

# Territorial NEWSLETTER South Asia

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Issue 8: October 2016

## Chairman's Pen



T S Bhasin

India is leading the economic growth in South Asia with over 7.5% growth, the fastest in the world. The growth of South Asian region is also estimated at around 7% in 2015 driven by lower oil price for a long time and reform measures by the respective governments in some of the major nations. Now, the time is to think of economic integration in this region as lack of integration is affecting international trade and investments among the nations. Cross-border trade is one of the worst hit because of lack of integration that also raises transaction cost in turn. Non-trade barrier is another deterrent to trade. Some policy reforms at the regional level are very much required for this region to sustain growth and to enhance trade and investment relation among the nations of the region.

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

This is the eighth issue of our newsletter on South Asia. In this issue, our focus is on a very sensitive issue specific to the region that has been affecting the trade, investment and overall economic integration of the South Asian region. Despite achieving around 7% growth, economies of this region are in need of policy reforms at the regional level. Other problems related to trade and investments also need to be addressed to sustain growth momentum and to enhance trade and investment among the nations.

In this issue, we also provide an analysis of Indian engineering exports for the first half of fiscal 2016-17 from both country-wise and DGCIS panel-wise perspective. Other sections include News section, Upcoming events in SA regions and tenders.

## Cover Story

*Economic integration is the need of the hour in the South Asian Region: Despite being one of the fastest growing region in the world, the SA economy has been facing several deterrents to trade and investments.*

## What's in News

- World Bank to loan \$2 billion to Bangladesh to fight climate change
- China signs deals worth billions with Bangladesh as Xi visits
- World powers pledge \$15 billion for Afghanistan, EU seeks peace
- 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 (at PPP)

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

## Economic Integration is the need of the hour for South Asia

South Asia is the fastest growing region of the world with around 7% GDP growth in 2015 and projected at well above 8% by 2020. This region also holds world's largest working-age population. Although, most of the working population is engaged in the agricultural sector, the share of them in the service has also been increasing significantly since the last few years. The flourishing service sector is the main driver of economic growth of this region that accounts for around half of the growth of GDP. It is said that low-oil price has helped this region to grow as it is heavily dependent on oil import.

Now, despite a very impressive economic outlook of this region for the next 4-5 years or so, the rosy picture may not sustain in the long run if the nations of the South Asian region fail to exploit the unique opportunities that have been brought to them today by low oil prices and relatively free global markets. These nations now have the opportunity to address the fundamental structural problems and regulatory inefficiencies that have blocked greater economic freedom, obstructed optimal economic growth in the region in the past, and simultaneously discouraged regional economic integration.

A major concern that needs immediate attention for the balanced growth of the entire region is economic integration. The countries must open their markets and lower barriers to trade and investment, especially to regional partners, while improving economic freedom with a deliberate focus on strengthening rule of law, eradicating endemic corruption, and reducing bureaucratic regulations that harm businesses and investors.

The 2015 Global Competitiveness Index identifies lack of structural reforms as the primary reason why most emerging economies, despite high economic growth, have neither increased their competitiveness nor boosted their productivity.

The index points to three critical areas where reforms are needed:

- Strategic economic sectors (in particular energy sources and power generation, textiles, pharmaceuticals, and small and medium-size enterprises), which must be opened up to competition by removing bottlenecks and barriers to entry;
- Labor markets, which should be made more flexible and hence more efficient in making use of all available human capital; and
- Public administration, which must be overhauled in order to implement structural reforms effectively.

In this write up, we limit the scope of discussion to factors that are related to international trade only and in this regard, a major problem in South Asia is cross-border trade. Cross-border trade volumes in South Asia are relatively much lower than that of in East Asia and the Pacific and other regions—largely because of regulatory inefficiencies. According to the “Doing Business” survey, both export and import for companies in South Asia are costlier and more time consuming than it is in most other regions. It takes an average of nearly 35 days to export or import from or to South Asia while the same for OECD is just 10 days on an average, for East Asia, it is 21 to 22 days and for the Middle East/North Africa (MENA) region, the average is 24 days.

