page=news&nid=899&url=sri-lanka-high-commissioner>

BIMSTEC Working Group on Customs Cooperation Holds First Meeting

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Working Group on Customs Cooperation held its first meeting on 10-11 May 2018 in New Delhi, India. The Meeting discussed progress in customs cooperation among BIMSTEC countries, and finalized the draft text of the 'Agreement on Cooperation and Mutual Assistance in Customs Matters' for the BIMSTEC Free Trade Area. The BIMSTEC Trade Negotiating Committee is set to review this agreement in its upcoming meeting.

Link: <https://www.sasec.asia/index.php?page=news&nid=874&url=bimstec-customs-cooperation>

Exclusive: Free trade talks between China and Sri Lanka hit big hurdles

Talks between China and Sri Lanka for a free trade agreement have hit major hurdles, mainly because Beijing will not agree to Colombo's demand for a review of the deal after 10 years, Sri Lanka's top negotiator said.

Link: <https://in.reuters.com/article/us-sri-lanka-china-trade-exclusive/exclusive-free-trade-talks-between-china-and-sri-lanka-hit-big-hurdles-idINKCN1IW1FM>

Tender Information in South Asian Countries

Location	Title	Deadline
		

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EPC INDIA
ENGINEERING THE FUTURE
www.eepcindia.org

Location	Title	Deadline
INDIA	Providing Architectural And Engineering Services For Construction Of Industrial Sheds In The Campus Of Garden Reach Shipbuilders And Engineers At Rajabagan Dockyard Kolkata Estimated Cost: INR 1,400,000	02-Aug-2018
BHUTAN	Supply Of Hardware, Printing, Vehicle Spare Parts, Etc	02-Aug-2018
INDIA	Engagement Of Manpower For Supervision Of Infrastructure Works In Bihar	06-Aug-2018
Bangladesh	Consultancy Services, Energy Efficiency In Grid Based Power Supply li	13-Aug-2018

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

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