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North Africa: Unlocking India's Trade and Investment Potential

The northern region of Africa, comprising Algeria, Egypt, Libya, Mauritania, Morocco, Sudan, and Tunisia, is an integral part of Africa, sharing the same challenges, vision and aspirations of the other African regions. Accounting for around 20% of total population of Africa, North Africa is a market of 239 million population. Notwithstanding the challenges faced by few countries, the region in general has several advantages including a privileged geographical location at the crossroads of Europe, Sub-Saharan Africa and Asia; accessibility to several markets in Europe, the United States, the Arab world and Africa through preferential trade agreements with those regions; a young and increasingly educated population; and great potential in sectors such as renewable energy, manufacturing, information technology (IT), tourism and business development services.

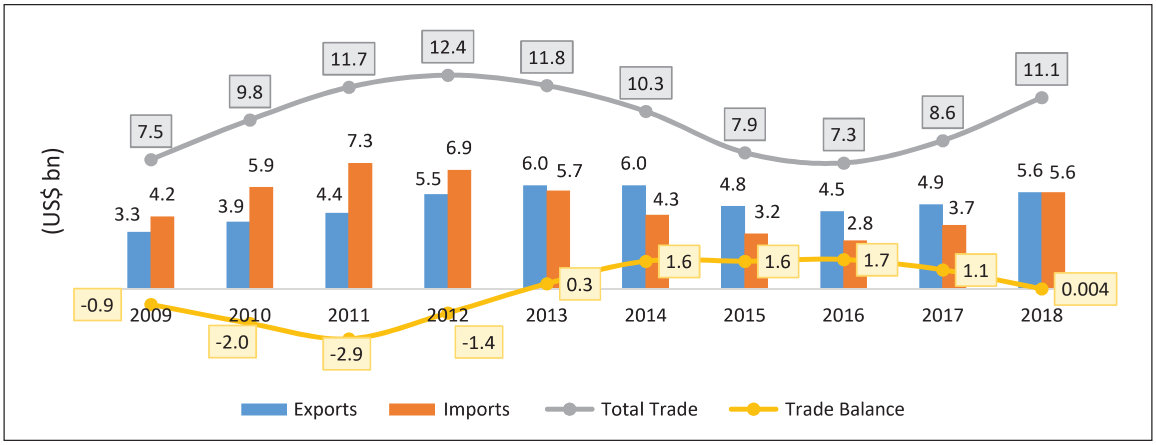
North Africa enjoys abundant natural resources, such as oil, gas, phosphate and others. Hydrocarbons from Algeria, Sudan, and Libya, as well as Mauritanian iron ore, Moroccan copper, zinc and lead are in high demand, supporting industrialization of many non-African countries.

Growing by 4.3%, North Africa was the second fastest growing sub-region in Africa, after East Africa in 2018. The high growth was mainly due to 17.9% growth witnessed by Libya in 2018. Of Africa's projected growth rate of 4% in 2019, 1.6 percentage points are accounted for by North Africa. Nominal GDP of the region stood at US$ 670.9 billion in 2018, accounting for 28.9% of total Africa's GDP (US$ 2.3 trillion) in the same year. The total exports of the region were around US$ 153.2 billion in 2018 which has significantly increased from US$ 126.7 billion in 2017. The total imports of the region have gradually increased over the years, with imports in 2018 reaching US$ 226.4 billion, a 12.5% increase from US$ 201.2 billion in 2017.

INDIA'S TRADE RELATIONS WITH NORTH AFRICA

During the last ten years, India's trade with North Africa increased by a CAGR of 4.5% from US$ 7.5 billion in 2009 to US$ 11.1 billion in 2018. While India's total exports to North Africa has risen from US$ 3.3 billion in 2009 to US$ 5.6 billion in 2018, India's total imports from North Africa have witnessed a moderate rise, from US$ 4.2 billion

Chart 1: India's Trade with North Africa



Source: ITC Trademap, derived from UN Comtrade; and Exim Bank Analysis.

in 2009 to US$ 5.6 billion in 2018. North Africa's share in Indian exports to Africa has witnessed a decline from 24.6% in 2009 to 20.7% in 2018. Similarly, its share in India's imports from Africa also witnessed a fall from 19.9% to 13.4% over the last decade.

While electrical machinery and equipment and articles of iron and steel dominated India's export basket to North Africa in 2009, their shares have witnessed a fall, on the other hand the shares of vehicles and mineral fuels have increased during the last ten years. North Africa accounted for around 25% of India's exports of vehicles other than railway or tramway to Africa in 2018. Another notable aspect of India's exports to North Africa region is that, share of mineral fuels in India's export basket to the region has almost doubled in the last decade. Other important items of India's exports to North Africa include cotton, organic chemicals, plastics and articles, sugars and sugar confectionery and pharmaceutical products.

Egypt is India's largest export destination in North Africa, accounting for half of India's exports to the region in 2018. Egypt is also the second largest export destination of India in Africa. Egypt was followed by Algeria and Sudan, which are among the top ten export destinations of India in Africa. There also has been an increase in India's exports to Morocco in the recent years.

India's imports from North Africa is largely dominated by mineral fuels, oils and its products, the share of which witnessed a fall from 69.7% in 2009 to 58.3% in 2018. Algeria and Egypt are the 4th and 5th largest sources of India's imports of mineral fuels from Africa. Other major import products from North Africa include inorganic chemicals, fertilizers and salt, sulphur, earths, stone and cement. North Africa exported over 95% of Africa's exports of fertilisers to India; over 56% of inorganic chemicals; over 27% of cotton; and over 13% of Africa's mineral fuel exports to India in 2018.

Mauritania, Morocco and Tunisia have relatively diversified export basket with India. All other countries in the region are suppliers of crude oil and gas. Egypt is also among the top exporters of cotton from Africa to India. As in the case of exports, Egypt is largest import market for India in the North African region. India's imports from Algeria also remain relatively high because of hydrocarbon imports. Similarly, India is one of the major markets for Moroccan phosphate and its derivatives.

INDIA-NORTH AFRICA INVESTMENT RELATIONS

According to the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (GOI), FDI inflows to India from North Africa stood at US$ 153.5 million during April 2000-March 2019. Almost 91% of investment came from Morocco, followed by Egypt (5.7%) and Tunisia (3.2%).

Cumulatively, during April 1996 to March 2019, the Indian direct investments in 7 North African countries, in joint ventures (JVs) and wholly owned subsidiaries (WOS), in terms of equity, loan and guarantees issued amounted to US$ 2.9 billion, accounting for 4.5% of India's overseas investments in Africa during the period. During 2018-19, FDI outflows to these countries stood at US$ 48.6 million. Out of the total FDI outflows from India to the region during 2018-19, outflows to Egypt were the highest, accounting for 45.3% of the total FDI outflows to the region, followed by Morocco (27.6%), Algeria (16.2%) and Libya (10.6%).

INDIA–NORTH AFRICA COOPERATION: SUGGESTIONS AND WAY FORWARD

G20 Compact with Africa: Three North African countries Egypt, Morocco and Tunisia have joined the G20 Compact with Africa (CwA) Initiative. India could also link the CwA initiative with the Asia Africa Growth Corridor (AAGC) initiative. As the AAGC aims to link economies from Asia and Africa not only through physical infrastructure, but also institutional, regulatory and digital connectivity, there exist complementarities between AAGC and CwA initiatives.

AfCFTA: In May 2019, African Continent Free Trade Agreement (AfCFTA) came into force. All the North African countries have signed the agreement. AfCFTA is expected to create opportunities for Indian firms and investors to tap into a larger, unified, simplified and more robust African market. With India considering, Africa as not just as a destination for short-term returns but as a partner for medium and long-term economic growth, the cooperation between both regions would prove to be beneficial for both India and Africa.

India- Egypt Cooperation: Egypt, which is chairing the African Union in 2019 is critically positioned to exert a geostrategic influence over the African continent. There are wide range of opportunities that can be availed by Indian exporters by making Egypt the hub for Africa and benefiting from the progress in realizing the Tripartite Free Trade Agreement, which has brought together the markets common to the Regional Economic Communities of Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC). Egypt can also be the hub for Arab and EU markets, with the help of the free trade agreements between the two sides.

