

Territorial NEWSLETTER South Asia

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Chairman's Pen

Ravi Sehgal

Despite an uncertain political relationship, and tensions between India and Pakistan, trade is one sector where India Pakistan can cooperate and have a meaningful bilateral relationship. In March this year Indian High Commissioner to Pakistan Ajay Bisaria stated that if the trade relations between India and Pakistan is normalized the two countries can achieve bilateral trade amounting to USD 30 billion a marked improvement from the current USD 5 billion. Given this, this edition of the South Asia newsletter looks at the trends in engineering trade between India and Pakistan in the last ten years.

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



SAARC Territorial Committee Chairman's Note

Akash Shah

It is believed that mutual relations between India and Pakistan can be built on the basis of trade and economy. These factors will be a bilaterally win-win situation for the two countries. With this background this edition of the South Asia newsletter looks at the trends in engineering trade between India and Pakistan in the last ten years.

Like our previous issues, an analysis of Indian engineering exports for April-July 2018 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

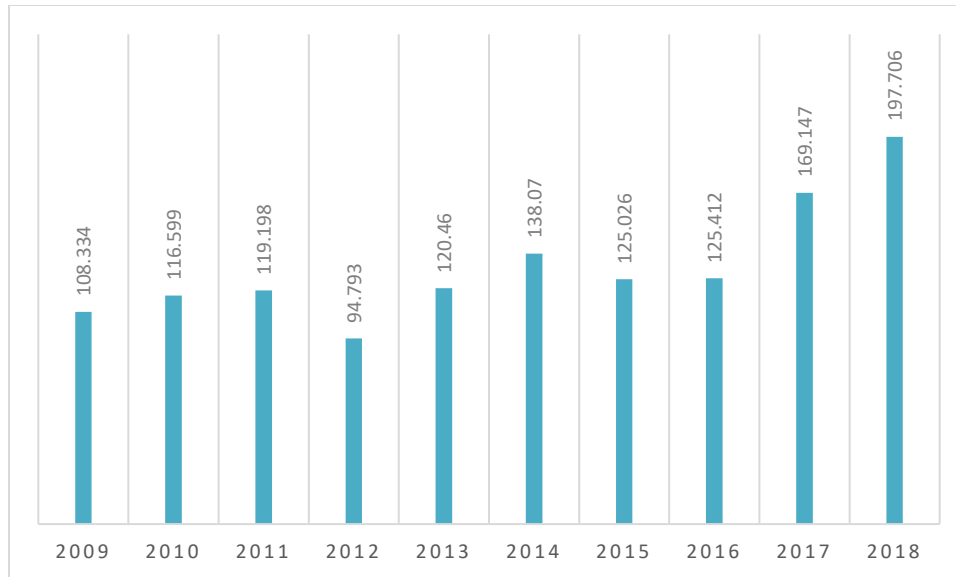


Recent Trends in India-Pakistan Engineering Trade

In 2012, India and Pakistan took concerted steps to liberalize bilateral trade. Pakistan in its part agreed to permit all items imported from India barring a few. India on the other hand made efforts to address the issues relating to Non-tariff barriers (NTBs) and it was expected to increase Pakistan's export to the country. However, recent studies have shown that these initiatives have not resulted in any major boost to India-Pakistan trade. In this light this newsletter focuses on the trends in engineering trade between India and Pakistan.

Between 2009 and 2018, India's engineering exports to Pakistan grew at a CAGR of 6.9%. In 2018 years, India engineering exports to Pakistan constituted 8.4% of its total merchandise export to the country. This is a slight increase from 7.4% which was engineering exports share in total export basket from India to Pakistan in 2009.

Figure: India's Export to Pakistan between 2009 and 2018 (USD Million)



Source: ITC Trade Map

During the same period India's engineering imports from Pakistan fell by 2%. In 2018, engineering imports from Pakistan constituted 2.9% of the total merchandise imports from that country.

