

In this Issue

- 1 25 Years of ASEAN-India Partnership
- 4 Solar Industry: Performance and Outlook
- 5 Services Sector Overview
- 6 Regional Focus: East Africa
- 7 CII Exim Bank Regional Conclave on India and East Africa
- 8 Special Report: Business Opportunities in WB Funded Projects
- 9 Exim Bank's Lines of Credit
- 10 The Quarter that was
- 11 India's Bilateral Relations with Bangladesh
- 12 Exim Bank Activities and Literature Review
- 13 Country Scan
- 14 Currency Currents
- 15 India's Macroeconomic Indicators
- 16 Trade and Partnership Opportunities

25 Years of ASEAN-India Partnership

Brief Background on ASEAN Economy

The Association of Southeast Asian Nations (ASEAN) was established on August 8, 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration), and since then, has emerged as one of the fastest growing regions in the world. Over the past 50 years since its formation, ASEAN has made extraordinary progress both economically and socially, with deepened intra-ASEAN cooperation and narrowed developmental gap within and across ASEAN region. ASEAN was proclaimed a Community through a Declaration signed by ASEAN Leaders at their 27th Summit in Kuala Lumpur on November 22, 2015. This declaration charts the path for ASEAN Community building over the next ten years. It is a forward looking roadmap that articulates ASEAN goals and aspirations to realise further consolidation, integration and stronger cohesiveness as a Community.

The ASEAN economy has witnessed a robust growth during the last five decades and expanded over 100-fold since its establishment, to reach a total GDP of US\$ 2.55 trillion in 2016, with a share of 6.2 percent in the world GDP (based on US\$ at PPP). In 2016, the combined GDP of ASEAN, as a single economy, placed it as the 6th largest in the world and the 3rd largest in Asia.

International Trade of ASEAN

International trade has gained significance and has been growing rapidly in the region with the establishment of ASEAN Free Trade Area (AFTA), which has also resulted in increase in both value and volume of intra-regional trade flows. The importance of international trade as a growth facilitator has been recognized by ASEAN countries and is evident from their growth performance in recent years. ASEAN's total trade accounts for 7.1 percent share of the world's total trade and it is the fourth-largest trading

region in the world, behind the European Union, USA and China. Over the past decade, ASEAN's total trade witnessed an upward trend increasing from US\$ 1.6 trillion in 2007 to US\$ 2.3 trillion in 2016.

Collectively, the intra-ASEAN market is the largest for ASEAN trade. The share of Intra-ASEAN exports in ASEAN's total exports has continued to be on an increasing trend since 1995, varying between 21 percent and 28 percent, while the share of Intra-ASEAN imports increased even further over the same period, from 16.5 percent in 1995 to 22.2 percent in 2016.

Investment Scenario in ASEAN

In recent years, the ASEAN region has benefited from growing Foreign Direct Investment (FDI) inflows even amidst global economic uncertainties. FDI flows have significantly evolved from US\$ 3.04 billion in 1984 to US\$ 96.7 billion in 2016, growing at a CAGR of 11.4 percent, attaining its peak in 2014, at US\$ 133.1 billion. Particularly during the past decade, FDI inflows to ASEAN have more than doubled, from US\$ 41.9 billion in 2005 to US\$ 96.7 billion in 2016.

The share of intra-ASEAN FDIs in ASEAN's total inward FDI flows accounted for 15.1 percent in 2010, and has nearly doubled to reach 24.8 percent in 2016.

25 Years of ASEAN-India Partnership

ASEAN-India dialogue relations emerged into a sectoral dialogue partnership in 1992 and gradually grew into a full dialogue partnership in December 1995. The bilateral relations, which saw an expansion of trade and investment, exhibit the intensity of economic engagements between India and ASEAN. The year 2017 has marked the 25th year of dialogue partnership and 15th year of Summit level partnership between ASEAN and India. India and ASEAN have been cooperating with each other, over the years, by way of

implementation of various projects in the fields of agriculture, science & technology, space, environment & climate change, human resource development, capacity building, new and renewable energy, tourism, people-to-people contacts and connectivity, among others.

The ASEAN-India Framework Agreement on Comprehensive Economic Cooperation (CECA) was signed between India and ASEAN on October 8, 2003 in Bali, Indonesia, to institutionalise a framework for future economic cooperation.

In order to further strengthen India-ASEAN relations and as an attempt to provide an impetus to the regional integration that India has with its eastern neighbours, India's 'Look East' Policy was transformed to the 'Act East' Policy in 2014. The objective of 'Act East Policy' is to promote economic cooperation, cultural ties and develop strategic relationship with countries in the Asia-Pacific region through continuous engagement at bilateral, regional and multilateral levels thereby

providing enhanced connectivity to the states of India's North-eastern Region.

While the ASEAN-India Free Trade Area is fully functional from July 2015, India is also actively engaged in the Regional Comprehensive Economic Partnership negotiations involving ASEAN and its six FTA partners, which, when completed, is expected to be the largest regional trading arrangement, accounting for nearly 40 percent of the world trade.

India's Bilateral Trade and Investment with ASEAN in the Recent Years

The trade and investment linkages between India and ASEAN witnessed rapid expansion owing to the increasing intensity of economic engagements between India and ASEAN. Consequently, India stands as ASEAN's 11th largest trading partner in the year 2016. However, during the past five years, India's total trade with the ASEAN has witnessed a moderation from US\$ 75 billion in 2012 to US\$ 64.6 billion in 2016, essentially due to declining commodity

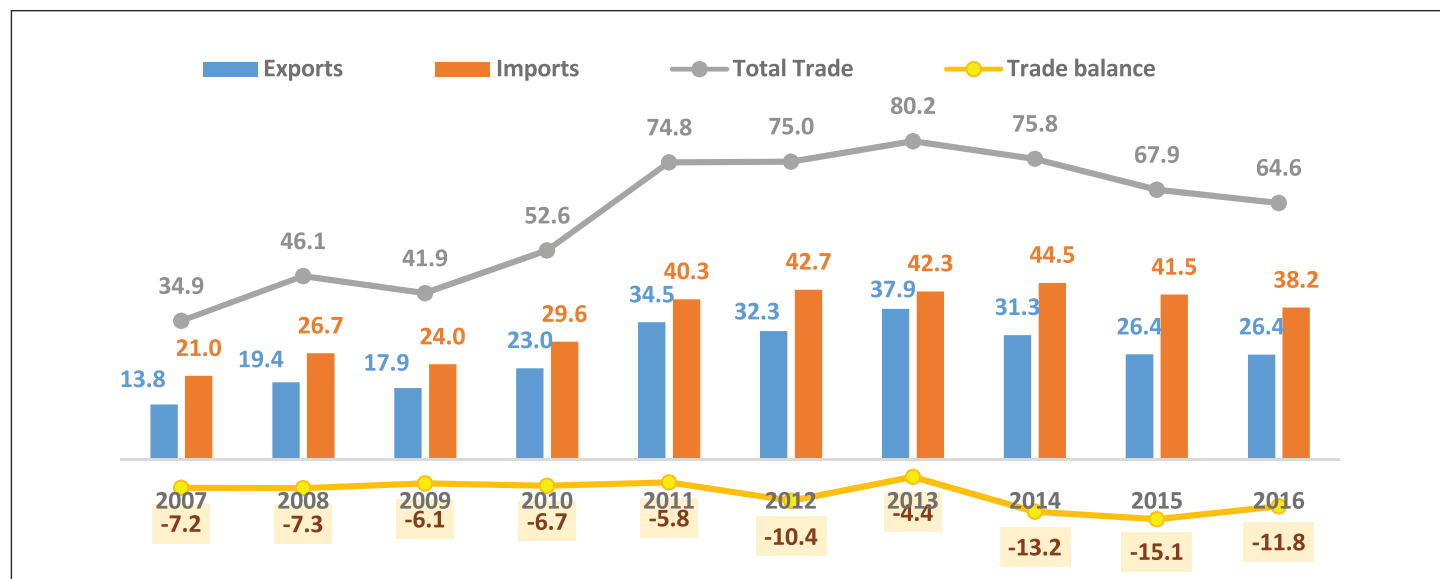
prices amidst a general slowing down of the global economy. Both exports and imports have declined over the period, from US\$ 32.3 billion and US\$ 42.7 billion respectively in 2012, to US\$ 26.4 billion and US\$ 38.2 billion respectively in 2016.

Alongside trade, India's investments in the ASEAN region have also received a boost in recent years. ASEAN countries are receiving strong investment interest from India mainly due to their high-growth markets, low wage labour and natural resource reserves. The share of ASEAN in India's total approved FDI inflows increased nearly four-fold from 2 percent in 1996 to about 17.4 percent during 2016, while ASEAN share in India's FDI outflows were at 22.9 percent in 2016 up from 0.16 percent in 1996¹.