International Solar Alliance (ISA): ISA is an alliance of 121 countries initiated by India, most of them being sunshine countries, which lie either completely or partly between the Tropic of Cancer and the Tropic of Capricorn. The primary objective of the alliance is to work for efficient exploitation of solar energy to reduce dependence on fossil fuels. Among North African countries, Algeria, Egypt and Sudan have signed the ISA Framework Agreement. This creates a vast investment opportunity for Indian companies in the field of solar energy. Egypt could play a key role as a regional and global energy hub because of its geographical proximity and strategic location.

Egypt can also become a regional electricity inter-connection hub by establishing electricity connections with neighboring countries, including Jordan, Sudan and Libya, supplementing ongoing electricity connection projects with Saudi Arabia, Cyprus and Greece. Egypt has recently inaugurated the Benban Solar Complex in the city of Aswan, southern Egypt, consisting of 200,000 solar panels and 780 sun trackers. Most African countries lie in the solar belt, which is most convenient for solar energy applications. The huge potential in the field of solar energy in these African countries can attract Indian investments, particularly for supplying electricity in the off-grid regions.

CII-Exim Bank Regional Conclave on India-West Asia and North Africa Project Partnership

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 fourteen such editions have been concluded, where they 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. Besides the pan-Africa conclaves, an increasing necessity was felt 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, the first such regional outreach programme was organised for the East African Region, jointly by Exim Bank and CII, during November 2017 in Uganda.

In recognition of the success, high-level participation and wide support received for the India - East Africa Conclave, two other such regional outreach programmes were organized in the West African Region at Abuja, Nigeria in October 2018 and South Africa region at Lusaka, Zambia in October 2019, which turned out to be great success. Accordingly, it was decided to hold the first edition of CII-Exim Bank Conclave on India-West Asia and North Africa Project Partnership, jointly organised by Exim Bank and CII, in partnership with the Ministry of Commerce & Industry and the Ministry of External Affairs, Government of India.

The CII-Exim Bank Regional Conclave on India - West Asia and North Africa (WANA) Project Partnership was held during November 6-7, 2019 at Cairo, Egypt. The 9 focus countries of the Regional Conclave included Algeria, Egypt, Iraq, Jordan, Lebanon, Morocco, South Sudan, Sudan and Tunisia. The focus sectors that were covered by this regional outreach programme included: Agriculture & Agro Processing, Building Materials & Construction, Engineering Goods, Finance, Food Processing, Healthcare, Infrastructure, IT, Power & Renewable Energy, Research & Development, Service and Textiles.

The Conclave served as a platform for dialogue between India and the 9 WANA focus countries, to further strengthen the developmental partnerships. The event focused on economic and commercial deliberations through Business to Government (B2Gs), Business to Business (B2Bs) engagements, and seven sessions spanning over two days. It served as a platform for Indian and African private sectors and key financial institutions to identify priority areas and special projects for Indian investment and partnership, with a long-term commitment to WANA. Besides, the conclave gave industry a chance to find areas for diversification and therefore greater collaboration given the proliferation of global value chains and increased dependence on international production networks. The Conclave played a pivotal role in the formation of new ideas and strategies, for both Indian and WANA businesses and governments to take the South-South co-operation agenda forward.

The Indian delegation was led by H.E. Shri Hardeep Singh Puri, Hon’ble Minister of State (I/C) of the Ministry of Housing and Urban Affairs; Minister of State (I/C) of the Ministry of Civil Aviation; and Minister of State in the Ministry of Commerce and Industry, Government of India. Over 250 delegates from the focus countries and India, including those from the financial institutions participated at the event (including around 55 business representatives from India). The Conclave witnessed participation of high level dignitaries viz., Mr. Mohammed Ali Abdalla Mohamed Ali, Under Secretary, Ministry of Trade and Industry, Sudan; Hon’ble Mou Mou Athian Kuol, Under Secretary for EAC Affairs, South Sudan; Mr Khaled ben Abdalla, General Director-Foreign Trade, Tunisia; Dr. Nabeel Altel, Deputy Director-Foreign Trade, Policies Directorate, Ministry of Industry, Trade and Supply, Jordan; and Mr Tarek Tawfik, Deputy Chairman, Federation of Egyptian Industries (FEI). Exim Bank’s publication on “North Africa: Unlocking India’s Trade and Investment Potential” was released by H.E. Shri Hardeep Singh Puri during the inaugural session of the Conclave.

Promoting Exports from Bihar

Bihar is a land-locked state located in the eastern region of India, sharing an international border with Nepal, and domestic borders with Uttar Pradesh, Jharkhand and West Bengal. During 2011-12 to 2017-18, the State's Gross State Domestic Product (GSDP) has registered a robust Compound Annual Growth Rate (CAGR) of 6.5%, which has led to an increase in the contribution of Bihar to India's GDP. Bihar's economic growth has been fuelled by growing capital expenditure, expansion of industrial capacity, logistic facilities, and public infrastructure. Nevertheless, estimates for 2016-17 indicate that merchandise exports accounted for only about 1.3% of Bihar's GSDP. Although this is relatively better than several other states of a comparable economic size, it is much below the national average of 12.1%. In order to further propel growth in the State economy, there is a need for multi-faceted intervention in the exports sector.

EXPORTS PERFORMANCE OF BIHAR

Merchandise exports from Bihar in 2017-18 were valued at US$ 1.35 billion, a remarkable improvement over the US$ 0.4 billion of exports recorded during 2012-13. However, there remains substantial room for improvement as exports from the State accounts for less than 1% of the total exports from India.

The non-oil segment of exports from the State has registered considerable take off since 2016-17, on account of increasing exports in the categories of agro and allied industries, and textile and garment. But in spite of this growth, the non-oil segment accounts for only one-third of Bihar's overall exports, necessitating a strategy for accelerated growth from the segment.

STRATEGIES FOR EXPORT GROWTH

In order to take a holistic view, planning of a strategy for promotion of exports from Bihar would entail strategizing across various levels. Broadly, these strategies could be built upon six essential dimensions viz. Focus Products and Markets; Infrastructure Leverage and Strengthening; Capacity Building; Fiscal Incentives; Export Promotion Campaign; and Institutional Streamlining.

FOCUS PRODUCTS AND MARKETS

One of the efficient ways to widen exports opportunities is to look at diversification based on value addition. A set of prospective high-value added products could be identified for diversifying the exports basket of Bihar. These include agricultural products, textile and garments, chemicals and allied products, pharmaceuticals, handicrafts products, and tourism and hospitality.

Within the agriculture and allied sector, the State could focus on greater processing of the agricultural products, and increase in organic production. In the textile segment, the State could focus on technical textiles, and cruelty-free silk production, both of which would fetch much higher prices in the international market. In the areas of chemical and petrochemicals, the focus could be on the segments of dyes and pigments, construction chemicals, personal care ingredients, and water treatment chemicals, among others. In pharmaceuticals, there is a need for capacity addition in existing export segments, and diversification into other untapped segments such as immunological products, vaccines for veterinary purpose, opacifying preparations, etc.

Further, analysis also indicates that in most of the product categories, exporters from Bihar are not currently exporting to the major importing countries. Thus, it will also be essential for the State to diversify the market for its products. There is also a need for the State to focus on newer areas, preferably in the high-technology intensive sectors, such as electrical and electronics, and engineering goods. However, production and exports in these areas will depend on export-oriented foreign direct investment (FDI) in these segments. In lines of the 'Make in India' program of the Government of India, the Government of Bihar needs to adapt, adopt, and implement 'Make in Bihar' program.

INFRASTRUCTURE LEVERAGE AND STRENGTHENING

In order to script a higher export growth story and compete with other states of a comparable economic size, Bihar needs to substantially upgrade its existing export infrastructure. The most critical export infrastructure in the State would be an Inland Container Depot (ICD). Bihar currently has one ICD at Patna, which caters to domestic freight traffic only. Based on preliminary research using secondary sources, setting up of ICDs in Muzaffarpur and Bhagalpur is recommended. Further, in order to cater to the export traffic, establishing a custom clearance office in the existing ICD in Patna is also recommended.

Lack of adequate transportation, storage and distribution services is an issue for exporters across the country. Specifically, in the context of Bihar, this is a major constraint as perishable products account for a significant share of the State's exports. There is need for increasing the warehousing and cold chain infrastructure in the State. Assuming a peak storage capacity requirement of around 70% of the production, Bihar would require warehousing capacity of 13 million MT, as against the current capacity of 0.6

million MT. Besides, there is also a need for development of an estimated 2.2 million MT of cold chain infrastructure in the State.