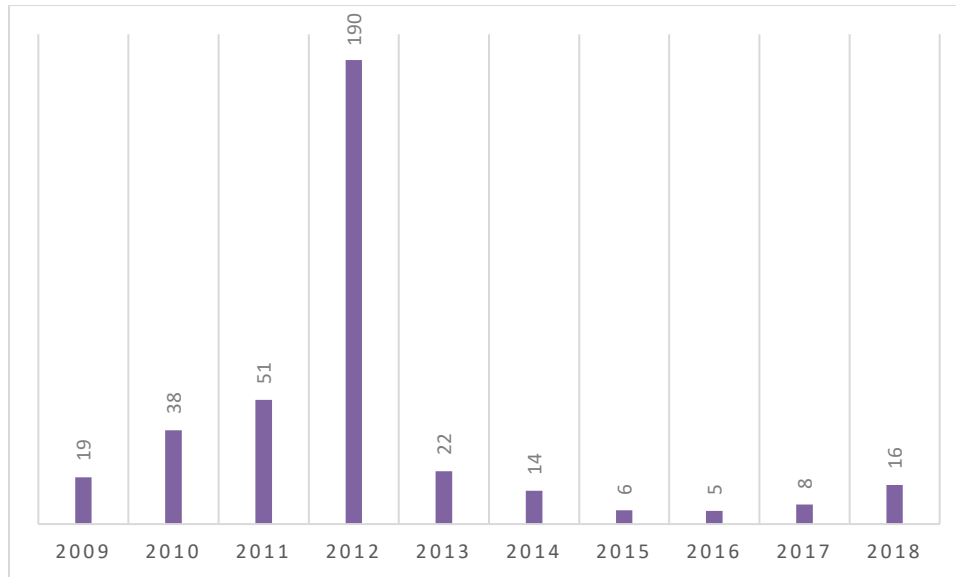
Table: Trends in export of Top Five Engineering products to Pakistan (in USD Million)

Sectors	2017	2018	Growth (Y-o-Y)
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	75.46	92.57	22.7%
Iron and steel	62.11	64.39	3.7%
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	13.27	15.58	17.4%
Copper and articles thereof	3.20	4.95	54.5%
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical	4.76	4.87	2.3%

Source: ITC Trade Map

Industrial machinery, mechanical appliances, nuclear reactors and boilers was the highest exported engineering group to Pakistan followed by Iron and Steel, electrical machinery and copper and its articles.

Figure: India's Import from Pakistan between 2009 and 2018 (USD Million)



Source: ITC Trade Map

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

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

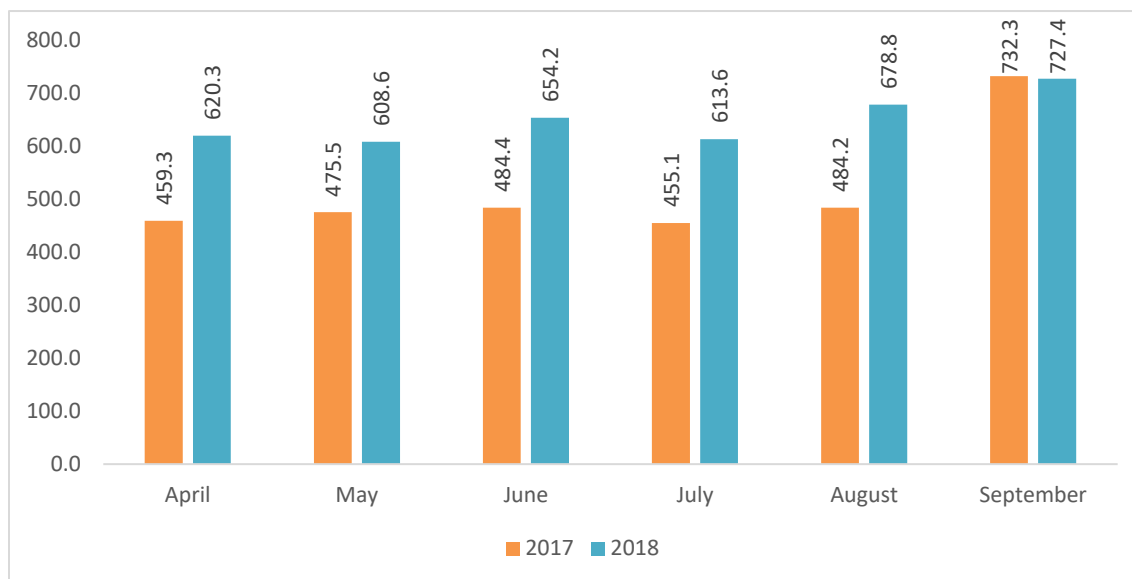
Row Labels	Export in Sep 2017	Export in Sep 2018	Growth (%)	Export in Apr-Sep 2017	Export in Apr-Sep 2018	Growth (%)
NEPAL	226.49	259.62	14.63%	1060.81	1509.38	42.29%
BANGLADESH	197.87	231.24	16.86%	1074.33	1357.38	26.35%
SRI LANKA	259.58	174.09	-32.94%	730.45	713.26	-2.35%
BHUTAN	12.46	21.89	75.64%	90.7	136.01	49.96%
AFGHANISTAN	10.3	17.9	73.75%	30.38	69.72	129.49%
PAKISTAN	20.83	17.78	-14.65%	80.84	89.17	10.30%
MALDIVES	4.81	4.92	2.22%	23.2	27.88	20.17%
SOUTH ASIA	732.34	727.43	-0.67%	3090.71	3902.82	26.28%

Source: DGCIIS

During September 2018, growth in engineering exports to South Asia recorded a negative rate (-0.67%) after the last few months of continuous rise. Bhutan experienced the highest year on year growth with 75.6% growth in September 2018 while its immediate follower Afghanistan witnessed 73.75% growth. Nepal was the biggest importer of Indian engineering products in September 2018, however it experienced a growth of only 14.63%. Fall in exports were witnessed in Sri Lanka (32.94%) and Pakistan (14.65%).