India's CLMV Initiative

Within the ASEAN region, CLMV countries, rank the third largest in terms of size of economy, after Indonesia and Thailand. The CLMV countries are at different levels

Chart 1: India's Bilateral Trade with ASEAN (US\$ bn)



Source: ITC, Geneva and Exim Bank Analysis

¹R.Sen, Asher and Rajan "ASEAN-India Economic Relations: Current Status and Future Prospects", 2004

of economic development, and thus, one of the top priorities of ASEAN Community is the integration of Cambodia, Lao PDR, Myanmar and Vietnam with ASEAN by bridging the development gaps.

India and the CLMV region have historically had civilizational, cultural and economic relations since the ancient times. Due to its close proximity, India is looking to boost trade and investment with the CLMV region as part of the 'Act East' policy of the Government of India. Government of India endeavours to cultivate extensive economic and strategic relations in South-East Asia by way of stimulating investments from the Indian private sector into the CLMV region. In order to step up India's commercial engagements with CLMV countries, the Government of India envisages establishment of an institutional mechanism for encouraging investments by Indian manufacturing and infrastructure development companies in CLMV countries

through a Project Development and Facilitation Framework (PDF).

In view of the above, a Project Development Fund (PDF) with a corpus of INR 500 crores to develop manufacturing hubs in CLMV countries was announced by Honourable Indian Prime Minister, at the 13th ASEAN-India Summit held in Malaysia in November 2015. The PDF, housed in Department of Commerce, Ministry of Commerce and Industry, Government of India would be operated through the Exim Bank, which will act as the 'Empowered Institution' under the initiative. Exim Bank has been working closely with Department of Commerce, Ministry of Commerce and Industry, Government of India for conducting a study for developing a framework to identify opportunities for India in trade and investments in CLMV countries.

The Way Forward

India and ASEAN have enjoyed a strong socio-economic relationship, which has strengthened over the years. India's relationship with ASEAN is a key pillar of

India's foreign policy and the foundation of its "Act East Policy". The up-gradation of the relationship into a Strategic Partnership in 2012 was a natural progression to the ground covered since India became a Sectoral Partner of the ASEAN in 1992, Dialogue Partner in 1996 and Summit Level Partner in 2002.

An area of concern that needs attention is the fact, that over the past five years, India's trade with ASEAN has witnessed moderation from US\$ 75 bn in 2012 to US\$ 64.6 bn in 2016, with both India's exports and imports slowing down over the period. The slowdown in India's exports to ASEAN, and thereby overall trade, has been especially consistent since 2013. India stands as ASEAN's 11th largest trading partner in the year 2016. There is immense potential to enhance India's trade relations with ASEAN, and in the process to correct the trade imbalance between India and ASEAN.

The ASEAN region as a whole is characterized by the presence of strong production networks and Regional Value Chains (RVCs) both within and outside the ASEAN. On the other hand, India is almost left out of any significant regional value chains in its neighbourhood. It has been found that such endeavours unleash a dynamic process that creates positive developmental pressures on forging better infrastructural linkages. India and ASEAN could thus, explore opportunities to cooperate and partner in mutually beneficial Regional Value Chain networks. Other areas of collaboration between India and ASEAN could include improving connectivity network, cooperation in SME sector in the CLMV region, cooperation in ITES, and developing stronger linkages with investment promotion agencies in the region, among others. Closer economic and trade linkages among the economies of Asia could prove to be a mutually rewarding association.

Table 1: India's Bilateral FDI Flows with ASEAN

Countries	FDI Outflows from India US\$ million (April 1996 to March 2017)	FDI Inflows to India US\$ million (April 2000 to June 2017)
Brunei	2.3	0.18
Cambodia	27.9	0.05
Indonesia	1220.5	626.88
Lao PDR	16.1	0
Malaysia	1383.4	859.12
Myanmar	230.6	8.97
Philippines	249.5	225.28
Singapore	65783.6	57,600.41
Thailand	570.6	324.69
Vietnam	529.2	4.76
ASEAN Total	70013.9	59650.34
Share of ASEAN in India's total Investments (%)	22.9	17.4

Source: Reserve Bank of India, DIPP, Ministry of Commerce and Industry, Govt. of India

FDI flows to India have primarily been in real estate sector, which has a share of 27.9 percent in India's total FDI inflows from ASEAN, followed by coal, oil and natural gas sector, while a major portion of India's outward FDI to ASEAN is directed towards coal, oil and natural gas sector and metals sector, followed by services sectors such as software and IT services, financial services as well as business services.

Overview

India is endowed with a vast solar energy potential. Most parts of the country receive about 300 sunny days annually. India gets approximately 5000 trillion kWh/year equivalent of solar energy which is much more than India's total energy consumption.

The harnessing of solar energy, especially through the use of photovoltaic technology in India is critical given the power shortages that the country faces and the role that the photovoltaic (PV) industry can potentially play in mitigating this gap. It is useful for providing grid quality, reliable power in rural areas where the line voltage is low and insufficient to cater to connected load.

India Scenario

The total installed power capacity in India reached 329.2 GW at the end of September 2017, with generation mix of Thermal (66.6%), Hydro (13.6%), Renewable (17.7%) and Nuclear (2.1%). While the share of renewable in India's total installed capacity has increased from 10.8% as on 31 December 2011 to 17.7% as on 30 June 2017, the share of solar power in total installed capacity of renewable energy has increased significantly from 0.1% as on 31 December 2011 to 22.5% as on 30 June 2017.

India has performed tremendously in terms of the installed solar capacity over the last decade. The capacity shot up from 4.3 MW in 2007 to 9887 MW in 2016 and further to 13114.9 MW in June 2017. In fact, according to the Ministry of New and Renewable Energy, India has a solar potential of 750 GW. The top 5 states in terms of solar potential are Rajasthan (142 GW), Jammu

& Kashmir (111 GW), Maharashtra (64 GW), Madhya Pradesh (62 GW) and Andhra Pradesh (38 GW). However, the top 5 states in the context of installed capacity are Tamil Nadu (1590.9 MW), Rajasthan (1317.6 MW), Gujarat (1158.5 MW), Andhra Pradesh (979.6 MW) and Telangana (973.4 MW).

Exports of solar related products increased from US\$ 783.9 million in 2012 to US\$ 945.1 million in 2016. This was an average annual increase of 4.9% as compared to the decline in the overall exports during this period. The major exporting destinations for solar related products from India during 2016 were China, the United States, France, the United Kingdom and the Netherlands. Imports of these products increased from US\$ 2.4 billion in 2012 to US\$ 4.4 billion in 2016, registering an average annual growth rate of 21% during this period. The major import sources were China, Malaysia, Germany, Japan and the United States.

The Foreign Direct Investment (FDI) policy for the whole renewable energy sector is quite investor friendly. FDI up to 100% is permitted under the automatic route for renewable energy generation and distribution projects subject to provisions of The Electricity Act, 2003. The UN Environment Program's (UNEP) 'Global Trends in Renewable Energy Investment 2016' report ranks India among the top ten countries in the world investing in renewable energy. According to FDI Markets of Financial Times, during January 2003 and September 2017 a total of 56 FDI projects were recorded in the solar electric power sector in India. These projects represent a total capital investment of US\$ 17.6 billion. Major countries which have invested in India in

this sector are the United States, China, South Korea, Finland and Luxembourg.

The increasing trend in investment has been aided by drop in prices of solar energy generation. The prices have fallen down from Rs 5.49/unit in August 2015 to Rs 4.34/unit in January 2016 and further to Rs 2.44/unit in May 2017. In fact, solar power generation costs are expected to dip further in the future, helped by expected softening of interest rates and a drop in solar panel prices due to a supply glut in the international market.

Government Initiatives

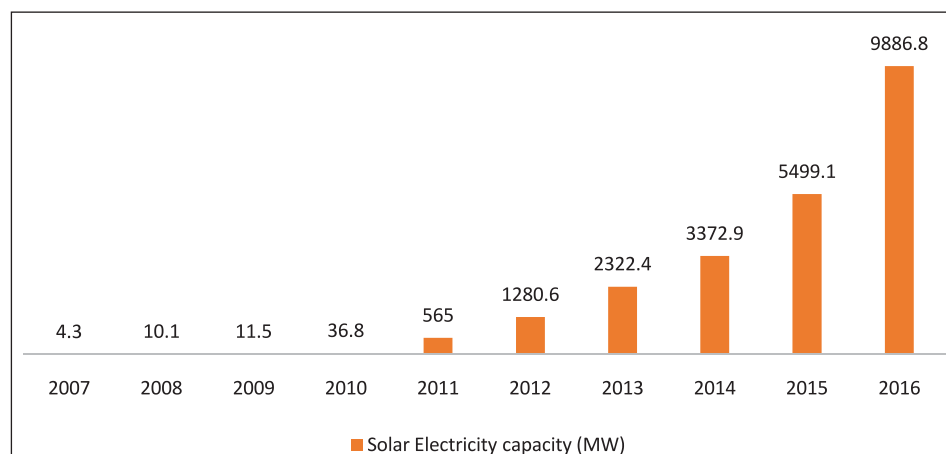
The Government of India's most active approach in the solar sector has been the Jawaharlal Nehru National Solar Mission (JNNSM). JNNSM was launched as part of India's National Action Plan on Climate Change (NAPCC) in 2010. The Mission targeted deployment of 20 GW of grid connected solar power by 2022, and 2,000 MW of off-grid solar applications including 20 million solar lights by 2022. However, in June 2015, this target was increased to 100 GW. The 100 GW solar power capacity has been divided into rooftop solar electricity generation (40 GW) and large and medium-scale grid-connected solar projects (60 GW).