Bihar also does not have any Special Economic Zones (SEZs), nor does the State have any policy, act or rules for encouraging establishment of SEZs. To attract export-oriented FDI and encourage exports from the State, establishment of SEZs will be important. Setting up SEZs in the districts of Patna, Muzaffarpur or Bhagalpur, which have good road and rail connectivity, could boost exports from the State. One of the SEZs could be dedicated to agricultural products, given the substantial potential of exports from the sector.

CAPACITY BUILDING

The State has several products with Geographical Indication (GI) status. In order to gain from the benefits of GI status, it is important for the GI brand to be recognized as a reliable and preferred brand in the market, with a distinguished positioning. In this regard, a brand equity fund can be set up by the Government of Bihar for building globally competitive brands for products originating from the State. The fund can also assist in marketing of these branded products in the international arena. Initiatives are also needed for identifying more products from the State which can be accorded GI status. This could include agricultural products such as Makhana, and foodstuff such as Litti Chokha and Laktho.

As regards standards, regulations and quality, many export destinations prescribe product specifications which need to be adhered to, and it is the responsibility of stakeholders to ensure that these standards are met. In this regard, a supporting eco-system comprising phyto-sanitation certification, organic certification, testing for meeting stringent requirements of pesticide free produce, packaging, and labelling will be needed. Towards this, the Government could consider providing refund of expenses incurred for obtaining statutory certifications like Conformite Europeene, China Compulsory Certificate, etc. In addition, one-day training and awareness drive can be conducted in major production hubs for dissemination of information pertaining to these certifications, including process of application and support provided by the Government of Bihar.

Further, the State government can provide support in submission of applications under the Technology Acquisition Fund Programme (TAFP) schemes of the Central Government, in order to enable exporters to leverage the schemes to boost high-technology exports. As these programs meet only a fixed percentage of the cost of technology acquisition, the State Government can also provide additional financial support on a case-to-case basis.

FISCAL INCENTIVES

As the exports sector in Bihar is at a nascent stage, some fiscal incentives could be provided to exporters in the State. One of the fiscal incentives could be in the form of freight subsidy. This subsidy would help exporters in reducing the cost to exports arising out of infrastructural deficiencies. Keeping in mind the budget considerations, district and product-wise schedule for eligibility of reimbursement and amount for reimbursement under the freight subsidy scheme can be developed.

EXPORT PROMOTION CAMPAIGN

Export Awards can be instituted for recognizing the efforts of exporters across the key sectors such as agricultural and allied products, marine products, chemical and allied products, pharmaceuticals, textile and garments, engineering goods, and tourism. Separate awards can also be instituted for the MSME units.

From the perspective of export promotion, development and upgrading of clusters in the State will also be an important agenda. As an essential first step, the State needs to develop a mechanism for assessment of existing clusters in the State. Upon assessment of the clusters, the Government can undertake relevant capacity building activities.

Further, initiatives such as the Marketing Development Assistance Scheme of the Government of India have been proven to assist exporters for export promotion activities, and could be replicated at the State level. Such assistance can help diversify the destinations for exports.

INSTITUTIONAL STREAMLINING

The overall ecosystem in Bihar would need to be framed in a manner that propels the State to a higher export trajectory. Institutional structure comprising the associated state machineries would be pivotal in this process. In this context, Bihar Export Promotion Council (BEPC) could be set up under the Department of Industries, Government of Bihar, with the objective of ensuring strong export performance for the State. The BEPC could be set up with the participation of the State government, exporters and industry associations, and would also provide a forum for exchange of views, sharing of information, identifying obstacles faced by exporters and implementing measures to overcome them.

The Southern African Development Community or SADC countries are integral part of the African region accounting for around one-third of Africa's GDP and population in 2018. SADC currently has 16 member states namely Angola, Botswana, Comoros, the Democratic Republic of the Congo (DR Congo), Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe. Among the major regional trading blocs in Africa, SADC is the largest contributor (in terms of nominal GDP) to the African region and is endowed with numerous non-renewable resources such as coal, crude oil, natural gas and minerals.

The average economic growth of SADC has remained relatively sluggish in the last few years, with growth estimated at 1.3% in 2018. While there were declines in prices of agricultural raw materials, mineral and fuels post-2011, SADC's GDP had moderated across the years, indicating dependence of the region on commodity exports. Although prices have started recovering from 2016, the economic growth of the region has remained modest over the last few years as some of the major economies continue to remain in recession or debt distress due to loss of revenues. In spite of market diversification to emerging and developing economies like China and India, from saturated markets like OECD countries, the composition of export basket continues to remain the same with more than 80% of primary commodities exported, whereas industrial products and manufactured goods are largely imported.

COMMODITY DEPENDENCE OF SADC COUNTRIES

According to the UNCTAD, a country is considered "commodity-dependent'' if the commodities exported by the country account for more than sixty percent of its total merchandise exports in value terms. Based on this calculation, Sub-Saharan Africa is the most commodity dependent region in the world with 89% of the countries being dependent on commodity exports. This was followed by Middle East & North Africa with 65% of its countries, East Asia and Pacific, Latin America and the Caribbean, South Asia, and Europe and Central Asia. North American countries were found to be commodity independent.

The correlation coefficient between annual growth in commodity price indices (all groups including agricultural commodities, minerals, metals and ores and fuels) and real GDP growth rate of SADC for the period 1996 to 2018 using UNCTADStat data averaged at 0.56. However, a much higher correlation is observed when we consider SADC annual export growth and growth in commodity prices (all groups). The correlation coefficient goes up to 0.9 therefore revealing the high price sensitivity of the region's exports to commodities.

When individual categories of commodity price indices are considered over the same period of time, while the agricultural commodity price indices' correlation coefficient with SADC's GDP growth stood at 0.5, its correlation coefficient with export growth of SADC is much higher at 0.86. Similarly, minerals, ores and metal price indices' correlation coefficient with export growth is much higher at 0.82 compared to its correlation coefficient with SADC's GDP growth, which stood at 0.47. When it comes to fuel price indices, its correlation coefficient with SADC's GDP growth was 0.61 whereas with exports growth, it showed a higher correlation coefficient of 0.86. The movement in primary commodity prices can be associated with similar movement in export revenue causing instability in foreign exchange earnings of the SADC countries, thereby leading to growth volatility and a slower recovery.

MANUFACTURING EXPORTS AND VALUE ADDED BY SADC

According to the World Trade Organisation (WTO), Africa contributed to 1.9% in world's manufacturing value added, and nearly half of Africa's contribution originated from the SADC region. In fact, SADC ranks first among African RTAs in value terms, representing 37.3% of total African exports in 2017. SADC also shows the highest share of manufacturing exports to the continent vis-à-vis its exports to the world, which mainly includes fuels and mining products.

To understand the domestic situation of a country and its competitiveness in terms of manufacturing, an analysis of the manufacturing value added per capita (constant 2010 US$) allows for comparing a country independent of its size thereby revealing its stage of development and is expected to increase with higher structural change. The world average of manufacturing value added (MVA) per capita stood at US$ 2,027.5 in 2017. Africa has the lowest MVA per capita of US$ 276.5, as compared with that of other regions in the world. MVA per capita of SADC members averages to US$ 440.4 in the same period. An analysis of the Competitive Industrial Performance (CIP) Index 2019 by UNIDO for SADC member countries reveals that of the 150 countries ranked, SADC member rankings range from 81 to 138, with South Africa being an exception ranking 45th. Eswatini ranked at 81st was the second best performer among the SADC countries, whereas Malawi ranked 138th.

GVC PARTICIPATION

An analysis of the Global Value Chain (GVC) participation rate for SADC countries, highlights the high rate of Domestic Value Added (DVA – downstream component) embedded in other countries' exports **(Chart 1)**. Foreign value added (FVA) – upstream component in exports is much lower in the SADC region, where natural resources and commodities exports have little foreign inputs. The GVC participation rate indicates the portion of a exports that is part of a multi-stage trade process, capturing both upstream and downstream integration. This is computed as the sum of its FVA (upstream component) and the part of its DVA embedded in other countries' exports (downstream component), usually expressed as shares of the country's gross exports (GVC participation rate). The key challenge of policy makers is to identify the entry points to a particular value chain and then integrate within the regional level.

Participation of the SADC countries in regional value chain is modest and is mainly characterized by downstream participation through export of primary commodities, minerals, agricultural goods with limited value addition. The only exceptions in this case are the apparel and automobile value chain which has developed across South Africa.