When cumulative figures were taken into consideration Nepal remained the top importer of Indian engineering followed by Bangladesh with impressive growth in imports, 42.29% and 26.35% respectively. However, exports to Sri Lanka experienced a drop of 2.35%. All South Asian nations witnessed growth in engineering imports (26.28%) from India during Apr - Sep 2018-19 over the same period last fiscal.

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



Source: DGCIS Data, EEPCC Research

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

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

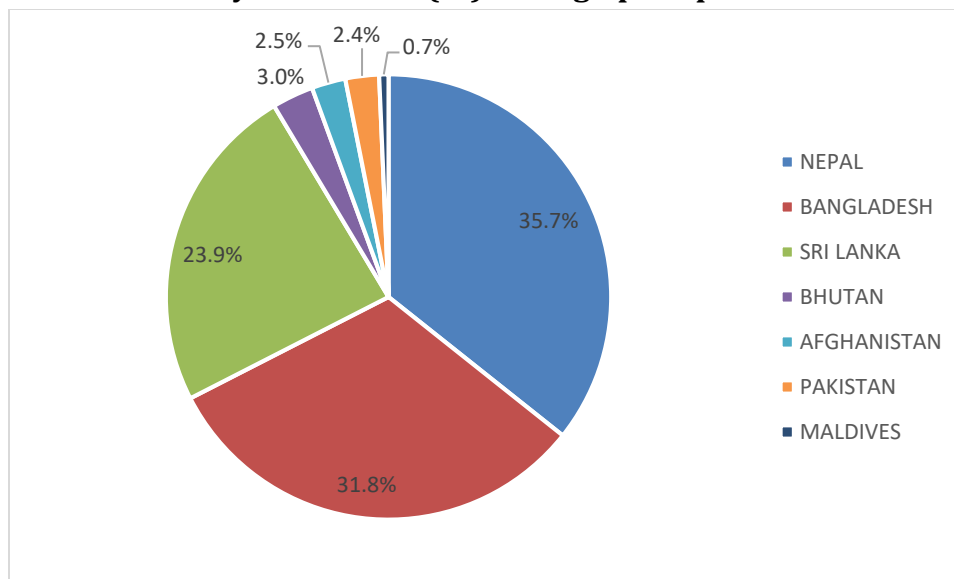
Panel	Export in Sep 2017	Export in Sep 2018	Growth (%)	Export in Apr-Sep 2017	Export in Apr-Sep 2018	Growth (%)
Iron and Steel	93.32	149.91	60.6%	643.50	888.37	38.1%
Industrial Machinery	67.72	75.96	12.2%	385.67	416.25	7.9%
Motor Vehicle/cars	45.82	69.49	51.7%	352.29	492.28	39.7%
Two and Three Wheelers	54.43	51.80	-4.8%	336.13	368.34	9.6%
Other Construction Machinery	26.05	38.24	46.8%	128.14	157.03	22.5%
Auto Components/Part	24.52	37.30	52.1%	216.18	260.54	20.5%
Products of Iron	28.60	34.08	19.2%	153.91	183.60	19.3%
Electric Machinery	21.36	29.71	39.1%	137.58	189.30	37.6%
Ships Boats and Floating Structures	0.01	25.93	406954.0%	156.75	199.89	27.5%
Air condition and Repair Machinery	12.18	13.83	13.5%	63.67	80.84	27.0%

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 Jul 2018 followed by Industrial machinery, Motor Vehicle/Cars and Two and Three Wheelers. This has been the trend in the last month too. Barring two and three wheelers all the top 10 engineering product groups exported to South Asian region recorded year-on-year growth.

On a cumulative basis during April to September of 2018-19, Iron and Steel, Motor Vehicle/cars and Industrial Machinery 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 recorded positive year-on-year growth during Apr - September 2018-19, while seven out of the total 33 panels conceded decline in imports of Indian engineering products.

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



Source: DGCIS Data, EEPC Research

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

Nepal: Nepal was the largest destination for Indian engineering products among all South Asian nations during Apr - Sep 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: Second largest importer of Indian engineering products among all South Asian nations during Apr - Sep 2018-19 with over 35% share.

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

Sri Lanka: Sri Lanka was the third largest export destination for India's engineering exports in the South Asian region during Apr - Sep 2018-19 with a share of 16%.

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

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