Needless to say, transaction costs for export/import of goods in South Asia are significantly higher: the average cost to ship one container of exports from South Asia is \$1,922 compared to \$864 in East Asia, \$1,166 in MENA, and \$1,080 in the OECD High Income group. By far, landlocked Nepal is costliest and most time-consuming for trade, whereas the island nation of Sri Lanka is the one that involves less cost and time.

Non-tariff barriers (NTBs) are also a prominent bottleneck to trade in SA region. These NTBs include difficult and lengthy customs procedures, infrastructure disabilities, and technical barriers to trade, such as standards certification, labelling and marketing regulations, packaging specifications, health and safety controls, tricky rules of origins, difficult and tedious banking and payment procedures, a restrictive visa regime that inhibits free movement of people, and many other bureaucratic obstacles.

When the region is moving towards higher growth, these problems may hinder the process of achieving sustained growth by disrupting smooth trade and investment. Therefore, addressing these concerns with effective policies is the need of the hour.

**Source:** Research report by James M. Roberts and Huma Sattar entitled "South Asia: Regional Integration and Greater Economic Freedom Will Boost Growth and Prosperity" published in <http://www.heritage.org>

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

**Table 1: Trend of India’s engineering exports to the South Asian countries during April - September 2016**

(All values in USD million)

Region	Sep 2015	Sep 2016	Growth %	April - Sep 2015	April - Sep 2016	Growth %
NEPAL	64.60	178.55	176.40	754.87	1062.19	40.71
BANGLADESH	120.81	146.45	21.22	687.55	919.28	33.70
SRI LANKA	154.16	113.68	-26.26	1467.36	752.57	-48.71
BHUTAN	14.93	11.94	-20.04	86.16	139.06	61.40
PAKISTAN	10.15	7.63	-24.87	50.97	62.12	21.88

MALDIVES	3.50	4.98	42.39	19.66	21.37	8.72
AFGHANISTAN	3.85	3.93	2.01	34.60	18.73	-45.86

Source: DGCIIS

Substantial growth in imports of Indian engineering products by the two leading nations of South Asia, namely Nepal and Bangladesh helped Indian engineering exports to South Asia surged by a substantial 25.6% during the month of Sep 2016. Decline in engineering imports from India in the next three largest importers Sri Lanka, Bhutan and Pakistan during the same month failed to supersede the overall rise as exports to the two leading importers accounted for around 70% of India's total engineering exports to this region. However, Cumulative analysis however depicted a different trend during the first half of fiscal 2016-17 where Nepal and Bangladesh, with 65% of India's total engineering exports to South Asia achieved significant growth in imports but India's overall engineering exports to South Asia declined marginally during the time period as the third largest importer Sri Lanka conceded a huge 48.7% decline in imports that outweighed the growth achieved by the top two importers. Three out of seven neighbors of India from this region conceded decline in engineering imports from India during Apr - Sep 2016-17.

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

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

Name of the Panel	Export in Sep 2015	Export in Sep 2016	Growth (%)	Exports in Apr-Sep 2015	Exports in Apr-Sep 2016	Growth (%)
Iron and Steel	57.82	86.35	49.33	482.97	562.98	16.57
Motor Vehicle/cars	75.95	91.84	20.93	508.20	443.29	-12.77
Industrial Machinery	39.52	61.90	56.66	263.27	332.17	26.17
Two and Three Wheelers	41.31	56.72	37.33	243.13	274.27	12.81
Auto Components/Part	22.15	42.20	90.54	153.54	243.42	58.54
Electric Machinery and Equipments	18.05	19.95	10.51	108.09	156.22	44.52
"Ships Boats and Floating Structures"	31.65	1.49	-95.30	59.96	134.25	123.92
Products of Iron and Steel	14.49	15.38	6.11	118.46	110.20	-6.98
Other Construction Material	10.82	16.31	50.80	53.42	103.31	93.38
"Aircrafts & Spacecrafts"	0.07	0.27	300.24	706.34	78.68	-88.86

Source: DGCIIS

Panel-wise analysis showed that three out of them 10 ten panel recorded decline in engineering exports to South Asia. Iron and steel was the top exporting panel during Apr - Sep 2016-17 while Motor vehicles and Industrial machinery were immediate follower. However, during Sep 2016, Motor Vehicles/cars was the highest exporting panel of engineering products with a decent growth of around 21% and Iron and steel was the second highest but with a better growth of around 50%. The top two panels accounted for over 30% of Indian engineering exports to South Asia.