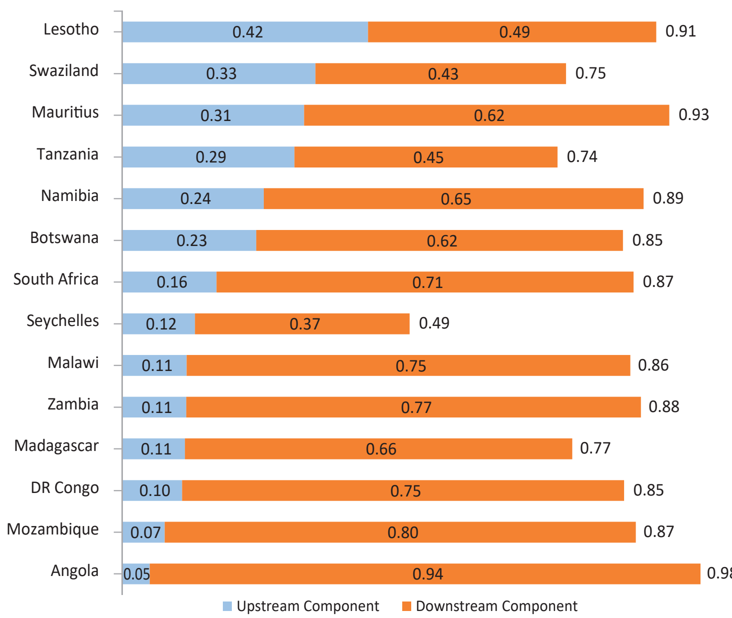
The SADC value chain is essentially of Hub and Spoke model, with South Africa remaining as the centre point with lead firms and corporates. This limits the participation of the other countries within the region. Weak logistics, inadequate physical infrastructure and skill deficiencies act as constraints to the integration of the SADC economies to regional as well as global value chains.

Also, countries like Botswana, Lesotho, Namibia and Eswatini, Mauritius and Seychelles are smaller economies with limited scope of industrialization which inhibits cluster development. On the other hand, South Africa, which is relatively more industrialized and accounts for almost 50% of the regional GDP, creates an imbalance due to its larger scale.

INDIA'S INVESTMENT POTENTIAL IN SADC'S MANUFACTURING SECTOR

According to the Ministry of Finance and the Reserve Bank of India (RBI), India's approved cumulative investments in the SADC region during April 1996 to March 2019 amounted to US$ 60.5 billion. Mauritius, Mozambique and South Africa are the top destinations of India's investments in the region. India's investments in the SADC region accounted for nearly 93.8% of Indian investments in Africa during April 1996 to March 2019, mainly dominated by investments in Mauritius. During 2010-11 to 2018-19 the cumulative Indian investment in the SADC region amounted to US$ 51.2 billion. The manufacturing sector accounted for the largest share of approved investments from India to the SADC countries (42%) of total investments received by SADC followed by financial, insurance, real estate and business services (24%), wholesale, retail trade, restaurants and hotels (9%) transport, storage and communication services; and agriculture and allied activities both accounting for 8% share in total investments by India. Mauritius has received the highest investment in manufacturing (98.7%), mainly due to the country's offshore financial facilities and favourable tax conditions. The other SADC countries which have received Indian investments in manufacturing are South Africa (49% of the investments in manufacturing when Mauritius is excluded from the cumulative amount), Zambia (20%), Tanzania (16%), Botswana (7%), Zimbabwe (4%), Malawi, Madagascar, Namibia, Mozambique each accounted for a share of 1%.

Chart 2: GVC Participation of SADC Countries, 2018



GVC Participation Index= [foreign value added (FVA)/ Gross Exports] + [domestic value added (DVA)/ Gross Exports].

Note: Data for Zimbabwe is not available.

Source: UNCTAD-Eora Global Value Chain Database; and Exim Bank Analysis.

WAY FORWARD

India's engagement with SADC has been mainly private sector driven, resulting in greater integration with the domestic market. Therefore, in line with the SADC Industrialization Strategy and Roadmap 2015 – 2063, select manufacturing sectors which Indian investors may explore for investment opportunities are agro-processing, mineral processing, pharmaceuticals, consumer goods including textile & apparel, leather and footwear; and automotive components, thus helping the region in moving up the value chain.

Exim Bank Facilitates Lacustrine Fisheries Industry in Abidjan

Exim Bank of India (Exim Bank), through its Marketing Advisory Services, plays a promotional role to create and enhance export capabilities and international competitiveness of Indian companies. Exim Bank assists in identification of opportunities overseas and seeks to help Indian exporting firms in their globalization efforts by proactively assisting in locating overseas distributors / buyers / partners for their products and services on a success fee basis. In a first ever, Bank has assisted development of a Lacustrine Fisheries Industry in Kibouo Lake Dalao city in Abidjan, Cote d'Ivoire. Upon receiving a request from the FM Invest SA, Abidjan, a team of competent consultants from India were identified by Exim Bank to carry out a Feasibility Study of the project location, followed by preparation of a Detail Project Report. The team of consultants included an expert in fisheries, a marketing expert with expertise also in ISO certification and a mission leader with vast experience in handling multilateral agro-based projects. Followed by approval of Technical and Financial proposals submitted to FM Invest SA, Abidjan through Exim Bank, Bank facilitated the Consultants' travel to Abidjan and survey of the project area.

Côte d'Ivoire is the largest economy of the West African and Monetary Union (WAEMU), accounting for one third of the region's GDP. Real GDP growth has hovered around 8-10%, external debt was reduced under the IMF's Heavily Indebted Poor Countries (HIPC) initiative. It also has large untapped mining and hydrocarbon resources, and a relatively diversified industrial base by regional standards. Being the world's largest cocoa exporter, agriculture remains the engine of economic growth. However, poverty is estimated to have increased from 10% in 1985 to peak at 51% in 2011. It eased to an estimated 46% in 2015, remaining higher in rural areas. About 15% of rural households are vulnerable to food insecurity. As a fallout of prolonged civil war and political unrest until 2017, the main challenges in the medium term faced by the country is to achieve more inclusive growth. Aquaculture is potentially a huge national asset of Cote d'Ivoire, which if widely exploited may help in achieving livelihood security and alleviate poverty in the country.

In view of this, a detailed survey of the Kibouo Lake area was undertaken by the Consultants. The Feasibility Report submitted designed a project spanning five year with the following objectives: (i) harnessing the water resources of the Kibouo Lake through intensive sustainable aquaculture; (ii) developing commercial fish industry for the production of quality fingerlings, hygienic fish products and (iii) undertaking research and development on cat fish. The study recommended Tilapia, Catfish and Capitaine (Nile perch) to be the preferred species to be cultivated in the lake. The project has been developed in a mission mode with five project components, which are inter-related and mutually dependent, include (i) project management, (ii) infrastructure development, (iii) fish production facilities and fish production through cage-culture, (iv) marketing and (v) social development of the project area villages.

Given the water quality constraints due to the annual Harmattan season, for the year-round production of Tilapia under cage culture, the implementation will be focusing on prioritizing the activities in a manner that the lake environment is protected and at the same time harnessing for economic benefits. The study also outlines training and capacity building modules for the local population in aquaculture practices, management and marketing.

The project is envisaged to benefit the two surrounding villages of Kibouo and Digbapea, which have a combined population of 3,994 persons. Apart from capacity building in aquaculture practices and management, 300 households are anticipated to be provided with livelihood support through the project in the form of backyard poultry, goat-keeping and high-value vegetable cultivation. In addition, the project is also anticipated to benefit a significant number of consumers, estimated to around 20,000 every week with its supply of quality fish and fish products.

The study recommends and outlines roadmap for the company for targeting the star hotels, restaurants and super markets for marketing the aquaculture products, and not compete with local fish retailers in the surrounding area. It also proposes development of a medium to high-tech processing unit to target high-end consumers through its especially designed kiosk in Abidjan. The project is currently under implementation stage.

Signing of Agreement between Indian Consultants Nominated by Exim Bank, FM Invest SA, Abidjan and Exim Bank for Lacustrine Fisheries Industry Development in Kibouo Lake Dalao city in Abidjan.

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. Under the Lines of Credit extended with the support of Government of India, Exim Bank reimburses 100% of contract value to the Indian exporters, upfront upon the shipment of goods and at least 75% of goods and services of total contract value should be sourced from India. LOCs have 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 259 Lines of Credit, covering over 62 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of over US$ 25.4 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.

