

# EXIMIUS: EXPORT ADVANTAGE

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### A Quarterly Publication by:



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## Unraveling the Dynamics of India-ASEAN Economic Relations

– Siddharth Nema, *Deputy Manager*  
Dhitika Shah, *Officer*

### Introduction

The Association of Southeast Asian Nations (ASEAN), with its strategic location, and abundant natural resources, is among the major regional blocs in the world. Established on August 8, 1967, with the signing of the ASEAN Declaration (Bangkok Declaration), the founding members of the bloc include Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei Darussalam joined ASEAN on January 7, 1984, followed by Vietnam on July 28, 1995, Lao PDR and Myanmar on July 23, 1997, and Cambodia on April 30, 1999, thereby forming the ten-member bloc of ASEAN.

The ASEAN economy has witnessed robust growth during the last five decades, reaching an estimated total GDP of US\$ 3.9 trillion in 2023 – more than six times the level in 1999 (US\$ 607.3 billion), when it first achieved the full membership of ASEAN-10. In 2022, the combined GDP of ASEAN, as a single economy, placed the region as the fifth largest in the world and third largest in Asia, after China and Japan. The region has transformed into a global manufacturing hub thereby emerging as a prominent player in Global Value Chains (GVCs).

The strategic significance of ASEAN also lies in its geographic location between the dynamic regions of Asia-Pacific and Indian Ocean. The organisation's view of considering these regions not as contiguous territorial spaces but as a closely integrated and interconnected region, with ASEAN playing a central and strategic role, has resulted in the initiative namely, ASEAN Outlook on the Indo-Pacific.

### India and ASEAN: Trade Relations

The significance of India-ASEAN relationship is multi-faceted and encompasses political, economic, strategic, and cultural aspects. Realising the importance of ASEAN region in

India's economic development, India gave special attention to the region through its "Look East" policy.

India signed a Framework Agreement on Comprehensive Economic Cooperation with ASEAN in October 2003. After six years of negotiation, India signed an FTA with ASEAN on September 13, 2009 which came into effect from January 1, 2010.

The existing free trade agreement between India and the ASEAN is spread across three aspects - Trade in Goods; Trade in Services; and Investment. Even though the exclusion lists under ASEAN-India Free Trade Area (AIFTA) are subject to an annual tariff review with a view to improving market access, there are 489 tariff lines listed under the negative list, in sectors such as agriculture, textile, machinery, automobile, chemicals, and plastics.

In recent years, ASEAN has emerged among the largest trading partners of India. Total trade between India and ASEAN has increased from US\$ 80.2 billion in 2013 to US\$ 133.4 billion in 2022, now accounting for 11.3% of India's total global trade in the year. Overall, during the period, India's total trade with ASEAN has grown at a CAGR of 5.2%. India's exports to the region grew at a CAGR of 1.5% while its imports from ASEAN saw a higher growth with a CAGR of 7.8%.

In terms of major exports, both 2013 and 2022 saw mineral fuels and oils as the top export product from India, shares for which, however, decreased from 29.3% in 2013 to 25.1% in 2022. Other major export products are machinery and mechanical appliances (8.2% of India's total exports), natural or cultured pearls, precious or semi-precious stones (6.4%) and organic chemicals (4.5%), among others. Similarly, mineral fuels and oils also remained as India's top import from ASEAN, with shares being largely unchanged from 24.3% of India's total imports from ASEAN in 2013 to 24.5% in 2022.

### **ASEAN-India Bilateral Investment**

Among the ASEAN economies, Singapore has a dominating presence in India's investment relations with the region. Singapore continues to be the major investor in India with a share of almost 98% of India's total FDI inflows from ASEAN, followed by Thailand (0.8%) and Malaysia (0.8%), among

others. ASEAN's FDI inflows to India have primarily been in the real estate sector with a share of 26.1% of India's total FDI flows from ASEAN, followed by renewable energy (18.1%), coal, oil and gas (12%), communications (10.5%), semiconductors (10.4%) and chemicals (5.5%), among others.

In terms of FDI outflows too, Singapore is India's major destination accounting for a share of 93.2% of India's total FDI outflows to ASEAN, followed by Indonesia (1.7%), Malaysia (1.6%) and Philippines (1%), among others. Majority of India's FDI outflows was directed towards the coal, oil and gas sector with a share of 27.2% of India's total FDI outflows to ASEAN, followed by business services (10.9%), software and IT services (8.9%), rubber (8.7%) and transportation and warehousing (8.1%), among others.