The Government is also working on the international platform for harnessing the potential of the solar industry through the International Solar Alliance (ISA), which was launched in November 2015 at Paris. ISA has been envisioned as a specialized platform to contribute towards the common goal of increasing utilization and promotion of solar energy and solar applications in its member countries. Financial instruments to mobilise more than US\$1000 billion of investments needed by 2030 will ultimately pave the way for future solar generation, storage and good technologies for countries' individual needs.

Outlook

With growing demand of the solar related products such as solar PV cells, not just in India but globally, complemented by initiatives such as Make in India and ISA, the solar industry is expected to be a growth driver for the Indian energy sector, going forward. Additionally, improving financial health of power distribution companies under Ujwal DISCOM Assurance Yojana (UDAY) implementation will also help in sustaining renewable energy demand in particular.

Figure 1: Installed solar power capacity in MW



Source: International Renewable Energy Agency

Note: The installed solar capacity, according to Central Electricity Authority, India, as on 30 June 2017 is 13114.9 MW

Services sector plays an essential role in the development of the Indian economy, and is often referred to as its backbone. The services sector has remained resilient, displaying development and growth even during the period of global financial crisis. As per WTO statistics, India's rank in global commercial services has consistently improved - from the thirteenth position in 2005 to the ninth position in 2009 and further up to its current eighth position. The value of exports during this period has increased from US\$ 52 billion in 2005 to US\$ 92 billion in 2009 and further up to US\$ 161 billion in the year 2016. The increasing comparative advantage of India in the global economy, particularly in the services sector, can be seen from the fact that the share of India's services exports in global services exports at 3.4 % in 2016, is nearly double of the 1.7% share in global merchandise exports.

During the year 2016-17, India's services exports recorded a positive year-on-year growth of 5.7 per cent, driven by improvement in exports of transportation, business and financial services. The transportation services exports recorded a growth of 13.2 per cent in the year 2016-17, as compared to a decline of 19.9 per cent in the previous year, indicating a favourable development in merchandise trade activity. The business service exports and financial service exports registered a growth of 13.6 per cent and 3.1 per cent respectively during the same period. India's software services exports, accounting for approximately 45 percent of the total service exports, displayed a marginal decline of 0.7 per cent in the year 2016-17. The uncertainties related to the GST implementation has had an unfavourable, but only transient, impact on the Indian services sector. This was reflected in the Nikkei Indian Services PMI Business Activity Index, which fell from 53.1 in the

month of June 2017 to 45.9 in July 2017, which was the lowest level ever since September 2013. However, the growth momentum eventually picked up, and the index stood at 47.5 in the month of August 2017.

Sector-wise Observations

The Indian IT-BPM Industry has flourished tremendously, and has evolved from a less than US\$ 1 billion industry in the 1980's to an over US\$ 154 billion worth sector. The National Association of Software and Services Companies (NASSCOM) projects the revenue of India's BPM segment alone to increase to US\$ 50-55 billion by the year 2025. NASSCOM intends to strategically explore new markets to enhance the market size. The US accounted for nearly 62% of the IT-BPM exports from India, followed by the UK, with a share of 17%, during the year 2016-17.

As per the Travel and Tourism Competitiveness Index 2017, India secured the 40th position globally, out of a total of 136 countries. India has immense tourism potential and enhanced efforts should be made to promote the country as a major tourist destination. There are various initiatives that have been taken by the Government including provision of e-visa for citizens of 161 countries, Swachhta Action Plan (SAP) and launching of multilingual tourist infoline.

The Indian economy is witnessing a phase of rapid urbanisation, leading to a surge in residential properties and construction services. The Real Estate (Regulation and Development) Act, 2016 is anticipated to increase transparency and boost the confidence of the buyers. It is expected to expand domestic and foreign investment in the sector and achieve the Government's goal of "Housing for All". The government's demonetisation initiative temporarily had a negative effect on the real estate sector,

however the policy reforms to revive the sector including the introduction of 100 smart cities generates a positive outlook for the real estate segment. Under the Pradhan Mantri Awas Yojna (Urban), 1.2 crore units are proposed to be built with an outlay of Rs. 1, 85,069 crore over a period of three years. Construction of an aggregate of 1.02 crore units is projected, with an outlay of Rs. 126,795 crore, under the coverage of Pradhan Mantri Awas Yojna (Gramin) by the month of March 2019.

India is the sixteenth largest maritime country in the world, with a coastline of about 7,517 km. In fact, around 95 per cent of India's trading by volume and 68 per cent by value happens through maritime transport. The Indian government plans to develop 10 coastal economic regions as part of plans to revive the country's Sagarmala (string of ports) project. The zones would be converted into manufacturing hubs, supported by port modernization projects, and could span 300-500 km of the coastline. The Government of India plans to invest ₹70,000 crore (US\$ 10.3 billion) in 12 major ports in the next five years under the 'Sagarmala' initiative.

Conclusion

To sustain the export momentum and enhance future export prospects, service exports cannot be neglected. An important element of future export strategy would be to focus on technology related exports, which would serve to enhance earnings from related services such as technicians' and professional fees, consultancy fees, technical know-how, royalties, and software. With the requisite technological skills available in the country, Indian companies would need to examine the challenges facing the services exports, with a view to taking proactive measures to meet such challenges.

The East African region is the fastest growing region within the African continent with a growth rate of 5.3 per cent in 2016 surpassing the average growth rate of 2.2 per cent of Africa. These countries have the advantage of having a diversified economy and are more resilient towards external shocks. The East African Community is an intergovernmental organisation and comprises Burundi, Kenya, Rwanda, South Sudan, the United Republic of Tanzania and the United Republic of Uganda. According to African Development Bank (AfDB), the East African region has the largest number of Regional Economic Communities (RECs) and intergovernmental regional bodies. The EAC partner states qualify for duty-free access to the United States market under the African Growth and Opportunity Act (AGOA), as well as EU's "Everything But Arms" initiative, under which all products from LDCs except arms and ammunitions have preferential access to the EU market. According to the World Investment Report 2017, East Africa received FDI of US\$ 7.1 billion – a 13 per cent increase from 2015 level of US\$ 6.3 billion and accounted for 12 per cent of the continent's total investment received. Although East Africa, being a non-oil producing region, accounts for comparatively less FDI received, the potential non-oil sectors are expected to attract investment in coming years. East Africa offers market access to a population of over 145.5 million and combined GDP of US\$ 147.5 billion. It is also considered as world's fastest reforming region in terms of business regulation. According to fDi Markets, in the EAC region, Uganda, Kenya and Tanzania have been the major drivers of foreign investment inflows during 2007 to 2016. Uganda received the highest FDI followed by Kenya, Tanzania, Rwanda, South Sudan and Burundi.

The major investors in **Burundi** from 2007 to 2016 have been the UK, Vietnam, Switzerland, Egypt and Uganda. Burundi has received a total of US\$ 1.2 billion of capital investment during 2007 to 2016 in 31 new FDI projects that supported 2,876 jobs. The major sectors receiving investment were communications, metals, building and construction materials, financial services and tourism. The major business activities in Burundi which received investment are

Information and Communication Technology (ICT), extraction, manufacturing, business services and construction.

Kenya has received FDI of amount US\$ 14.6 billion in 499 FDI projects during 2007-2016 supporting 49,461 jobs. India has been the largest investor in Kenya followed by the United States, UK, China and Mauritius. During 2007 to 2016, Kenya received investment in sectors like communication, alternative/renewable energy, real estate, financial services and coal and natural gas. The major business activities receiving FDI during 2007 to 2016 in Kenya were manufacturing, ICT, electricity and logistics, distribution and transportation.

Rwanda received capital investment of US\$ 7.4 billion during 2007 to 2016 in 132 FDI projects, which supported 11,572 jobs. Kenya has been the largest investor in Rwanda during 2007 to 2016 followed by Turkey, Finland, UK, UAE and South Africa. India was the ninth largest investor with US\$ 227.6 million of capital investment during the corresponding period. The major sectors receiving FDI were coal, oil and natural gas, real estate, communication, financial services and hotel and tourism. The business activities which received majority of investments were manufacturing, construction, electricity, extraction and ICT.