Exim Bank, with the support of Government of India, has signed three LOCs as given below during the period Oct-Dec 2019:

(i) An LOC of US$ 236 million was extended to the Government of Mongolia for Petrochemical Refinery Project in Mongolia. With the above LOCs, Exim Bank, till date, has extended three Lines of Credit to the Government of Mongolia, with the support of the Government of India, taking the total value of LOCs extended to US$ 1,256 million. Projects covered under these LOCs include Information Technology and Petrochemical Refinery Projects.

(ii) An LOC of US$ 30 million was extended to the Government of Republic of Sierra Leone, for the purpose of financing land and infrastructure development including hydraulics, water management system (irrigation) and provision of tractors in Sierra Leone. With the above LOCs, Exim Bank, till date, has extended four Lines of Credit to the Government of Republic of Sierra Leone, with the support of the Government of India, taking the total value of LOCs extended to US$ 153 million. Projects covered under these LOCs include sectors like Power, Agriculture, and potable water in Sierra Leone.

(iii) Two LOCs of US$ 20.2 million and US$ 170 million were extended to the Government of Republic of Guinea for financing Solar Projects and Strengthening the Drinking Water Supply of Grand Conakry-Horizon 2040, respectively. With the above LOCs, Exim Bank, till date, has extended three Lines of Credit to the Government of Republic of Guinea, with the support of the Government of India, taking the total value of LOCs extended to US$ 225.2 million. Projects covered under these LOCs include Construction and upgradation of hospitals, solar projects and water supply project.

For further information, please contact:

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Mr. Sudatta Mandal, Chief General Manager, Export-Import Bank of India, exchanging the Line of Credit Agreement with H.E. Mr. Mamadi Touré, Hon'ble Minister of Foreign Affairs and Overseas of Guinea, Government of the Republic of Guinea, in the presence of Shri Subrahmanyam Jaishankar, External Affairs Minister, Government of India, in New Delhi on December 05, 2019.

MOVING UP THE VALUE CHAIN ESSENTIAL FOR REDUCING COMMODITY DEPENDENCE IN SADC REGION: EXIM BANK STUDY

Exim Bank's study analyses the current trade and commodity export composition in the SADC region. An analysis of the Global Value Chain (GVC) participation rate for SADC countries, highlights the high rate of Domestic Value Added (DVA) embedded in other countries' exports. In this regard, the purpose of this study is to delve on making the region a globally competitive industrial base by having India's engagements into key potential manufacturing sectors in the SADC region.

The publication entitled 'Manufacturing in SADC – Moving up the Value Chain' was released by His Excellency Mr. Edgar Chagwa Lungu, President of the Republic of Zambia in the presence of dignitaries Hon. Mr. V Muraleedharan, Minister of State for External Affairs, India, Hon. Christopher Yaluma, Minister of Commerce, Trade and Industry, Zambia, Dr. Chabuka J Kawesha, President, Zambia Chamber of Commerce and Industry (ZACCI), Mr. S Kuppuswamy, Co-Chair, CII Africa Committee and Director, Shapoorji Pallonji Group, and Mr. Mukul Sarkar, Chief General Manager, Export-Import Bank of India during the CII-EXIM Bank Regional Conclave on India and Southern Africa held in Lusaka, Zambia on October 14, 2019.

EXIM BANK RAISES US$ 50 MN 3-YEAR TENOR SOCIALLY RESPONSIBLE MEKONG REGION DEVELOPMENT BOND

Exim Bank successfully issued its first ever US$-denominated Socially Responsible Bond for US$ 50mn. The Bond is significant as it marks the first issuance by Exim Bank to tap investors seeking more socially responsible investment options. Socially Responsible Investing, also known as ethical and green investing, means avoiding industries that negatively affect the environment and its people. Social projects are projects, activities and investments that directly aim to help address or mitigate a specific social issue and/ or seek to achieve positive social outcomes. The funds raised from the bond will be allocated to infrastructure projects in the Mekong Region. The bond is named as Socially Responsible Mekong Region Development Bond considering projects from Cambodia, Myanmar and Vietnam. The 3 year US$ 50 mn dollar SR Bond was issued at a fixed coupon of 2.385% per annum. Standard Chartered Bank acted as arranger for the offering. The bond marks the first issuance in private placement format under Bank's Global Medium-Term Note Programme creating a new investor portfolio for the Bank. The bond is exclusively placed with The Dai-ichi Life Insurance Company, Limited. It is Japan's first mutual company and provides insurance products and services.

EXIM BANK ALONG WITH OTHER MEMBER DEVELOPMENT BANKS OF BRICS NATIONS SIGNED MOU FOR MOBILISATION OF PRIVATE INVESTMENT IN INFRASTRUCTURE

The Managing Director of Exim Bank of India, Mr. David Rasquinha, signed a multilateral cooperation agreement, along with Head of Delegations from other member development banks of BRICS (Brazil, Russia, India, China, and South Africa) nations, expressing their intent to jointly mobilise private investment in infrastructure. The MoU was signed during the Annual Financial Forum, organised under the aegis of BRICS Interbank Cooperation Mechanism. The MoU was an outcome of the discussions the member development banks have had during their annual meeting, with the objective of strengthening the cooperation under the BRICS Interbank Cooperation Mechanism. Under this umbrella agreement, the signatories have agreed to explore the possibilities of financing, co-financing or guaranteeing of private investment in the infrastructure sphere.

Under this arrangement, the development banks of BRICS nations have agreed to establish a Working Group which will undertake preliminary research to identify projects that are of common interest for mobilization of private investment. The Working Group will also explore the availability of financial solutions, regulatory and legal innovations, identification of suitable PPP models and bidding processes.

STRENGTHENING THE EXPORT CREDIT AGENCIES WILL BE A SINE QUA NON FOR BOOSTING PROJECT EXPORTS FROM INDIA: EXIM BANK STUDY

With merchandise exports witnessing a slowdown during the past decade, there is a need to focus on newer avenues for export growth from India. According to a study by Exim Bank, project exports is one such sector of opportunities for India. Analysis in the study indicates that contract awards for projects financed by Multilateral Development Banks (MDBs) [World Bank, the Asian Development Bank (ADB), the African Development Bank Group (AfDB), the Inter-American Development Bank and the European Bank for Reconstruction and Development] amounted to nearly US$ 155.7 billion during 2014-2018, indicative of immense opportunities for project exporters in India. Indian companies secured contracts amounting to US$ 21 billion during this period in projects funded by the major MDBs—the ADB, the AfDB and the World Bank funded projects.

The Study titled 'Project Exports from India: Strategy for Reenergizing and Reorienting' was released by Mr. Piyush Goyal, Hon'ble Minister of Commerce and Industry, Government of India during a two-day seminar organized by Exim Bank on the theme 'Building a Roadmap for Boosting Project Exports' on 8-9 December 2019, in New Delhi. The seminar had speakers from Exim Bank, Ministry of Commerce and Industry, Ministry of Finance, Ministry of External Affairs, international financial institutions, and companies engaged in project exports. The seminar was attended by more than 150 participants from the Indian business community, as also Indian missions of several countries.

ECL ACTIVITIES

Exim Bank organized an interaction on the theme 'Promoting Exports from Bihar' on November 18, 2019; at Patna, Bihar, to familiarize participants with the potential export opportunities, as also to proffer key export strategies for Bihar to realise its untapped potential and achieve a high export growth trajectory. The programme was attended by industry stakeholders from Bihar, and had speakers from Exim Bank, Bihar Government, FIEO, and key exporters from the region. On this occasion, Exim Bank released a working paper titled 'Promoting Exports from Bihar: Insights and Policy Perspectives'. The Study examines Bihar's economic profile, analyses the potential for exports from the State, and outlines strategies for creating an enabling environment for exports at the state-level.

To facilitate the handicrafts and grassroots sector, Exim Bank has partnered with Export Promotion Council for Handicrafts to organise workshops for rural artisans in areas related to export documentation and marketing. Two of these workshops were held during the quarter at Sagar (Karnataka) and Puducherry.

Exim Bank organised a two-day seminar on 'Building a Roadmap for Boosting Project Exports' at New Delhi on December 8 and 9, 2019. The seminar had speakers from Exim Bank, Ministry of Commerce and Industry, Ministry of Finance, Ministry of External Affairs, international financial institutions, and companies engaged in project exports. The seminar was attended by more than 150 participants from the Indian business community, as also Indian missions of several countries. Shri Piyush Goyal, Hon'ble Minister of Commerce and Industry, Government of India gave the valedictory address at the seminar and released Exim Bank's study titled 'Project Exports from India: Strategy for Reenergizing and Reorienting'.