### **Barriers in India-ASEAN Bilateral Trade**

Post the implementation of AIFTA, India's imports from ASEAN have increased from US\$ 29.6 billion in 2010 to US\$ 89.3 billion in 2022, recording a staggering growth of 201.7%. Consequently, India's trade deficit with ASEAN has increased from marginal US\$ 6.6 billion in 2010 to US\$ 45.3 billion in 2022, recording an increase of more than six times.

Other than the imbalances in tariff reduction offered by both the parties in the AIFTA, other major points of contention have been the stringent Rules of Origin (ROO) regulations and increasing number of Non-Tariff Measures (NTMs), among others.

China and South Korea are top two import sources for ASEAN accounting for around 32% of ASEAN's total imports amounting to US\$ 601.7 billion in 2022. ASEAN has an FTA with both China and South Korea, the FTAs coming into effect in 2010. Post the FTAs coming into effect, the merchandise imports of ASEAN from China increased by 263.8% from US\$ 126.7 billion in 2010 to US\$ 460.9 billion in 2022. In case of South Korea also ASEAN's imports have increased by 146.2% to US\$ 140.8 billion in 2022 from US\$ 57.2 billion in 2010.

However, after the FTA implementation India's level of trade deficit with ASEAN is significant as compared to ASEAN's major trading partners including China and South Korea.

As highlighted earlier, India has remained a net importer of merchandise with ASEAN, recording a constant widening of trade deficit during the last ten years, increasing from US\$ 4.4 billion in 2013 to US\$ 45.3 billion in 2022. On the other hand, trade balance has been largely in favour of ASEAN's partner countries with China witnessing a surplus of US\$ 139.6 billion in 2022 and a surplus of US\$ 57.6 billion experienced by South Korea in 2022.

Overall, the five major importing countries in ASEAN are Singapore, Vietnam, Thailand, Malaysia and Indonesia with a share of 76.2% in the bloc's total imports. Out of these Singapore has a liberal trade regime with negligible tariff rates being charged on its imports. Consequently, on undertaking an in-depth study of the simple average of the effectively applied tariff (AHS) faced by India, China and South Korea on exporting its products to Vietnam, Thailand, Malaysia and Indonesia, it can be concluded that among the traded commodities with, the number of tariff lines under 0% rate of AHS, in case of China and South Korea are significantly larger as compared to India. For instance, there are 1,610 categories of products (at 6-digit HS code) imported by Vietnam from India covering 3,185 tariff lines that face an AHS rate of 0%, which amounted to the total imports of US\$ 2,992.1 million by Vietnam in 2020, corresponding to over 66.8% of the total imports of Vietnam from India in 2020. However, in case of Vietnam imports from South Korea, there are 3,100 categories of products covering 6,131 tariff lines that are imported duty-free, that is, face AHS of 0%. This category of imports products amounts to US\$ 41,805.3 million in 2020, corresponding to over 89.2% of the total imports of Vietnam from South Korea that year.

## Conclusion

There is need for further integration between ASEAN and India, in terms of geographical connectivity. Enhancing connectivity in all its dimensions- physical, institutional, digital and cultural- is at the heart of deepening ASEAN-India partnership. Improved connectivity would be highly significant for goods as well as for people-to-people movement.

India's commitment has been reiterated under India's 12-point proposal for strengthening India-ASEAN cooperation,

presented by Hon'ble Prime Minister of India during the recently concluded 20<sup>th</sup> ASEAN-India Summit in September 2023. The Prime Minister mentioned about establishing multi-modal connectivity and economic corridor that links South-East Asia-India-West Asia-Europe (SEIWEC).

Out of the 10 ASEAN countries, India has direct flight connectivity with Malaysia, Myanmar, Singapore, Indonesia, Vietnam and Thailand and vice versa. Other four countries, including Cambodia, and the Philippines have no direct flights to India. India has substantial business and tourism interest in ASEAN. Direct air connectivity will be incidental in establishing people-to-people relations through cooperation in business and tourism.

During the recently concluded India-ASEAN Summit, India offered to share India's Digital Public Infrastructure (DPI) Stack with ASEAN partners. India's unique DPI initiatives, beginning from CoWin, which managed the world's largest vaccination programme, created digital revolution amidst of the pandemic chaos. India's indigenous initiatives such as digital ID (Aadhaar) and payment infrastructure (UPI), have even been highlighted by the Digital Economy Working Group (DEWG) under the G20 umbrella.