South Sudan received US\$ 1.2 billion capital investment from 2007 to 2016 in 49 FDI projects supporting 2,532 jobs. Kenya was the largest investor in South Sudan followed by UAE, Germany, Djibouti and US. The major sectors receiving investment in South Sudan were financial services, warehouse and storage, communications, transportation, printing and packaging. The major business services receiving investment were business services, logistics, distribution and transportation, ICT & Internet Infrastructure, manufacturing and retail.

Tanzania received capital investment of US\$ 14.5 billion during 2007 to 2016 in 250 FDI projects supporting 26,834 jobs. Major investors in Tanzania were UK, Japan, Denmark, UAE and Kenya. India was the sixth largest investor with a capital invested of amount US\$ 829.7 million. The major sectors receiving investment in Tanzania

were coal, oil and natural gas, communications, metals, alternative or renewable energy and chemicals. The major business activities receiving investment in Tanzania are manufacturing, extraction, electricity, ICT and business services.

Uganda received total capital investment of US\$ 15.4 billion for 206 FDI projects, supporting 21,499 jobs during 2007 to 2016. Major investors in Uganda during 2007-2016 were UK, Kenya, Mauritius, Luxembourg and India. The major sectors receiving investment in Uganda were coal, oil and natural gas, communications, financial services, metals and transportation. The major business activities receiving investment were manufacturing, extraction, ICT, business services and electricity.

India's Investments in East African Community Countries

Cumulatively, during April 1996 to March 2017, the Indian direct investments in East African Community countries (Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda) in joint ventures (JVs) and wholly owned subsidiaries (WOS), in terms of equity, loan and guarantees issued amounted to US\$ 316.6 million, accounting for only 0.5 per cent of India's overseas investments in Africa. During 2016-17 alone, Indian direct investments to these countries stood at US\$ 12.9 million. Kenya received highest outward investment in the region accounting for 60.5 per cent of Indian Direct Investment to the region, followed by Uganda (25.6 per cent), Rwanda (12.4 per cent) and Tanzania (1.6 per cent). FDI outflows from India to Burundi and South Sudan were at negligible or nil levels.

East African Community countries offer wide range of investment opportunities for foreign investors in key sectors. In line with the priority sectors for each of the EAC countries, potential focus sectors which Indian investors may explore for investment would include agriculture and agro-processing, alternative or renewable energy, manufacturing, infrastructure, information and communication technology (ICT), and tourism, among others.

Export-Import Bank of India (Exim Bank), in association with the Confederation of Indian Industry (CII), has been organizing the CII-Exim Bank Conclave on “India-Africa Project Partnership”, since 2005. So far twelve [12] such editions have been concluded. The Conclaves have created a forum for information, dialogue and better understanding to propagate and build long-term sustainable economic relations, which in turn has been instrumental in increased dialogue between India and Africa. It is increasingly felt necessary to hold regional partnership conclaves in Africa as outreach programme to continue the focused business dialogue. At the instance of the Department of Commerce, Ministry of Commerce and Industry, GOI, it has been decided to organize the first such regional outreach programme in the East African Region, jointly by the Bank and CII.

The CII-Exim Bank Regional Conclave on India and East Africa “Partners in Development” was held during November 20-21, 2017 at Kampala, Uganda. The focus countries of the Regional Conclave include: Burundi, Djibouti, Eritrea, Ethiopia, Kenya, Malawi, Madagascar, Mauritius, Mozambique, Rwanda, Somalia, Sudan, South Sudan, Tanzania and Uganda. The focus sectors that have been covered by this regional outreach programme would include: Energy (including renewables), Transportation, (Rail and Road), Water infrastructure, Agriculture (including food processing), Education (including skill development), Entertainment, Tourism, Healthcare, ICT, Housing, Banking, Oil, & Gas, Leather and Textiles.

The Conclave witnessed participation of high level dignitaries viz., H.E. Mr. Yoweri Museveni, Hon’ble President; and H.E. Mr. Ruhakana Rugunda, Hon’ble Prime Minister of Uganda; and Hon’ble Ministers and Dignitaries from focus countries including Uganda, Mozambique, Ethiopia, Malawi, Kenya, Rwanda, Tanzania, Sudan, South Sudan etc. Over 400 delegates, both from the focus countries and India, including those from the financial institutions have participated the event.

During the opening ceremony, H.E. Mr. Yoweri Kaguta Museveni, Hon’ble President of Uganda provided an outline on the possible areas of cooperation in sectors like agro-processing, mining, healthcare, automobiles, tourism and financial services in line with the BUBU policy or Buy Uganda, Build Uganda policy. He also emphasized to enhance the level of trade between India and Uganda through further Indian private sector investment. H.E. Mr. Ruhakana Rugunda, Hon’ble Prime Minister of Uganda, emphasized on ensuring quality of Ugandan products, harmonization of trade data, and reduction of project cycle duration for enhancing bilateral trade and attracting Indian investments in Uganda. H.E. Mr. Matia Kasaija, Hon’ble Minister of Finance & Economic Planning, Republic of Uganda, highlighted that India has been the highest source of FDI for Uganda. He welcomed Indian investments in sectors like transport, renewable energy, agro-processing, tourism and ICT and emphasized on value addition.

Ms. Rita Teotia, Commerce Secretary, GOI, emphasized on enhancing capacity skills, quality infrastructure and people to people connect for forging business partnerships between India and East Africa. She also highlighted the idea of trans-regional projects like Asia-Africa corridor for developing transport infrastructure through regional cooperation between the Asian and African economies.

A Plenary Session on ‘Role of Banking and Finance for Growth and Development’, was structured by EXIM Bank during the conclave by leveraging its institutional linkages to make the Session more productive. The Session had participation from pan-African development finance institutions, regional development finance institutions and national development banks from East Africa. The Session also provided opportunities for projecting the objectives and capabilities of Kukuza Project Development Company (KPDC), promoted by the Bank, in identifying viable development projects in East Africa.

Exim Bank’s study on “Indian Investments in East Africa: Recent Trends and Prospects” was released at the hands of His Excellency Yoweri Kaguta Museveni, President of the Republic of Uganda, in the presence of David Rasquinha, Managing Director, Export-Import Bank of India, Hon. Eng. Muloni, Minister of Energy and Mineral Development, Republic of Uganda, Hon. Matia Kasaija, Minister of Finance and Economic Planning, Republic of Uganda, Rita Teotia, Commerce Secretary, Government of India and Sanjay Kirloskar, Chairman, CII Africa Committee and Chairman & Managing Director, Kirloskar Brothers Ltd. during the conclave.

This Study focuses on the recent trends and prospects for Indian investments in the EAC member countries, given their respective strategic importance. The EAC region is considered as the fastest reforming region in terms of business regulations. The EAC economies have proved to have resilience towards adverse external conditions due to their non-oil dependence and increasingly diversified economies. According to fDi Markets analysis, within the EAC, Uganda has received the highest Foreign Direct Investment (FDI) during 2007 to 2016 followed by Kenya, Tanzania, Rwanda, South Sudan and Burundi. East African Community countries offer wide range of investment opportunities for foreign investors in key sectors. In line with the priority sectors for each of the EAC countries, potential focus sectors which Indian investors may explore for investment would include agriculture and agro-processing, alternative or renewable energy, manufacturing, infrastructure, information and communication technology (ICT), and tourism, among others.

Special Report: Business Opportunities in WB Funded Projects

Exim Bank has always aspired to create an enabling environment for two-way transfer of technology, trade and investments. In order to foster such an environment, the Bank operates a wide range of lending, service and support programmes along with a network of alliances and institutional linkages with multilateral agencies like the World Bank (WB), which has strengthened over the years. The Bank constantly endeavours to showcase Indian capabilities, both in public and private sector, in diverse fields including engineering, consultancy, supply and procurement.

Projects funded by Multilateral Funding Agencies such as WB present attractive business opportunities for suppliers, contractors and consultants. Recognizing the potential for increasing effective participation by Indian firms in such multilateral funded projects, Exim Bank has been organizing seminars in association with the multilateral agencies like WB. The participants have found these programmes to be rewarding and the presentations useful and informative. The programmes have enabled sharing of information on the nature of business opportunities for suppliers, contractors and consultants under multilateral funded projects and outlined lessons for Indian companies for effective participation in such projects. These seminars also encourage more Indian companies to actively bid for WB funded projects overseas. The World Bank's procurement system has a portfolio of about USD 42 billion, with over 1800 projects in 172 countries. Indian companies have been participating in the bids of the World Bank procurement and have been fairly successful.

Recognizing the potential for increasing effective participation by Indian companies in bidding opportunities under the World

Bank funded projects, the Bank had organized a series of business opportunities seminars (BOS) with multilateral agencies like WB, Asian Development Bank and African Development Bank. With WB, the Bank organized a BOS on November 13, 2017 at Hotel Taj Mahal Palace, Mumbai. The seminar was attended by 53 companies, cutting across sectors like civil construction, electronics, transport etc.