Exim Bank organised a Masterclass on the topic 'Intensifying Trade Protectionism: Causes and Implications'. Prof. C. Veeramani from Indira Gandhi Institute of Development Research (IGIDR), Mumbai, along with economists of Exim Bank presented at this webinar.

EXIM BANK SUPPORTED EXHIBITION OF HANDICRAFT AND HANDLOOM PRODUCTS, AT SHARADOTSAV, MUMBAI DURING OCTOBER, 2019.

Exim Bank through its Grassroots Initiatives for Development (GRID) and Marketing Advisory Services (MAS), programs, has been actively supporting artisans, master craftsmen, weavers, clusters, Self-Help Groups, NGOs, grassroots and micro enterprises to participate in trade fairs and exhibitions, including for instance, Export Promotion Council for Handicraft's Home Expo (EPCH), Central Cottage Industries Corporation of India's exhibition, Kalaghoda Art Festival, Surajkund International Craft Mela, Traditional and Folk Art Exhibitions etc., in major metro cities such as New Delhi, Mumbai, Pune, Hyderabad, Bangalore, Haryana, Chennai and Kolkata. Exim Bank has also been supporting and curating grassroots enterprises and craftsmen through several activities including organizing product development workshops, skill development trainings and placing products in local & overseas markets. To augment these efforts, the Bank launched, in September 2017, its initiative 'Exim Bazaar', an exclusive handicraft & handloom exhibition, enabling direct sales to the end buyer. So far, the Bank has organized five such fairs all over the country.

Bank supported Sharadotsav is a four-day festival celebrated annually during the month of October, all over Mumbai. This year's Sharadotsav was conducted during October 4-7, 2019. The festival is organized by various NGOs, Trusts and Societies based in Mumbai. The area of each centre where the festival is held ranges from 1700 square feet to 10,000 square feet, depending on the location and daily footfalls average between 20,000 to 100,000. The visitors to the festival comprise both residents and foreigners. The festival has been providing a platform for craftspersons to directly market their products by eliminating middlemen. A wide range of textiles, paintings, wood carvings, ivory work, pottery, terracotta, stonework, lacquer ware, cane & bamboo, grass products, durries & carpets and iron & metal craft products are exhibited during the festival.

A total of 7 participants, representing the rich artistic traditions from states including Maharashtra, Gujarat, Rajasthan, West Bengal showcased their handmade products. The ambit of products showcased in the five-day exhibition garnered encouraging responses amongst festival goers. The event attracted a large number of visitors. The artisans were able to generate high sales during the exhibition, and besides many artisans secured valuable contacts for future bulk orders. Depending on the product, sales from each stall ranged between ₹ 2 Lakh and ₹ 3 Lakh per day.

Essays on Education and Institutions in Developing Countries

Export-Import Bank of India (Exim Bank) instituted the BRICS Economic Research Award (BRICS Award) in 2016. The objective of the award is to stimulate and encourage advanced doctoral research by nationals of the BRICS countries on international economics, trade, development, finance, and related topics of contemporary relevance to the member nations of BRICS. The Award comprises prize money of Indian Rupees 1.5 million (approximately USD 22,000) sponsored by Exim Bank, a medal and a citation. The study titled 'Essays on Education and Institutions in Developing Countries' is based on the BRICS Award 2019 winning thesis by Dr. Tushar Bharati, Assistant Professor of Economics, University of Western Australia Business School, Australia.

Accumulation of human capital is considered crucial for the diffusion of modern economic growth to the developing regions of the world. Higher levels of human capital are also associated with the evolution of better institutional infrastructure and are desirable in their own right. Despite large investments in education, educational attainments remain low in much of the developing world. The study examines the factors influencing the demand for education in developing countries and the role of education and information in shaping the political institutions that might feedback in the form of more efficient legislation and execution of policies aimed at improving educational attainments.

The study examines the extent to which a supply-side intervention aimed at improving access to schools helped individuals recover from an early-life shock. Using variation in an Indonesian primary school construction programme, the study shows that individuals who experienced low rainfall in the first year of life but were later exposed to the school construction programme recovered completely from the educational deficit caused by the early- life shock. For individuals who did not experience the adverse rainfall shock, the school construction had no impact. This was, in part, a result of deteriorating school quality and increased competition to get into middle schools that affected the high-rainfall individuals disproportionately.

The study also examines the joint effect of two public policy programmes in Tanzania - the Iodine Supplementation Program (ISP) and the Primary Education Development Programme (PEDP). It finds that individuals who received iodine supplementation in-utero but did not benefit from the abolition of school fees under PEDP (ISP exposed group) started school later and had completed fewer years of education by the time of the survey than those who did not benefit from the supplementation or fee abolition (control group). Those who did not receive the iodine supplementation but benefited from the fee abolition (PEDP exposed group) started school earlier and had completed more years of than the control group individuals. Those who received both the iodine supplementation and benefited from the fee abolition started school the latest and had completed the least amount of schooling by the time of the survey. Using the ratio of the impact of the two policies and their interaction on completed schooling and primary school starting age, the study shows that those who were exposed to ISP were more productive in converting one extra year in school into completed years of schooling. This evidence in favor of dynamic complementarity between years in school and iodine supplementation. The study provides suggestive evidence that this delay in enrolment for those exposed to ISP was due to their worse health and higher likelihood of working before enrolment.

The above analyses make a case for policy intervention to promote education. The quality of political institutions can affect the efficient implementation of these policies. Elected representatives can have a significant role to play in implementing such policies. An interesting question is why do voters elect inefficient candidates to office. The study thus, goes on to examine the role of co-ethnic voting in the election of inefficient representatives, who, allegedly, undermine the effectiveness of such policies. The study predicts that a party's choice to field a candidate of an ethnicity-type depends on the ethnic composition of the constituency's voters and the ethnicity of other rival candidates running for office. Evidence suggests that parties occasionally disregard potential candidate's capabilities based on education, legislative experience etc. to differentiate along ethnic lines. As a result, inefficient candidates could get elected to office.

The study verifies that households respond to both changes in costs and benefits and changes in the quality of schooling. Higher education might not always translate into higher earnings due to low quality of education or low returns to education in the local economy. However, quality education might have non-pecuniary benefits in the long term in the form of better institutions. Better institutions might improve the efficiency of all government policies and contribute to overall welfare. Therefore, the cost-benefit analysis of such education policies should take into consideration the long-run rewards of these policies.

GHANA

The economy of Ghana is expected to grow at 6.4% in 2019, followed by a moderate slowdown in 2020, with GDP expanding by 5.5%. Economic growth is primarily driven by the hydrocarbons sector. Oil and gas production is being ramped up in order to overcome the softening global crude oil prices. The spill over effects from hydrocarbons sector led growth will lead to slight increases in broader industrial production, infrastructure investment and auxiliary services. Real GDP growth is expected to average 6.4% in 2021-24, reflecting the boost to oil and gas output volumes arising from the development of new resources. Growth will also be buoyed by rising global oil prices from 2021-23 and will remain high in 2024. The annual average consumer price inflation will moderate in 2020, averaging at 8.1% as compared to 10.1% in 2018. The Ghana's cedi is expected to depreciate to GH¢ 5.77: US$1 in 2020 from GH¢ 4.58: US$ 1 in 2018. The current account will remain in surplus over the forecast period, averaging 1.4% of GDP in 2020-24, as a result of rising exports of gold and oil.

MYANMAR

Myanmar's real GDP is expected to grow at 6.6% in 2019, and the growth is expected to average at 6.7% during the period 2020-24 (which will be amongst the highest growth within the ASEAN). Domestic demand will remain the biggest contributor to GDP expansion. Growth in exports of goods and services will be accompanied by a steady flow of industrial imports, owing to strong investment activity and a lack of domestic industrial capacity to support infrastructure projects. As a result, Myanmar's current-account deficit is expected to widen from 4% of GDP in 2020 to 5.3% of GDP in 2023. This will put pressure on the 'kyat', and the kyat will depreciate from an annual average of Kt 1,570: US$ 1 in 2020 to Kt 1,705: US$ 1 in 2024. A widening current account deficit, depreciating domestic currency and domestic demand pressures will ensure uptick in inflation. Therefore, consumer prices are expected to grow at an annual average of 7.6% in 2020-24.