There is immense scope for establishing mutually beneficial technology partnership wherein on one hand ASEAN can benefit from India's successful implementation of highly inclusive and sustainable public infrastructure stack including UPI, Jan Dhan, Aadhar, ONDC, and CoWin, among others. On the other hand, India would benefit from developing universality of India's payment interface allowing improved cross border transactions in terms of trade as well as remittances. A comprehensive integration of digital infrastructure at the bloc level would enable enhanced clearing mechanism supporting trade and providing a cushion against exchange rate fluctuations.

Further on, it is incidental for India to enhance trade with ASEAN region based on India's comparative advantage. There is a need for securing greater concessions in the upcoming review of the AIFTA, with a special emphasis on India's growing needs and evolving domestic market. ■

## Securing India's Lithium Needs

– Srejita Nandy, Deputy Manager  
Siddharth Nema, Deputy Manager

India's rapid industrialization, growing population, and increasing energy demands have placed a significant emphasis on securing sustainable and clean energy sources. With the global shift towards renewable energy and the electrification of transportation, the importance of lithium as a key component in lithium-ion batteries has become paramount. The Lithium Triangle, comprising Argentina, Bolivia, and Chile, holds the world's largest lithium reserves and has emerged as a crucial region for lithium extraction and production.

### Macroeconomic Scenario and Foreign Trade of Lithium Triangle Countries

Argentina is the third largest economy in the Latin American and Caribbean (LAC) Region with a Gross Domestic Product (GDP) of approximately US\$ 630.7 billion in 2022. Chile with a GDP of US\$ 310.9 billion in 2022, is the fourth-largest economy in Latin America and the Caribbean. Bolivia is a landlocked country with a GDP of around US\$ 43.4 billion.

The merchandise trade of the Lithium Triangle region with the rest of the world witnessed a tremendous year-on-year growth of 44.1%, amounting to US\$ 349.7 billion in 2021. Exports amounted to US\$ 181.8 billion, while imports stood at US\$ 167.9 billion, resulting in a trade surplus of US\$ 13.9 billion for the region in 2021.

### India's Bilateral Trade Relation with Lithium Triangle Countries

India's trade with the Lithium Triangle region has witnessed rapid growth in the past decade. Total trade almost doubled in 2021 to US\$ 9.6 billion from US\$ 4.9 billion in 2012. India's exports to Lithium Triangle were close to US\$ 2.5 billion in 2021, up by over 56% over 2020 while imports stood at US\$ 7.2 billion, an increase of 59% over the previous year.

India has emerged as a key supplier of imports and market for Lithium Triangle's exports during the last decade. Argentina, Bolivia and Chile together constitute a key part of India's overall trade with the Latin America and Caribbean (LAC) region. The triad accounts for 13% of India's total exports to the region and 29.5% of the region's total exports to India, indicative of flourishing economic relations between India and the Lithium Triangle region.

India's export basket to the Lithium Triangle is well diversified. Its top exports to Lithium Triangle consist of transport vehicles, mineral fuels, oils and products, pharmaceutical products and organic chemicals, among others.

### Global Lithium Scenario

According to the US Geological Survey, the total estimated global resources of lithium were 98 million tons in 2022 increasing by 10.1% from 89 million tonnes in 2021, as a result of continuing exploration across the world. The continental brine aquifers in the Andes Mountain ranges of South America located at a high altitude are the most abundant source of lithium-rich brine. The Salars (salt flats) are concentrated in three countries, Argentina, Bolivia and Chile which are collectively referred to as the Lithium Triangle that accounts for roughly 53.1% of the global lithium resources. Argentina has a number of Salars with high lithium deposits including Salar de Muerto Hombre, Salar de Olaroz and Salar de Marianna and accounted for 20% of world lithium resources. Bolivia's Salar de Uyuni is estimated to be the largest reserve base of lithium in the world. Bolivia's total resources represent 21% of the world's total lithium resources. Chile's Salar de Atacama is currently the largest source of lithium production from brine in the world.

World lithium reserves have increased from 22 million tons in 2021 to 26 million tons in 2022. Chile accounted for the largest share of global reserves of lithium at 35.8% followed by Australia (23.8%), Argentina (10.4%) and China (7.7%) in 2022. The global production of lithium in 2022 was estimated at 130,000 tons increasing by 21.5% as compared to 2021. Australia was the largest producer of lithium in 2022 accounting for a share of 46.9% in 2022, followed by Chile at 30%, China at 14.6%, and Argentina at 4.8%, respectively.

In 2022, the global consumption of lithium was estimated to be 134,000 tons which represented a 44.1% increase over 2021. A major proportion of lithium finds end-use in batteries with a share of 80%, followed by ceramics and glass (7%). Lithium-based batteries are also finding increasing application in electric tools and grid storage as well.