The faculty for the seminar included Mr. Majed M. El-Bayya, Lead Procurement Specialist (South Asia), World Bank, Washington D.C, Mr. A.K.Kalesh Kumar, Regional Capacity Building Coordinator (South Asia), World Bank and Mr Shanker Lal, Country Focal Point – Procurement, India. The event also included a session by Mr. Manish Agarwal, Vice President, Infrastructure Sales, Siemens Ltd. as a part of sharing of experience by Indian companies.

- The session on Introduction to the World Bank and business friendly features of its New Procurement Framework was conducted by Mr. Majed M. El-Bayya. Mr. El-Bayya threw light on the operations and corporate opportunities in WB funded projects. He discussed the nuances of operating in different environments and explained the details of the new procurement policy of the World Bank and focused on technical issues like 'abnormally low bids'. Mr. El-Bayya guided the participants to focus on value for money procurements and highlighted the importance of access to information and transparency in successful executions of projects. The next session focused on Project cycle in World Bank Financed Projects, Procurement Methods and Common mistakes in bidding, and was conducted by Mr. A.K.Kalesh Kumar. The session

touched upon the various technicalities involved in the bidding process and how to avoid common mistakes that make the bid unsuccessful. The session on Business Opportunities in World Bank Funded Projects in India was conducted by Mr Shanker Lal. His session focussed on the major sectors of Indian projects, (Transport sector holds the lion share of the portfolio with 29%, followed by Water & Sanitation 17%; Energy (12%) and Education (10%)), successful procurement projects, ways to find new opportunities for projects and how World Bank can facilitate the process.

Given increased interest of Indian consultants, contractors and suppliers in many developing countries, particularly in the countries supported by WB financing, the timing of this business opportunities seminar in projects funded by WB across India could not have been better. Exim Bank considers organising such programmes as part of its wider mandate in promoting and facilitating the growth of India's foreign trade. The Bank also offers diverse range of financing and advisory services that cover various stages of the project cycle including identification of appropriate business opportunities, assistance in the bidding process, and facilitating the firming up of contracts by companies. Exim Bank provides support services and acts as a focal point for liaising with funding agencies and Indian missions to ensure that Indian companies are successful in securing such bids. Such Business Opportunities Seminars are a concerted effort by the Bank to be an encouraging stepping stone for aspiring companies to step up and expand their endeavours globally and provide a new impetus to India's ever expanding footprints in project exports sector.

Exim Bank of India (Exim Bank) has placed special emphasis on extension of Lines of Credit (LOCs) as an effective market entry mechanism with particular focus on small and medium enterprises. Exim Bank's LOCs provides a risk-free, non-recourse export financing option to the Indian exporting community, which helps them penetrate new markets and enhance their export volumes in the existing markets overseas. Exim Bank extends LOCs to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructural projects, equipment, goods and services from India, on deferred credit terms. Exim Bank also extends LOCs with the support of Government of India. Under the Lines of Credit extended with the support of Government of India, Exim Bank reimburses 100 per cent of contract value to the Indian exporters, upfront upon the shipment of goods and at least

75 per cent of goods and services of total contract value should be sourced from India. LOCs have also enabled India to demonstrate project execution capabilities in the emerging markets. LOCs have helped to gather considerable momentum in the recent years, especially in the developing countries of Africa, Asia, Latin America, Oceania and the CIS. The Bank has now in place 224 Lines of Credit, covering over 63 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of over USD 21.36 billion, available for financing exports from India. LOCs are thus an effective instrument for promoting and facilitating India's exports of projects, goods and services to developing countries.

Exim Bank, with the support of Government of India, has signed a LOC amounting to USD 4.50 billion extended to the Government of Bangladesh during the period October-December 2017 for Developmental Projects in Bangladesh.

With the above LOC, Exim Bank, till date, has extended three LOCs to Bangladesh, with the support of the Government of India (GOI), taking the total value of LOCs extended to USD 7.36 billion. The earlier LOCs were extended to Government of Bangladesh for financing export of goods and projects including development of railway infrastructure, dredging, construction of bridges, procurement of buses, locomotives, coaches..

Success Story

Support to Irrigation System:

- LOC of USD 17.34 million was extended by Exim Bank of India for Development of Irrigation schemes in the Champassack Province, Lao PDR.
- The irrigation schemes will facilitate irrigation of 3,194 hectares of cultivable land during the dry season and hence enable cultivation of two crops every year as against current practice of single crop.



**For further information,
please contact**

Nadeem Panjetan
Chief General Manager
Export-Import Bank of India,
Maker Chamber IV, 8th Floor,
222 Nariman Point,
Mumbai 400 021

Telephone: (022) 22861561

Fax : (022) 22823394

E-mail: eximloc@eximbankindia.in

Exim Bank along with other Member Development Banks of BRICS Nations signs Agreement to extend Credit Line in Local Currencies, Exchange Credit Ratings and Rating Methodology under the BRICS Interbank Cooperation Mechanism.

The Managing Director of Exim Bank of India, Mr. David Rasquinha, signed a multilateral cooperation agreement, along with Chairmen/Presidents of other member development banks of BRICS (Brazil, Russia, India, China, and South Africa) nations, expressing their intent to extend credit line in local currencies under the BRICS Interbank Cooperation Mechanism. The Agreement was signed as part of the areas identified for strengthening the cooperation among BRICS Development Banks during their Annual Meeting held in Beijing on September 01, 2017. The member development banks have also signed another Memorandum of Cooperation relating to sharing of Credit Ratings and Ratings Methodology through an appropriate mechanism.

Exim Bank opens its Representative Office in Dhaka, Bangladesh

Exim Bank's Representative Office at Dhaka was formally inaugurated by the Hon'ble Minister of Finance and Corporate Affairs, of the Republic of India, H. E. Mr. Arun Jaitley and the Hon'ble Minister of Finance of the People's Republic of Bangladesh, H.E. Mr. Abul Maal Abdul Muhith, in Dhaka on October 04, 2017, during the Event hosted by the High Commission of India in association with the Policy Research Institute of Bangladesh. Exim Bank has, on behalf of the Government of India, extended third Line of

Credit [LOC] of USD 4.50 billion to the Government of the People's Republic of Bangladesh for financing development projects in Bangladesh.

Exim Bank Signs an MOC with Centre for Microfinance & Livelihood, a Tata Trusts initiative

Exim Bank signed a Memorandum of Cooperation (MOC) with the Centre for Microfinance & Livelihood (CML), an initiative of Tata Trusts. CML was conceptualized by Tata Trust as a specialized umbrella support organization for capacity building, research and collaborative direct interventions in the development space in Northeast India. With its mandate, CML takes forward the vision and mission of the Tata Trusts in the states of Assam, Manipur, Meghalaya, Tripura, Arunachal Pradesh, Nagaland, Mizoram and Sikkim. Under the MOC, both Exim Bank and CML will share their knowledge and connect each other to promising social enterprises for further support, including financial and advisory.

Prof. Gita Gopinath delivers Exim Bank's 33rd Commencement Day Annual Lecture

Professor Gita Gopinath, currently John Zwaanstra Professor of International Studies and Economics, Department of Economics, Harvard University delivered the Exim Bank's 33rd Commencement Day Annual Lecture in Mumbai on December 21, 2017. She spoke on the topic, "Dollar Dominance in Trade: Facts & Implications". Prof. Gopinath has earlier served as a member of the Eminent Persons Advisory Group on G-20 Matters for the Ministry of Finance, Government of India. In her lecture, Prof. Gopinath explained the

phenomenon of the dominance of the U.S. dollar in international trade driving the U.S. and non-U.S. economies, and its implications on policy frameworks related to trade, exchange rate, and inflation in those economies. Prof. Gopinath opined that international trade is better viewed through the lens of the 'Dominant Currency Paradigm (DCP)' rather than the benchmark 'Mundell-Fleming Paradigm (MFP)', as it will explain certain puzzling features of data and lead to new policy conclusions. According to DCP, a large fraction of world exports is priced or invoiced in the U.S. dollars, thereby making it the 'dominant currency' in world trade.

Exim Bank extends Buyer's Credit of USD 110 mn under National Export Insurance Account [NEIA] to Mauritania

Exim Bank extended a Buyer's Credit under NEIA of USD 110 mn to the Government of Islamic Republic of Mauritania for financing the contract for design, supply and assembly of 225/90 kV transmission lines from Nouakchott to Nouadhibou, to be executed by Kalpataru Power Transmission Ltd., India. The BC-NEIA Agreement to this effect was signed in Nouakchott, Mauritania, on October 04, 2017, by H.E. Mr. El Moctar OULD DJAY, the Minister of Finance, Government of the Islamic Republic of Mauritania and Ms. Harsha Bangari, Chief General Manager, on behalf of Exim Bank. BC-NEIA is a unique financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters and serves as an effective market entry tool to traditional as well as new markets in developing countries, which need deferred credit on medium or long term basis.