SURINAME

Suriname's real GDP grew at an estimated 2.2% in 2019 driven majorly by government consumption ahead of the elections in May 2020. Growth is majorly supported by higher export volumes boosted by new mining projects and higher private investments. On the supply side, economic recovery would be aided by maturing investment in agriculture, manufacturing, energy and gold mining. From an estimated 2.2% in 2019, the real GDP growth is expected to accelerate in 2020, to 2.5%, on the back of higher government consumption and investment, as well as higher gold exports. Inflation is forecast to remain relatively stable in the coming years, declining from 7.1% in 2018 to 4.2% in 2019. This is a significant reduction after peaking at 77% in September 2016, following currency devaluation. The currency has stabilised after a devaluation in 2015-16, following the triple shock of a collapse in oil and gold prices and an end to bauxite production. Amid a recovery in the external sector, the exchange rate stood at an average of around Sr$ 7.46: US$ 1 in 2019. The current-account balance is expected to swing from a narrow deficit in 2019 (an estimated 0.1% of GDP), to a surplus in 2020-21, averaging at 1.1% of GDP. New gold-mining capacity coming on stream and increased activity at the Staatsolie oil refinery (reducing the need for import of refined fuels) would support a trade surplus, but this is likely to narrow slightly, as import demand recovers with the economic recovery and a more stable exchange rate.

RUSSIA

Russia's real GDP grew at an estimated 1.1% in 2019 compared to an average of 2.2% in 2018. This is majorly owing to a fall in household spending following an increase in value-added tax (VAT). Investments have remained low as major infrastructure construction projects related to the 2018 FIFA World Cup are now completed, and implementation of the National Projects has been slow and a dip in oil prices. Growth is expected to pick up to 1.6% in 2020, as the enactment of the National Projects has now been made a priority in the 2020 draft federal budget, which should support activity in the industrial and construction sectors. Growth in household consumption will slow in 2020, as the Central Bank Russia (CBR) introduced tighter prudential requirements in October 2019 that is expected to reduce unsecured lending. Russia experienced consumer price disinflation from late 2015 until mid-2018. However, inflation picked up from mid-2018 and is estimated to remain at 4.5% in 2019 exceeding the 4% target of the CBR. In 2018 the rouble depreciated to an average of Rb 62.7:US$ 1, from Rb 58.3:US$ 1 in 2017, owing to the imposition of new US sanctions and the government's fiscal rule, which prevented the strengthening of the rouble alongside rising oil prices. In 2019 the rouble recovered against the US dollar and is estimated to remain at an average of Rb 64.8: US$ 1, supported by higher oil prices, solid current-account inflows, a dovish rhetoric from leading central banks and no action on additional US sanctions. In 2019 the current-account surplus is estimated to have contracted to 6.2% of GDP, from 6.9% of GDP in 2018 owing to weaker energy prices, but strong agricultural exports are expected to limit the pace of the contraction.

SOUTH KOREAN WON

A downturn in the computer chip market, global trade frictions and economic slowdown have put pressure on Asia's fourth largest economy – South Korea. The country's exports, the most important driver of growth, fell for 11 consecutive months and the economy grew 2% in the third quarter from a year earlier, heading for the weakest growth in a decade.

The nation's fate is closely tied to global electronics demand and China, with exports representing 45% of the country's GDP and China accounting for a quarter of the outbound shipments.

Consequently, uncertainty weighs on the Korean Won, which is down nearly 7% this year. During the last quarter, i.e. October-December 2019, KRW traded in the range of 1,152.11 to 1,206.89 against the US$. Off late, the trend in the US$/KRW seems to be a one way street as the Government's record stimulus efforts are struggling to make any significant difference to private spending or job creation.

Despite expectations that the cyclical downturn for the memory chip market has bottomed out, and optimism surrounding a 'phase-one' deal between the US and China, the KRW is expected to continue its weakening trend before stabilizing going forward.

EURO

Despite the narrowing of the US' yield advantage over European debt, sluggish eurozone economic growth has kept the euro modest through the year. The EUR/US$ pair started the last quarter, i.e. October – December 2019 around 1.0899 and the currency has since appreciated seeing a high of 1.1199 against the US$. The level of 1.10 looks like a good support while the level of 1.12 looks a tough point to break through in the coming months.

A resolution or some easing of hostility in the Sino-US trade war, and an unwinding of Brexit risks, alongside an improving growth outlook in the currency bloc are expected to give the currency a much needed push. The threat of US tariffs on EU goods looms large, however.

In a research note published in the first week of December, London-based strategist George Saravelos said Europe has become a big lender to the rest of the world, marking an important regime break for the currency. Loans by eurozone banks to non-residents have climbed to levels not seen since 2008, while euro-denominated liabilities of non-EU banks have also picked up sharply.

This would make the currency behave more like the Japanese yen, which has long been a preferred channel for investors who want to borrow in a low-yielding currency to buy assets offering higher rates: the so-called carry trade.

Growth is stabilizing in the eurozone and is expected to have a modest rise over the next two years. Going forward, the effects of the ECB's accommodative policies should filter through to the real economy accompanied by marginal fiscal stimulus from the countries that have the space to implement it. The threat of an overheating US economy could also result in a relative appreciation of the EUR. Hence, markets expect the EUR to appreciate to 1.14 levels by Q4 2020.

MALAYSIAN RINGGIT

As compared with the US dollars, MYR opened the year at 4.1300 and touched a low of 4.2150 during August 2019, and thereafter gradually appreciated to close at 4.1410 on December 17, 2019.

The Bank Negara Malaysia (BNM) on November 5, 2019 maintained its accommodative monetary policy stance over the foreseeable future in the absence of demand driven price pressures. Nevertheless, the BNM's surprise 50 bps to the Statutory Reserve Requirement (SRR) Ratio cut should boost local equities and bonds if external worries fade away.

Nevertheless, inflation has increased to some extent, reflecting the lapse of the impact of the abolishment of the goods and services tax in June 2018. In October 2019, headline CPI rose by 1.1% y/y vs. the May figure of 0.2% y/y when the base effect was still at play. The consensus expectation is for headline inflation rate to close 2019 at 1.3% y/y. Following the most recent monetary policy meeting on November 5, the BNM left the overnight policy rate unchanged at 3.0%. It is expected that the central bank will keep the benchmark interest rate on hold in the near term as monetary authorities assess the health of domestic and global economic growth momentum and the need for further policy support.

Domestic demand is expected to continue to support the economy over the coming quarters, while the external sector would remain adversely affected by weaker global growth, the supply chain ripple effects of the ongoing trade tensions between the US and China, as well as the downturn in the global electronics sector.

In an endeavour to enhance India's International trade and to reduce the asymmetry in availability of information on trade finance, credit insurance facilities and other trade related intelligence amongst Indian entrepreneurs, Exim Bank launched a portal which aims to make concerted efforts towards fulfilling the twin objectives, namely providing information on credit availability for exports, and delivering trade related information. Exim Mitra, attempts to demystify queries related to international trade received from Indian entrepreneurs, some of which are listed below:

Information on Advance Authorisation for Annual Requirement

Response **-** An Advance Authorisation is issued to allow duty free import of inputs, which are physically incorporated in export product (making normal allowance for wastage). In addition, fuel, oil, energy, catalysts which are consumed/ utilised to obtain export product, may also be allowed. Director General of Foreign Trade (DGFT), by means of Public Notice, may exclude any product(s) from purview of Advance Authorisation.

Eligibility Condition to obtain Advance Authorisation for Annual Requirement -

(i) Exporters having past export performance (in at least preceding two financial years) shall be entitled for Advance Authorisation for Annual requirement.

(ii) Entitlement in terms of Cost Insurance & Freight (CIF) value of imports shall be up to 300% of the Free on Board (FOB) value of physical export and / or Freight on Road & Rails (FOR) value of deemed export in preceding financial year, or ₹ 1 crore, whichever is higher.

Calculation of custom duty for import of construction nails in India

Response **-** Nails for construction may broadly fall under 4-digits HS Codes of 7317 and 7318. Importers may like to first identify exact HS code at 6-digit or 8-digit level from the DGFT database.

To get information on Custom Duty for your product, individual may like to visit Customs Duty Calculator under Export Import Intelligence section of the Exim Mitra portal.

Step 1: Select Trade Guide on Imports.

Step 2: Enter your HS Code in CTH column, select country of origin and search.

Step 3: Click on the HS Code of your product.

Importers may also visit any EEPC office or DGFT office nearby to take their advice on import regulations.