### International Trade of Lithium

Unprocessed lithium (HS 253090) refers to ores and concentrates of lithium. Trade in this product is characterized by the strong

linkage between Australia and China with Australia being the largest exporter accounting for a global share of 49.2% while China was the largest importer in 2021 accounting for a global share of 58.1%.

In case of processed Lithium, Chile is the largest supplier of lithium carbonates (HS-283691) with total exports of US\$ 882.9 million in 2021 accounting for 72.8% of global exports of lithium carbonate. Bolivia was the 10<sup>th</sup> largest exporter in 2021 accounting for a share of 0.8%. China (36.8%), South Korea (25.2%) and Japan (13.6%) are the largest importers of lithium carbonates. India was the 10<sup>th</sup> largest importer of lithium carbonate (US\$ 8.8 million) accounting for a share of 0.6% in 2021. China is the largest exporter of lithium oxide and hydroxide (HS-282520), with exports of US\$ 763.9 million in 2021, representing a global share of 68.6% in total exports. The US and Chile are next with share in total exports of 8.8% and 8.6% respectively followed by Russia with a share of 7.1%.

### Strategies for Securing India's Lithium Needs

India has set an ambitious target of attaining a capacity 500 GW of non-fossil fuels-based energy and reduce projected CO<sub>2</sub> emissions by 1 billion tons by 2030. However, presently raw materials and technology are the major barriers to large scale manufacturing of Lithium-Ion batteries in India.

**International Engagements:** India is projected to require large supplies of lithium to achieve its battery manufacturing, electric mobility, energy storage and energy transition targets. India has been utilizing its diplomatic relations with other countries for developing collaborations in joint exploration activities for critical and strategic minerals. Khanij Bidesh India Ltd. (KABIL) has been promoted as a joint venture of three Central Public Sector Enterprises, viz., National Aluminum Company Ltd. (NALCO), Hindustan Copper Ltd. (HCL) and Mineral Exploration Company Ltd. (MECL).

Through a commissioned study, KABIL has identified 12 minerals where it seeks to promote international cooperation and build business partnerships, with Lithium and Cobalt been identified as the most critical and strategic in nature. Based on a commissioned study and selection criteria, select source countries have been shortlisted for exploring possibilities of mineral asset acquisition abroad. So far, engagements are underway with select source countries such as Australia, Argentina, Bolivia, Chile etc. which are endowed with the cited critical and strategic minerals specifically Lithium and Cobalt in hard rock formations as in Australia and Lithium as brine in the huge tract of SALARs as in Latin American countries.

**Domestic Exploration:** Under the annual Field Season Program (FSP), the Geological Survey of India (GSI) has taken up 20 Lithium

projects in the last five years in Andhra Pradesh, Arunachal Pradesh, Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand, Jammu & Kashmir, Madhya Pradesh, Meghalaya, and Rajasthan. Under FSP 2022-23, GSI has taken up 18 Lithium projects in 6 states and 1 Union Territory. Geological Survey of India has for the first-time established Lithium inferred resources (G3) of 5.9 million tonnes in Salal-Haimana area of Reasi District of Jammu & Kashmir (UT).

### Policy Recommendations

India's engagement with the Lithium Triangle nations has gained significant traction in recent years. As India strives to meet its increasing energy demands and transition towards a cleaner and more sustainable energy system, securing a stable supply of lithium has become a strategic priority.

**Improving Trade Relations:** India needs to evaluate the scope of bilateral PTAs with Argentina and Bolivia as well as the potential for an FTA with Chile. India also needs to work on reducing shipping costs for its exports to South America.

**Developing the Indian Mining Sector:** Enhancing the resource base and reserves through exploration, reducing regulatory delays, building infrastructure, human capital and technological capabilities, and creating a robust information, education and communication strategy are essential for improving mining prospects of the country.

**Capturing Value in Battery Supply Chains:** In order to achieve this goal, it would require refined lithium compounds among other intermediate products used in the production of lithium-ion batteries. Building domestic lithium processing and refining capabilities would be important in improving India's cost competitiveness as a supplier in global battery markets.

**Creating a Minerals Knowledge Center:** Currently, the Indian Bureau of Mines publishes data related to only minerals which have considerable deposits located in India. It is important to build a repository of information that contains detailed information about domestic and international resources and reserves of such minerals.