Bangladesh is strategically located in South Asia, flanked by India, Myanmar and the Bay of Bengal. India has been a major trading partner of Bangladesh. The geographical proximity of Bangladesh and India has led to an easier access to each other's markets for their own products. India and Bangladesh are members of the South Asian Free Trade Area (SAFTA), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the Asia-Pacific Trade Agreement (APTA), and the Indian Ocean Rim Association for Regional Co-operation (IOR-ARC). Bangladesh has received preferential market access treatment from India for a large number of items of export under SAARC Preferential Trade Agreement (SAPTA) negotiations and also as part of Trade Liberalisation Plan (TLP) of the SAFTA.

India's Bilateral Trade with Bangladesh

Bangladesh is India's largest trading partner in South Asia, accounting for 33.5% of India's exports to South Asia and 26.4% of India's imports from South Asia in 2016. India's bilateral trade with Bangladesh has witnessed a marked rise from US\$ 4 billion in 2011 to US\$ 6.3 billion in 2016. Similarly, India's exports to Bangladesh increased by a CAGR of 10.7% from US\$ 3.4 billion in 2011 to US\$ 5.7 billion in 2016.

Being immediate neighbour of the country, India plays a prominent role in supplying import needs of Bangladesh. India's imports from Bangladesh increased from US\$ 0.6 billion in 2011 to US\$ 0.7 billion in 2016. India's trade surplus with Bangladesh widened to US\$ 5 billion in 2016 from US\$ 2.8 billion in 2011. This rise can be mainly attributed to the trade formalization efforts between the two countries and Bangladesh's increased dependence on India, especially cotton, which is the main raw material for its major exports.

Over the years, India's trade with Bangladesh has undergone a compositional change. Though the main components of India's exports to Bangladesh continue to remain food items and other primary goods, exports have gradually expanded to capital goods as well. India's major exports to Bangladesh in 2016 include cotton (25.5% of total exports), vehicles other than railway or tramway (11.7%), machinery and mechanical appliances (7.9%), iron & steel (6.6%), electrical machinery & equipment (4%) and man-made staple fibres (3.8%).

India's imports from Bangladesh in 2016 include other vegetable textile fibres

(29.4%), articles of apparel and clothing accessories, knitted & not knitted (22.1%), other made-up textile articles & sets (8.3%), mineral fuels, oils & products of their distillation (5.1%) and lead & articles (4.2%).

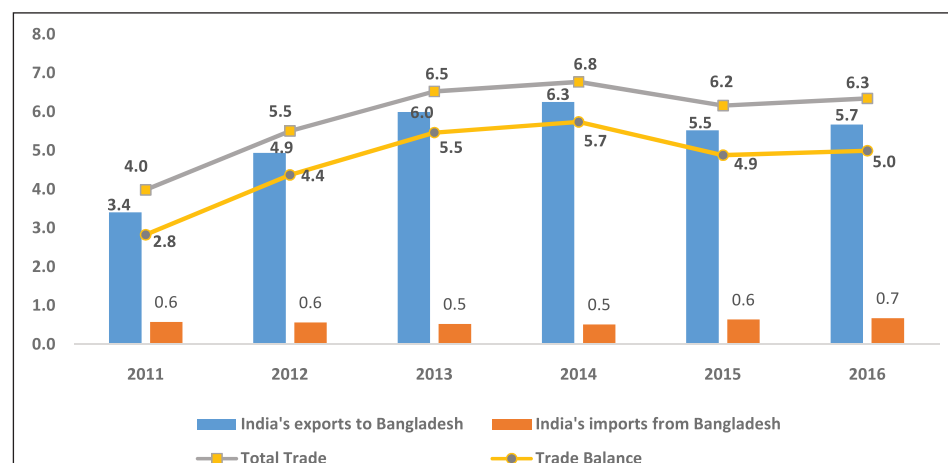
Apart from formal trade, one of the major challenges to strengthening India - Bangladesh trade relations is the unofficial trade between the two nations. Unofficial trade occurs through the porous borders of Assam, Meghalaya, Mizoram, Tripura and West Bengal. Major reasons for unofficial trade would include evasion of tariff and non-tariff barriers; simplex procedures; better market distribution network; and nature and size of the businessmen/traders.

India's Investments in Bangladesh

In the investment front, India's focus towards Bangladesh has been increasing over the past decade. During April 1996 to March 2017, the cumulative approved Indian FDI in joint ventures and wholly owned subsidiaries (FDI outflow) in Bangladesh stood at US\$ 430 million. During April 2000 to June 2017, India's total foreign direct investment inflows from Bangladesh amounted to US\$ 0.05 million.

Some of the Indian companies present in Bangladesh include ONGC Videsh, Bharti Airtel Ltd., House of Pearl Fashions Pvt Ltd., Pacific Apparels Ltd., Uttara Foods & Feeds Pvt. Ltd., Arvind Fashion Ltd., Tata Motors, Sun Pharma, Asian Paints, Marico, Godrej, Venky's Hatcheries, Parle Products, Forbes and Marshall, Larsen & Turbo, KEC International, Simplex Infrastructure Ltd., Tejas Networks Ltd. etc. State Bank of India has five branches in Bangladesh. In addition, Axis Bank, ICICI Bank and United Bank of India have representative offices in Bangladesh.

Chart: India's Trade with Bangladesh (US\$ billion)



Source: ITC, Geneva and Exim Bank Analysis

Activities of Marketing Advisory Services (MAS)

Exim Bank supported Traditional & Folk Art exhibition in Mumbai. The objective of supporting the event was to provide assistance to artisans in finding new market opportunities and draw access to large number of potential buyers. The exhibition introduced artwork from master craftsmen from across India, which included Chola Bronze sculpture, Sanjhi Painting, Gond & Madhubani painting, Kalighat painting, Mata ni Pachedi painting, Miniature Art, Pichwai painting, and Terracotta Art. During the three day event, a total of 22 paintings worth ₹10 lakh were sold and more than 150 guests visited the exhibition.

During this period, the Bank along with Jaypore organized Design & Skill Development Training Programme for Mangalagiri weavers in Andhra Pradesh. This training programme is being organized for 15 weavers associated with two clusters. The first part of the training programme was organized for participants from a producer company in Bandarulanka Village, East Godavari District.

Many clusters across India tend to produce similar looking products with varying degrees of quality. Further, due to low wages of these weavers it has created many unwanted challenges for the survival of the craft across the country. In an attempt to give exposure to intriguing artform and help these communities overcome few of the challenges, Exim Bank supported producer companies by way of organizing design and skill development training programmes.

The objective of this training programme is to upgrade weaving skills from traditional to contemporary methods and also create limited edition collections highlighting the true artistic nature of the craft. These products accompanied by information about its craft and technical fineness; are to be showcased and sold at Jaypore's e-commerce platform.

For more details please contact: mas@eximbankindia.in

Activities of Eximius Centre for Learning (ECL)

during October- December 2017

Exim Bank, in association with the Ministry of Finance (MoF), Government of India organized interactive sessions focusing on "Strategy for Services Sector" at Mumbai (Oct 27, 2017), Bangalore (Nov 7, 2017), Ahmedabad (Nov 10, 2017) and Kochi (Nov 17, 2017) including representation from IT-BPM, Tourism, Real Estate and Housing, and Shipping Services. The objective of these sessions was to seek inputs from select service providers and institutions/ associations involved with the development of services sector, which in turn would eventually evolve into policy formulations by the Government of India. Dr. H A C Prasad, Senior Economic Adviser, MoF, Government of India, chaired these meetings and facilitated the discussions.

Exim Bank in association with Confederation of Indian Industry, Gujarat Western Zone organized a seminar on "Export Marketing and Digital Marketing" at Bhavnagar (Nov 24, 2017) & Mahuva (Nov 25, 2017). The objective of the seminar is to generate awareness on structured export marketing and implementing the strategic marketing action plan.

In an ongoing endeavour to create an economic hub in India's North eastern region, by exploring the trade and commerce potential with ASEAN neighbours, Bank has actively participated and conducted two seminars at North East India viz. "Opportunities and Challenges in Foreign Trade in NE Region" at Sikkim (Nov 24, 2017) in association with Confederation of Indian Industry, and "Energizing Entrepreneurs in International Trade" at Aizawl (Nov 27, 2017) in association with Indian Chamber of Commerce.

Projects funded by Multilateral Funding Agencies, such as The World Bank (WB) and the Asian Development Bank (ADB), present attractive business opportunities for suppliers, contractors and consultants. Exim Bank actively promotes effective

participation by Indian companies in such opportunities by providing a range of information, advisory and support services, in addition to financing facilities and guarantees.

In view of the potential for increasing participation by Indian firms in WB & ADB funded projects, and to enhance the prospects of effective participation in their funded projects, ECL had organized a seminar on "Business Opportunities in World Bank Funded Projects" at Mumbai on Nov 13, 2017 and similarly a seminar on "Business Opportunities in Asian Development Bank Funded Projects" at Mumbai on November 28, 2017. Experts from WB & ADB provided detailed information on their procurement guidelines to enable Indian firms prepare and submit responsive bids.