Information on HS Code classification of nut bolts made of plastic and steel for Motorcycle Manufacturers

Response **-** As per Director General of Foreign Trade - Import Policy, Import of Nut Bolt's made of plastic comes under Indian Trade Classification, Section VII Chapter 39 (Plastic and Articles Thereof) whereas Nut Bolt's made of steel comes under Indian Trade Classification, Section XI Chapter 73 (Articles of Iron and Steel).

Exporters/Importers may like to refer to DGFT's notifications to get more information for HS code classification of your product.

Information on buyers in foreign countries for export of Tea & Spices

Response **-** Importers Directory under Agrixchange portal of Agricultural and Processed Food Products Export Development Authority allows exporters to view list of importers of the product of their interest.

Exporters could also visit the "Global Product Market" section under Export-Import Intelligence section of the Exim Mitra Portal, to get information on importers.

Step 1: Click on the exports tab and enter the description/HS code of your product.

Step 2: Enter the country for your exports and click on the companies tab.

Step 3: List of importing companies for your product and their contact information can be seen.

Exporters can also refer to the Foreign Buyers section on the Indian Trade Portal website.

Information on registration process for Import Export Code

Response **-** Exporters/Importers may like to visit DGFT website to apply for a new IEC Code.

On the DGFT website under Quick links select Apply for New IEC/ Modify existing IEC. Enter your PAN and press Search Button. Then system will prompt for the following:

(a) Name of Company (b) Date of Birth/Incorporation (DOB/DOI)

After entering above given details at (a) and (b) the system will verify your Name, DOB/DOI from the CBDT PAN Web Server and then it will direct to DGFT- IEC application enabling you to file for fresh IEC application.

Information on Import of Poultry Feed

Response **-** As per DGFT, Import of Poultry Feed comes under chapter 23 (Residues and waste from the food industries; prepared animal fodder).

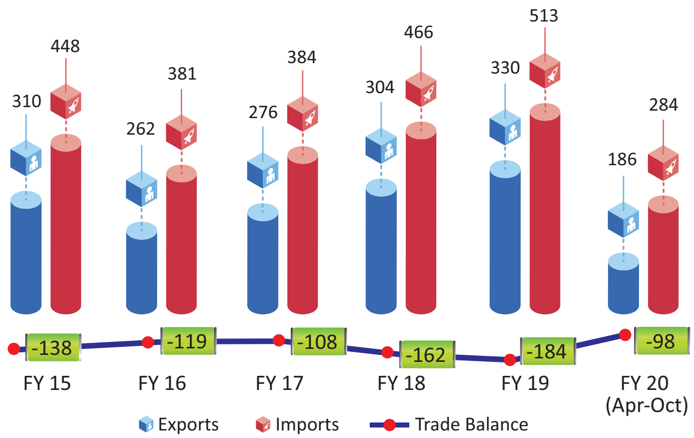
Policy Conditions/Requirement -

Import of items of animal origin or the products intended for animal feeding containing animal origin materials under ITC (HS) Code 2309 'Preparations of a kind used in Animal Feeding' is subject to a sanitary import permit. The permit is issued by the Department of Animal Husbandry, Dairying & Fisheries, Government of India, as per Section 3A of Livestock Importation Act, 1898, as incorporated by Live Stock Importation (Amendment) Act, 2001 (Act No. 28 of 2001, 29th August, 2001), or as amended from time to time.

Exporters/Importers may like to refer to the website of Animal Quarantine and Certification Service India for Information on Import and Export of Livestock and Livestock Products.

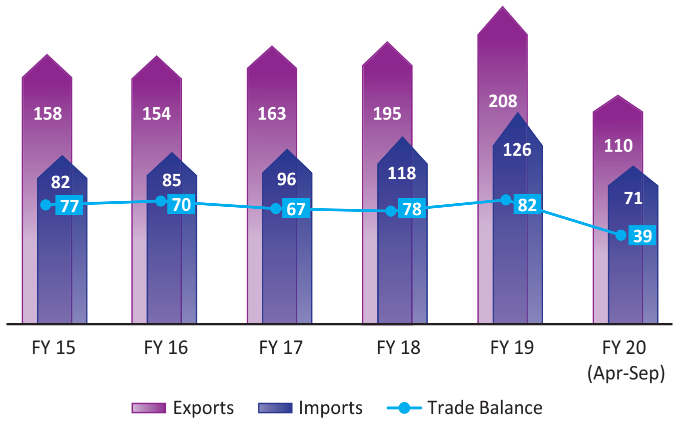
Snippets on Indian Economy

Merchandise Trade



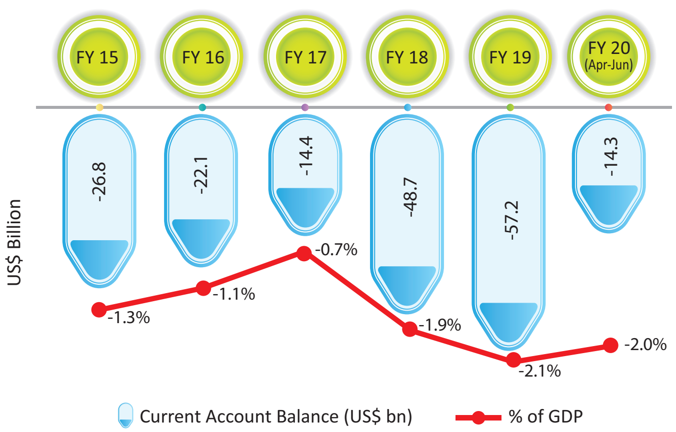
Source: MOCI

Services Trade



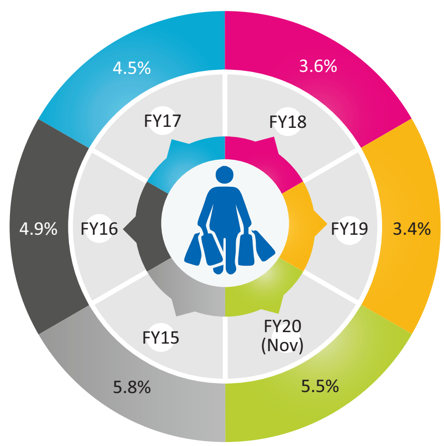
Source: RBI

Current Account Deficit



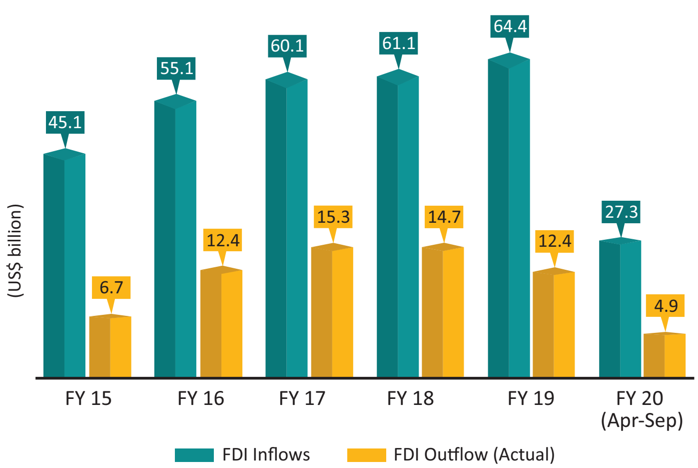
Source: RBI

Consumer Price Inflation



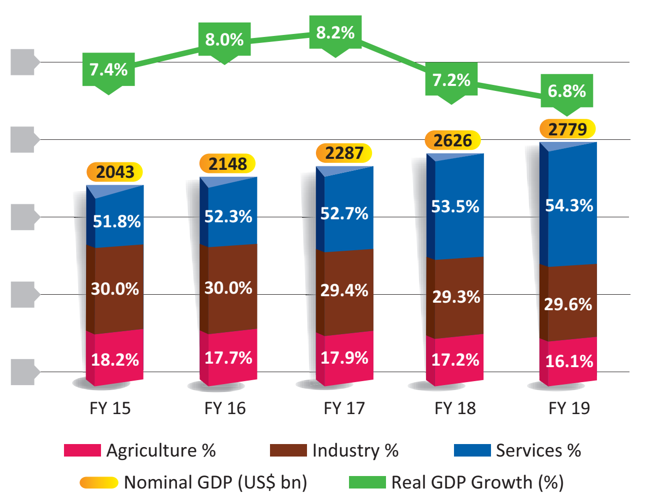
Source: MOSPI

Foreign Direct Investment Flows



Source: RBI & Ministry of Finance

Sectoral Output



Source: IIF & MOSPI

Note: E – estimated