## Upcoming exhibitions in South Asian Countries

Events	Date	Venue	Link
14th Dhaka Int'l Textile & Garment Machinery Exhibition	23-Feb-2017 to 26-Feb-2017	Dhaka, Bangladesh	<a href="https://www.jetro.go.jp/j-messe/tradefair_en/DTG2017_52061">https://www.jetro.go.jp/j-messe/tradefair_en/DTG2017_52061</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>
IMTEX 2017	26-Jan-2017 to 01-Feb-2017	Bangalore International Exhibition Centre, Bangalore	<a href="http://www.southasiatradeshow.com/india/imtex-2017">http://www.southasiatradeshow.com/india/imtex-2017</a>
LOGISTICS 2017	2-Feb-2017 to 4-Feb-2016	Pragati Maidan Near Delhi	<a href="http://www.eventseye.com/fairs/f-logistics-21443-1.html">http://www.eventseye.com/fairs/f-logistics-21443-1.html</a>
GAPEXPO 2017	18-Jan-2017 to 21-Jan-2017	Bangabandhu International Conference Centre (BICC), Dhaka, Bangladesh	<a href="http://www.eventseye.com/fairs/f-gapexpo-18682-1.html">http://www.eventseye.com/fairs/f-gapexpo-18682-1.html</a>

## News in Focus

### South Asia

#### India's demonetisation drive drags down Nepal's economy

India's scrapping of high-value bank notes last month has dragged down economic growth in neighbouring Nepal with trade, remittances and tourist numbers all down, BMI Research, a group company of the Fitch rating agency, said.

Link: <http://in.reuters.com/article/india-modi-demonetisation-nepal-cashban-idINKBN14314P>

#### Pakistan says China to make extra \$8.5 billion investments in rail, energy

Pakistan has secured an additional \$8.5 billion of investment from Beijing as part of the countries' joint energy, transport and infrastructure plan. That is on top of the \$46-billion China-Pakistan Economic Corridor (CPEC) project, which focuses on road building and energy infrastructure to end chronic power shortages in Pakistan and to link China's landlocked north-west with the deep-water port Gwadar on the Arabian Sea.

Link: <http://in.reuters.com/article/us-pakistan-economy-cpec-idINKBN1311XR>

#### IMF sees stability in Sri Lanka's macroeconomic, financial conditions

The International Monetary Fund (IMF) said Sri Lanka's macroeconomic and financial conditions have begun to stabilize and the island nation's performance under its \$1.5 billion loan programme is satisfactory.

Link: <http://in.reuters.com/article/sri-lanka-imf-idINKBN13E0NX>

## India ready for truck with seamless South Asia trade

"We are expecting the freight cost to come down by 20% and transit time by three days due to this," said Nidhi Dua, India country manager for Marks & Spencer. "Earlier the Bangladeshi trucks had to be offloaded at the border and the goods shifted for onward journey into India in Indian trucks."

Link: <http://economictimes.indiatimes.com/news/economy/foreign-trade/india-ready-for-truck-with-seamless-south-asia-trade/articleshow/54009974.cms>

## Tender Information in South Asian Countries

Location	Title	Deadline
India	Appointment Of Detailed Engineering And Design Consultant For Development Of Smart Industrial Port City Location 1 & 2	10-Jan-2017
India	Consultant For Providing Consultancy Services For Preparation Of Base Map	12-Jan-2017
Nepal	Pilot Study to Investigate a Participatory Approach for Roadside Protection of Rural Roads in Nepal	13-Feb-2017
India	Planning Design,engineering Supply Fabrication Erection Testing And Commissioning For Repair Renovation And Driving 200mm Etc.	17-Jan-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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