**Increasing Research and Development:** In addition to acquisitions of international mining concessions, R&D efforts to optimize methods of extraction, concentration, separation and purification of minerals to increase yields and make supply more resilient. Investments in research and development of advanced battery technologies with higher energy densities and increased number of charge-discharge cycles will help India become more resource efficient. ■

## Enhancing Production and Exports of Millets from India

– Jahanwi Singh, *Chief Manager*  
Ashok Singh, *Officer*

Millets are small-grained, annual, warm-weather cereals belonging to the grass family. The millet crops originated in Asia and Africa and are now grown in other regions of the world as well. In addition to its use for human consumption, millets are also used to feed livestock, making them a valuable source of animal nutrition. Apart from their uses in consumption as food and feed, millets have also been used in traditional medicine system as herbal remedies to treat several diseases, owing to their various medicinal properties.

Jowar (Sorghum), Bajra (Pearl Millet) and Ragi (Finger millet) are the major category of millets cultivated in India. Besides these, small millets such as proso (cheena), kodo (kodra, arikelu), foxtail (kangni/korra), barnyard (varai, sawa), little millet (kutki), fonio and pseudo millets including buckwheat and amaranth, are the other varieties of millets cultivated globally.

### Global Scenario

The global production of millets<sup>1</sup> was estimated at 94.1 million metric tonnes (MMT) during marketing year (MY) 2023<sup>2</sup>, witnessing a y-o-y increase of 7.4%, on account of the increase in area under cultivation of millets. India was the largest millets producing country during MY 2023, with an estimated production of 17.6 MMT, accounting for 18.7% of the global millets production. The USA was the second largest producer of millets with an estimated production of 9.7 MMT during MY 2023. Other major producers of millets in MY 2023 included Nigeria (a share of 9.2% in global millets production), Sudan (7.0%), China (6.1%), and Ethiopia (5.8%). Among millets, sorghum is an important category. Global production of sorghum was estimated at 62.3 MMT during MY 2023, contributing to 66.3% of the global production of millets during the year.

Global millets exports were estimated at US\$ 3.9 billion during 2021, witnessing a y-o-y increase of 67.5%. The exports further increased by 9.7% during 2022, to reach a record high of US\$ 4.3 billion. Global millets exports have been robust over the recent years, registering a CAGR of 26.6% during 2018 to 2022. The USA, which is among the largest producers of sorghum, is the largest exporter of millets as well, accounting for more than half of global millets exports during 2022. Australia was the second largest exporter of millets with estimated exports of

US\$ 811.7 million during 2022, a share of 19.0% in the global millet exports during the year. Other major millets exporters in 2022 included Argentina (a share of 8.6% in global millet exports), Canada (3.3%), France (2.4%), Russia (2.4%), and India (1.6%).

### India's Millet Scenario

During 2022-23, as per the third advance estimates of the Ministry of Agriculture and Farmers' Welfare, Government of India, the production of millets was estimated at 17.2 million tonnes, recording a y-o-y increase of 7.2%. Growth in India's production of millets has been rather muted, with production witnessing a CAGR of (-) 0.04% during 2013-14 to 2022-23.

India's exports of millets were estimated at US\$ 75.5 million during 2022-23, witnessing a y-o-y increase of 19.9%. Middle East and South Asia regions are the top destinations for India's exports of millets. The UAE was the largest destination for India's exports of millets during 2022-23, with exports amounting to US\$ 13.3 million, a share of 17.7% in India's millet exports. Other major export destinations for India's millet export during 2022-23 were Saudi Arabia (a share of 13.8% in India's millet exports), Nepal (7.4%), Bangladesh (4.9%) and the USA (4.1%). India is the largest producer of millets; however, majority of the production is directed towards domestic consumption resulting in low export orientation, estimated at 0.9% of the production of millets in India. As against this, export orientation in millets for the USA stood at 57.1%, Australia was 95.7%, and Argentina was 63.3% during 2021.

The United Nation's General Assembly has declared 2023 as the International Year of Millets based on a proposal from India. As part of the effort to promote millets, the Government of India has been organising International Year of Millets 2023 events to raise awareness about Indian millets and their value-added products. To boost exports, the government is facilitating the participation of exporters, farmers, and traders in various international trade expos and Buyer Seller Meets. Various state governments are implementing schemes to promote cultivation and consumption of millets in their respective states, such as Odisha Millet Mission, Andhra Pradesh Millet Mission, Tamil Nadu Millet Mission, etc.