Trade Finance in Africa: Overcoming Challenges

This publication by African Development Bank (AfDB) provides insights on bank-intermediated trade finance in Africa, with focus on challenges encountered by SMEs and first time trade finance clients. The report estimates the trade finance gap in Africa at US\$ 91 billion in 2014, slightly lower than the estimate of US\$ 94 billion in 2013. This is in spite of trade finance being a relatively low risk activity for commercial banks in Africa. The estimated default rate on trade finance transactions was 4% and 5% in 2011 and 2014.

The report also notes the major reasons why banks reject trade finance requests, which includes poor creditworthiness and lack of adequate collateral. Access to trade finance is especially constrained for SMEs and first time applicants. SMEs accounted for only 28% of total trade finance portfolio, in spite of a relatively low default rate of 5%.

The report recommends that a win-win partnership and a collaborative approach involving development partners is needed to overcome the challenges of access to trade finance faced by financial institutions and the private sector in Africa.

Ghana

Ghana is a member of the Economic Community of West African States (ECOWAS). Real GDP growth of Ghana eased to 3.7 per cent in 2016 from 3.8 per cent in 2015, as election-related tensions, high inflation, power shortages and technical issues at the Jubilee oilfield restricted economic growth. Ghana's economy is expected to grow by 6.8 per cent in 2017-18, boosted by the ramp-up of new oil and gas production from the Tweneboa-Enyenra-Ntomme (TEN) and Sankofa fields. Production of Jubilee oilfield is also expected to pick up in the coming years. Agriculture is expected to continue to lag behind other sectors of the economy given unfavourable prospects for the cocoa sector in terms of both price conditions and the underlying weak quality of the tree stock. Growth of the services sector is expected to remain robust underpinned by strong communications performance amid growing use of data services and mobile financial services. The Cedi will remain prone to periods of volatility, given a dependence on commodity exports for hard-currency earnings and changing trends in investor sentiment to emerging markets. The current-account deficit will average around 3.4 per cent of GDP in 2018-22 as new oil output is offset by stronger import demand and higher profit remittances.

Romania

In 2016 real GDP growth of Romania accelerated to 4.8 per cent, from 3.9 per cent in 2015, for the first time since the 2009 crisis. A tightening labour market, strong wage growth, consumer price deflation, an accommodative fiscal stance and rising remittances from abroad have been the main stimuli to purchasing power

growth since mid-2015. Romanian economy is expected to grow at 5.8 per cent in 2017 driven mainly by the domestic demand. Deeper structural reforms are required to boost labour productivity and therefore to address the capacity constraints in some of the industries. The economy is facing severe labour shortages in sectors such as automotive production, as a combination of an ageing population and emigration is depleting the work-force. Romania is eligible for a potential €22bn (US\$25bn) structural and investment fund from the EU budget for 2014-20, and is also to receive €17.5bn fund under the common agricultural policy. A combination of rising imports, profit repatriation and falling workers' remittances is expected to result in widening of current account deficit as a percentage of GDP to 2.9 per cent in 2017 from 2.3 per cent in 2016.

Malaysia

Malaysia's real GDP grew by 4.2 per cent in 2016, compared to 5 per cent growth witnessed in 2016, weighed down by the sluggish world trade growth and low global energy prices. Malaysia's real GDP is forecast to grow at a stronger rate of 5.5 per cent in 2017 due to a surge in investment spending, spurred by the commencement of several large-scale projects in the manufacturing sector, coupled with steady gains in household spending. The exchange rate depreciated for the fifth consecutive year to an estimated M\$ 4.15: US\$ 1 in 2016 from M\$ 3.91: US\$ 1 in 2015, reflecting the increase in US interest rates leading to dampening of global investor's appetite for emerging market assets thus weighing down the ringgit against the US dollar. The ringgit is expected to depreciate further against the US dollar in 2017 at M\$ 4.32: US\$ 1 from M\$ 4.15: US\$ 1 in

2016. Malaysia is exposed to shifts in investor sentiment because of its fairly high levels of foreign-currency-denominated debt compared with other emerging markets. Persistent and widening shortfalls on the services and primary income accounts is expected to lead to narrowing of the current account surplus from 2.5 per cent of GDP in 2017 to 2.0 per cent in 2018.

Suriname

Suriname's real GDP shrunk by an estimated 10.4 per cent in 2016, resulting from a combination of devaluation, inflation, fiscal retrenchment and high interest rates. The economy of Suriname is expected to grow marginally by 0.3 per cent in 2017 driven by some increase in public investment with the support of multilaterals like the IDB, as well as a recovery in private investment and export volumes. On the supply side, economic recovery will be aided by maturing investment in agriculture, manufacturing, energy and gold mining. Owing partly to foreign currency earnings from the Merian gold mine, the exchange rate is expected to remain relatively stable in 2017, at S\$ 7.70: US\$ 1. However, weak reserves coverage, and large fiscal and current-account imbalances is expected to continue to undermine the ability of the CBVs to meet demand for foreign exchange, bringing the exchange rate to an average of Sr\$ 8.43: US\$ 1 in 2018. Having narrowed sharply in 2016 on the back of substantial import compression, the current-account deficit is expected to narrow further in 2017-18, on the assumption that currency devaluation improves Suriname's export competitiveness and that growth in export earnings is supported by new gold-mining capacity and the ramping up of activity at the Staatsolie oil refinery.

Mexican Peso (MXN):

During November the Mexican Peso strengthened notably in terms of London closing rates from 19.136 to 18.622. The Bank of Mexico (Banxico) held the floor on the overnight at 7.00%.

The depreciation of the Peso in October was partially reversed in November as NAFTA pessimism receded a little and the dollar weakened more generally in the foreign exchange market. Toward month-end, President Enrique Peña Nieto announced that Banxico board member Alejandro Diaz de Leon would replace Agustin Carstens as Governor of Banxico, effective 1st December. Carstens is leaving to head the BIS. The choice of Diaz de Leon is viewed as a good one with investors confident in Banxico continued adherence to the mandate of price stability. Peso forecast profile assumes NAFTA survives with no economic disruption from negotiations with the US. However, the 5th round of negotiation, held between 15th – 21st November did not really show much sign of progress. The differences appear quite fundamental too – Mexico is resisting changes to rules of origin for the auto sector, changes to the dispute mechanism and the US proposals to have the trade deal looked at and agreed every five years. Negotiations will continue in Q1 with three further rounds of talks and market participants at this stage are assuming that the US will back down on some of the more radical proposals in order to avoid a complete breakdown in talks. Peso can perform well given the favourable backdrop for Emerging Markets FX in 2018 but there are some specific Peso risks that are certainly skewed to the downside at this stage.

British Pound (GBP):

During November the pound strengthened against the US dollar in terms of London closing rates from 1.3273 to 1.3506. The Monetary Policy Committee raised the level of Bank Rate by 25 bps to 0.50%, reversing the emergency cut implemented following the Brexit vote last year. The move was widely expected and fully priced.

The pound initially weakened sharply in November following the rate hike by the BoE given the endorsement by the MPC of current market pricing on future rate hikes being consistent with achieving the BoE price stability goal. That involved just two rate hikes over the following three years. However, the pound then recovered these losses as the focus shifted to Brexit negotiations and the potential for progress being confirmed by the EU and talks shifting to transition negotiations. While the uncertainties over Brexit have weighed on the economy, the other positive aspect for the pound remains the strength of the UK economy in the face of Brexit uncertainties. The CBI Industrial Trends survey revealed an increase in total orders in the 3mth period to November to the highest level since August 1988. Export orders reached a 20-year high with strengthening demand in Europe supporting manufacturing activity. Q3 real GDP data also confirmed a 0.6% Q/Q rebound in consumer spending (from 0.2% in Q2) despite the ongoing squeeze on real incomes. Market participants are positive in view for the pound ahead and expect developments in December to be important in shaping the outlook for the pound in 2018.

Indonesian Rupiah (IDR):

During November the Indonesian Rupiah strengthened against the US dollar in terms

of London closing rates from 13,560.0 to 13,524.0. Bank Indonesia (BI) left the benchmark seven-day reverse repo rate unchanged at 4.25% at its policy meeting on 16th November, and is expected to stand pat again on 14th December.

After two months of heightened volatility, the Indonesian Rupiah stabilised against the dollar around the 13,500 level in November and failed to record significant gains despite a weaker dollar. Such stability confirms our assumption of the authorities' new threshold level for USD/IDR and active management to keep it around 13,500, as was the case when the threshold was at 13,300. There were no significant developments in November that would alter our outlook of a stable Rupiah in the year ahead. A December US rate hike is already largely priced-in, market expectations of the pace of Fed hikes next year remain far below the Fed's median projections in the dot plot, and tax reforms remain uncertain. Although this essentially means a weaker dollar profile, the Rupiah would be weighed down by an increase in the current account deficit (CAD) next year. BI expects the CAD to remain below 3.0% of GDP in 2018, higher than Q1-3's CAD at 1.5% of GDP. Despite the weaker-than-expected Q3 real GDP growth at 5.06% y/y from Q2's 5.01% y/y (which President Jokowi deems to be the "new normal"), BI is unlikely to lower the benchmark seven-day reverse repo rate in the coming months as it has placed more emphasis on macroprudential policy. Come next year, BI may reduce the reserve requirements for banks, and introduce a financing-to-funding ratio rule, aimed at containing inflation and maintaining currency stability.