### Strategies for Enhancing Production and Exports of Millets

**Target Markets for Enhancing Millet Exports:** India aims to increase millet exports by identifying potential target markets for

<sup>1</sup> Includes Sorghum and Millet as per USDA Database

<sup>2</sup> Refers to Marketing Year as considered by the USDA Foreign Agricultural Services'. The reference period is September to August, with some exceptions.

different millet categories. Exim Bank's study titled 'Enhancing Production and Exports of Millets from India' recommends targeting markets such as Indonesia, Nepal, the UAE, the USA, Germany, South Africa, South Korea, Turkey, Oman, and Sri Lanka for millets excluding grain sorghum. For grain sorghum, potential markets as identified in the study include China, Sudan, Djibouti, Zimbabwe, Spain, Ethiopia, Eritrea, Italy, South Africa, and Japan.

Exim Bank study emphasises the need for market diversification, especially in categories with high market concentration, to enhance export resilience. Additionally, market penetration strategies are essential for penetrating the top importing markets of millets.

**Encouraging Export of Value-added Products:** There is significant potential for enhancing exports of millet flour and other value-added products such as snacks, ready-to-cook/ready-to-eat products, fermented millet flour, and puffed/flaked millet items. Processed millets, with their nutritious and gluten-free characteristics, have large and growing international demand. Opportunities could also be explored in segments such as millet malts and bird feed.

**Enhancing Exports of Organic Millets:** Exim Bank study also highlights the rising demand for organic millets products globally. India could tap into the export market for organic millet products, leveraging institutional support from government bodies like APEDA. Entrepreneurial efforts and collaborative initiatives, including awareness programmes and marketing campaigns, would be crucial for boosting exports of organic millet products.

**Addressing Non-tariff Barriers:** While India faces relatively low tariffs on millet exports, non-tariff measures (NTM) present significant challenges. Exim Bank study recommends strengthening the quality testing and inspection infrastructure to counter the NTMs. The study suggests a comprehensive programme for building technical infrastructure, including setting up and equipping labs in major millet-producing states. A manual for millet exporters, providing export protocols, quality guidelines, and certification requirements, could also be published for assisting exporters in navigating complex regulations and standards.

**Addressing Data Issues for Informed Policy Decisions:** To facilitate informed policy decisions, the Exim Bank study highlights the issue of absence of specific HS-Codes for processed millet products. It recommends making representations to the World Customs Organisation for creating separate HS-Codes for processed millets and introducing eight-digit classification for processed millet products in India.

**Strengthening the Millets Value Chain in India:** Efforts to enhance the millets value chain involve addressing specific challenges

across the value chain to position India as a stable source of quality millets and millet products. Exim Bank study emphasises several key strategies:

**Augmenting Seed – Hubs Capacities for Minor Millets -** Seed-hubs are proposed for reinforcing the seed supply chain, enabling the commercialisation of new millet cultivars and improving seed replacement rates for minor millets. There is also a need for developing cultivars meeting location-specific requirements and promoting the adoption of hybrid seeds.

**Promoting Adoption of Bio-Fortified Millet Seeds –** Bio-fortification of millet refers to development of nutritionally enriched millet varieties through genetic manipulations. The study encourages promoting the cultivation and exports of biofortified millets, especially targeting regions facing nutritional security concerns.

**Promoting Cluster Farming of Millets –** Cluster farming could enhance productivity and efficiency in millet cultivation, and in turn, the exportable surplus. Successful cluster-based models, such as those in Odisha, could be scaled up and replicated.

**Increasing Farmer's Income through Carbon Markets –** Given the low carbon intensity of millet cultivation, participating in carbon trading and offsetting initiatives would help tap into potential revenue streams for millets farmers and exporters, while also enhancing India's environmental sustainability. The Government of India could consider including a section under the Carbon Credit Trading scheme for regulations pertaining to carbon trading in agriculture.

**Addressing Cost Issues –** There is a need to address cost issues by improving post-production linkages, promoting cluster farming, and strengthening farmer producers' organizations. Exploring options such as introducing MSP for small millets and increasing rates for millet exports under the Remission of Duties and Taxes on Exported Products scheme could enhance price competitiveness.

**Marketing Strategy for Enhancing Millets Consumption:** It would be important to focus on marketing efforts by popularising millet-based dishes and leveraging Geographical Indicators (GI) tags for millet products.

**Popularising Consumption of Millet-based Dishes –** The Government of India could initiate food promotion campaigns to popularise millet-based dishes both domestically and internationally.

**Geographical Indications (GI) Tags –** Initiatives are needed for identifying more local rare millet variants as well as millet products which can be accorded with GI status. Further, mechanism needs to be devised for ensuring that all the millet products marketed under the GI brand meet the minimum specified standards. ■

## Steel Industry in India

– **Rahul Mazumdar**, Deputy General Manager  
**Sakshi Garg**, Deputy Manager

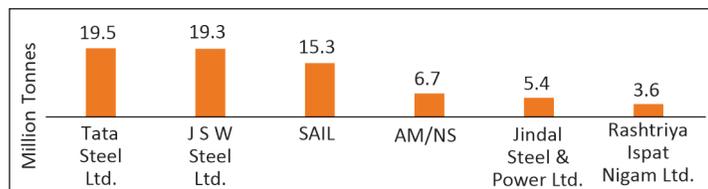
Steel is a man-made alloy that is made by mixing iron, carbon, silicon, and manganese together and is both harder and stronger than pure iron. Steel is the world's most important engineering and construction material which can be recycled without the loss of property. The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour. As per the National Steel Policy 2017, the crude steel production capacity is expected to reach 300 MT by 2030-31.

### Production

**Crude Steel:** The world crude steel production in 2022 reached 1878.5 million tonnes (MT), an on-year fall of (-) 4.2% from 1960.4 MT in 2021. China leads in the production of crude steel having produced 1034.7 MT in 2022 although the production declined by (-) 2.1% compared to 2021. India is the world's second-largest producer of crude steel, with an output of 124.7 MT in 2022, an on-year growth of 5.5%. The other top crude steel producers in 2022 were Japan (89.2 MT); the USA (80.7 MT), Russia (71.5 MT), and South Korea (65.9 MT).

**Finished Steel:** The production of finished steel in India stood at 122.3 MT in 2022-23 as compared to 113.6 MT in the previous year, showing an on-year growth of 7.6%.

#### Major Finished Steel Producers in India in 2022-23



Source: CMIE Industry Outlook

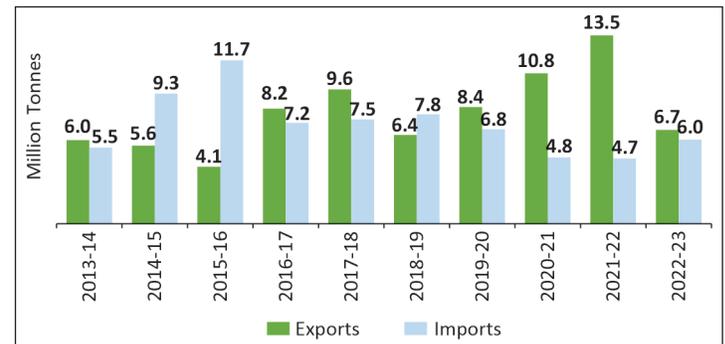
The consumption, on the other hand, was lower at 119.9 MT in 2022-23. Despite a bleak global environment, domestic steel demand has remained strong, increasing by 13.3% as compared to the previous financial year. This is on the back of infrastructure push, strong housing projects, and pent-up demand from the auto sector. Robust demand from allied sectors and the government's capex push is expected to increase domestic demand by 6-8% during FY 2024, according to CRISIL Estimates.

### International Trade

India has emerged as a net exporter of finished steel. Out of the 122.3 MT finished steel produced in 2022-23, 6.7 MT was exported. The imports during the year equalled 6 MT. In terms of value, finished steel worth US\$ 10.1 billion was exported in 2022-23 as against the imports of US\$ 9.5 billion. India's top export partners in 2022-23 were Italy (11.8%), the USA (10.1%), Belgium (8%), the UAE (8%) and Vietnam (5.5%). The top import sources were South Korea (26.5%),

China (25.3%), Japan (14.9%), Indonesia (4.7%) and Vietnam (4.2%).

#### India's International Trade in Finished Steel



Source: CMIE Industry Outlook

#### Impact of Carbon Border Adjustment Tax Mechanism (CBAM) on Exports:

According to CRISIL, the cost of India's steel exports to the EU could rise as much as 17% following full implementation of the CBAM, which mandates stringent disclosures and purchase of carbon credits to offset the impact of emissions. Under CBAM, exporters will need to make quarterly reporting of emissions from October 1, 2023, and from December 31, 2025, buy Emissions Trading System (ETS) certificates for their greenhouse gas emissions. In the absence of a carbon-neutral technology, industries have been allocated free allowance starting at 100% in 2025 and ending at 0% by 2034. The ETS tax would be gradually applicable to the portion that does not enjoy the allowance. Several other countries are in different stages of imposing emission-based tariff barriers on the lines of the EU. These include the USA, Canada, and Australia.