India's Macroeconomic Indicators

15

INDICATORS	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	
GDP (at current prices, US\$ bn)	1823	1829	1863.2	2042.4	2073.7'	2230.8'	2448.1'	
Real GDP Growth (%)	6.7	5.5	6.4	7.5	8	7.1p	7.2'	
Sectoral Share in GDP (%)								
Agriculture & allied activities	18.5	17.8	17.5	16.3	15.3 ^p	15.0 ^{pe}	-	
Industry	32.5	31.9	31.5	31.2	31.2 ^p	30.8 ^{pe}	-	
Services	49	50.3	51	52.5	53.5 ^p	54.3 ^{pe}	-	
Inflation rate (CPI, annual avg. %)	8.3	10.2	9.5	5.9	4.9	3.8	3.58	(Oct '17)
Inflation rate (WPI, annual avg. %)	8.9	7.4	6	2	-2.5	1.7	3.59	(Oct '17)
Gross Fiscal Deficit (% of GDP)	5.9	4.9	4.5	4.1	3.9 ^e	3.5 ^e	3.2 ^e	
Exchange Rate (₹/US\$, avg.)	47.9	54.4	60.5	61.1	65.5	67.1	64.4	(Dec 04,'17)
Exchange Rate (₹/€, avg.)	65.9	70.1	81.2	77.5	72.3	73.6	76.4	(Dec 04,'17)
Exports (US\$ bn)	306	300.4	314.4	310.3	262.3	276.5	146.3	(Apr-Sep '17)
% change	22.5	-1.8	4.7	-1.3	-15.5	5.4	10.8 [^]	
Oil Exports (US\$ bn)	56.7	60.9	63.2	56.7	30.6	31.6	16.9	(Apr-Sep '17)
% change	55.9	7.3	3.8	-10.2	-46.1	3.4	17.5 [^]	
Non-oil Exports (US\$ bn)	249.2	239.5	251.2	253.6	231.7	244.9	129.4	(Apr-Sep '17)
% change	16.8	-3.9	4.9	0.9	-8.6	5.7	9.1 [^]	
Imports (US\$ bn)	489.3	490.7	450.2	448	381	382.7	220.6	(Apr-Sep '17)
% change	32.3	0.3	-8.3	-0.5	-15	0.5	25.7 [^]	
Oil Imports (US\$ bn)	155	164	164.8	138.3	82.9	86.9	46.5	(Apr-Sep '17)
% change	46.2	5.9	0.4	-16	-40	4.7	17.7 [^]	
Non-oil Imports (US\$ bn)	334.3	326.7	285.4	309.7	298.1	295.9	174.1	(Apr-Sep '17)
% change	26.7	-2.3	-12.6	8.5	-3.8	-0.7	28.2 [^]	
Trade Balance (US\$ bn)	-183.3	-190.3	-135.8	-137.7	-118.7	-106.2	-74.3	(Apr-Sep '17)
Services Exports (US\$ bn)	140.9	145.7	151.8	158.1	154.3	163.1	80.3	(Apr-Sep '17)
Software Exports (US\$ bn)	62.2	65.9	69.4	73.1	74.2	73.7	18.4	(Apr-Jun '17)
Services Imports (US\$ bn)	76.9	80.8	78.7	81.6	84.6	95.7	46.7	(Apr-Sep '17)
Services Balance (US\$ bn)	64	64.9	73.1	76.5	69.7	67.4	33.6	(Apr-Sep '17)
Current Account Balance(US\$ bn)	-78.2	-87.8	-32.4	-26.8	-22.1	-15.2	-14.3	(Apr-Jun '17)
CAB as percentage of GDP (%)	-4.2	-4.8	-1.7	-1.3	-1.1	-0.7	-2.4	(Apr-Jun '17)
Forex Reserves (US\$ bn)	294.4	292	304.2	341.6	360.2	370	400.7	(Nov 24,'17)
External Debt (US\$ bn)	360.8	409.4	446.2	474.7	485	471.9	485.8	(Jun'17)
External Debt to GDP Ratio (%)	20.5	22.3	23.9	23.2	23.4	20.2	20.3	(Jun'17)
Short Term Debt (US\$ bn)	78.2	96.7	91.7	85.5	83.4	88	88.8	(Jun'17)
Short Term Debt / Total Debt (%)	21.7	23.6	20.5	18	17.2	18.6	41.1	(Jun'17)
Total Debt Service Ratio (%)	6	5.9	5.9	7.6	8.8	8.3	6.3	(Jun'17)
FDI (US\$ bn)	46.6	34.3	36	45.1	55.6	60	33.7	(Apr-Sep '17)
GDRs/ADRs (US\$ bn)	0.6	0.2	0.02	1.3	0.4	-	-	
FIIIs (net) (US\$ bn)	16.8	27.6	5	40.9	-4	7.7	14.4	(Apr-Sep '17)
FDI Outflows (US\$ bn)	10.9	7.1	9.2	4	8.9	7	4.7	(Apr-Sep '17)

Source: Economic Survey, Various issues; Union Budget, RBI Monthly Bulletin, Annual Report & Weekly Statistical Supplement; Ministry of Finance; CSO; EIU; NASSCOM; Ministry of Commerce & Industry; Institute of International Finance (IIF); WEO, IMF.

Note: e - GOI's estimates; p - Economic Advisory Council, GOI's Provisional Estimate; f - IIF Estimates; - Not Available;

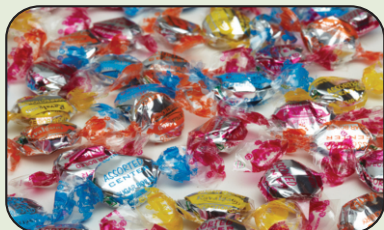
[^]-% change is over corresponding period of the previous year; - not available;

Trade and Partnership Opportunities

Trade Opportunities

Confectioneries

A public limited company manufacturing sugar and confectionery i.e; hard boiled sweets & toffees. The manufacturing facility is located at Ravalgaon, Maharashtra. Est. in 1933, the company's mission is to manufacture and market consumer foods that are accessible to anyone and affordable for everyone.



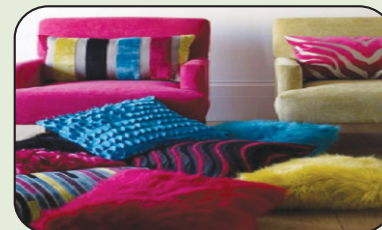
Firefighting Solutions

An ISO 9001-2008 company providing innovative solutions in the field of firefighting, safety, security, disaster management and rescue equipment's. The products offered are; public security uniforms, breathing apparatus, lifting bags, helmets, fire bike & rescue vehicles.



Textiles & Fabrics

A Kolkata based company engaged in multifaceted activities of manufacturing silk yarn, fabrics, made ups, home furnishings, fashion fabrics, scarves, laces, melts and embroidered fabrics. The company has been recognized as Golden Star Export House. Exports majorly to USA & UK.



Organic Tea

An organic certified farm and factory producing natural and organic teas & infusions symbolizing wellness & well-being. The company has obtained food safety certificates like NPOP, NOP, & EU Organic & FSSAI certified.



Sustainable Farming & Produce

Bridging the gap between farmers struggling to market traditional and sustainable food ingredient & customers looking for healthier, nutritious and local alternatives. Products offered are black rice, bamboo rice, barnyard millet etc.



Engineering, Procurement & Construction

The company is engaged in infrastructure development for government projects, specialized highways, residential, commercial and industrial parks, water treatment plant, sewerage system, water pipeline and drainage system.



Partnership Opportunities

Project Opportunities

- (I) Water Project in South Africa is under implementation of Phase II including construction of a dam and tunnel for delivering water and generating hydroelectricity. The Project is a multi-phased project that delivers water to the Gauteng region of South Africa and utilizes the water delivery system to generate hydro-electricity for Lesotho.

Export Opportunities

- (I) An importer from Myanmar is looking to import Urea for agricultural purpose. The company requires up to 3000 MT quantity of fertilizer every month.
- (II) An electronic & kitchen appliance manufacturing company from Egypt is interested to import Cold Rolled Coil from India. Quantity required is 100 MT of DC01 Steel Grade.
- (III) A Poland based importer interested in importing Basmati Rice and assorted Spices from India. The port of destination is Gdynia, Poland.
- Interested parties may like to reach out to Marketing Advisory Services Group on contact details mentioned as under.

For more details, please contact:- Phone: 2217 2600, Extn : 2707/2737, Fax: 2218 8268, Email: mas@eximbankindia.in