#### New Technologies for Low-Carbon Steel

Coking coal is primarily employed as a reducing agent in blast furnaces during the iron-making process. However, coking-coal usage results in higher carbon emissions in making per tonne of crude steel, as coke reacts with oxygen to form carbon dioxide. In the conventional blast furnace- basic oxygen furnace (BF-BOF), the carbon emissions are usually the highest (approximately 2.4 tonne/ tonne of crude steel). India produces about 45% of its crude steel through the BF-BOF route. This calls for intensifying India's efforts to create low-carbon steel through innovative technologies.

Policies such as the extension of export benefits under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme to iron and steel items, the Production Linked Incentive Scheme for specialty steel and the National Green Hydrogen Mission are spurring the production of steel and facilitating green steelmaking in India. India remains a bright spot in the global steel industry. The steel demand in the country is expected to show a healthy growth of 7.3% and 6.2% in 2023 and 2024 against the global growth of 2.3% and 1.7%, respectively, according to the World Steel Association. ■

## Essays on Immigrants and their Impact on the Local Labour Market

*Export-Import Bank of India (India Exim Bank) instituted the International Economic Research Annual (IERA) Citation in 1989. The objective of the Citation is to promote research in international economics, trade, development and related financing, by Indian nationals at universities and academic institutions in India and abroad. The study titled “Essays on Immigrants and their Impact on the Local Labour Market” is based on the IERA Citation 2022 winning thesis by Dr. Ronit Mukherji, who received his doctorate from the University of British Columbia, Vancouver, Canada in 2022.*

Labour market and how it is influenced by immigrant entry has been a topic of intense discussion and analysis. In particular, the impact on differently skilled native-born workers is of particular importance to understand overall welfare implications. The study conducts a detailed empirical analysis aiming to establish a causal link between increased immigration and a decline in unionization rates, particularly in the U.S. labour market between 1970 and 2000. It further discusses the potential impacts of immigrant entry on the local labour market, highlighting how it alters the skill mix and influences wage differentials between native-born and immigrant workers.

The proposed empirical strategy involves examining correlations between immigrant entry and union membership across different geographical areas, industries, and occupations. The study is also extended to an international context, observing a consistent negative correlation between immigrant entry and unionization rates. To establish causality, the study addresses endogeneity concerns and potential spillover effects by employing an instrumental variable (IV) approach based on the ‘ethnic enclaves’ method. The IV estimates suggest that low-skilled immigrant entry can account for a significant portion (approximately 48%) of the observed decline in unionization rates between 1980 and 2000. Robustness checks rule out alternative explanations such as the right-to-work laws, sectoral shifts, and technological changes as sole reasons for the decline in union density, affirming the substantial impact of increased low-skilled immigration on union rates.

Furthermore, the study constructs a theoretical model grounded in a search-theoretic framework to formally represent the causal mechanism between immigrant entry and unionization decline. The model elucidates how immigrant inflows affect unionization across different skill levels, leading to a concentration of unionization in the middle of the skill

distribution. High skilled native-born workers exit the union to get higher wages due to complementarity of skills once immigrants enter. Whereas low-skilled workers leave the union as they are not as profitable for firms. The model’s predictions, including an inverted ‘U’ shape relationship in unionization rates across skill deciles and changes in wage gaps among nativeborn workers of varying skills, align with empirical observations. Finally, the calibrated model predicts that increased low-skilled immigrant entry can explain a significant proportion (around 48-55%) of the observed decline in unionization rates. This prediction remains consistent when applied to both the period between 1980 and 2000 and the subsequent period from 2000 to 2017, characterized by high-skilled immigrant entry. Overall, the analysis suggests a strong causal relationship between increased low-skilled immigrant entry and the decline in unionization rates in the U.S., substantiated through empirical correlations, instrumental variable estimation, and theoretical modelling.

To understand how immigrants impact the local labour market it is also important to understand what motivates their behaviour in the first place. The study further focuses on how exchange rate fluctuations impact immigrants’ labour market behaviour and earnings in Canada. The study utilizes data from the Survey of Labour Income and Dynamics (SLID) and the Longitudinal Immigration Database (IMDB) to explore how changes in the Canadian Dollar’s value affect immigrant workers’ labour earnings. The study finds that a 10% appreciation of the Canadian Dollar leads to a 0.36% decrease in labour earnings for an average immigrant worker. This decrease in earnings is mainly driven by a reduction in hours worked, affecting both the number of hours in a typical week and the total weeks worked.

Immigrants react to exchange rate changes by adjusting their labour supply, with most of the decrease in earnings attributed

to reduced hours worked. Additionally, the likelihood of immigrants taking up part-time work increases in response to a relative appreciation of the Canadian Dollar. The study also finds the heterogeneous impact by immigrant sub-group where newer immigrants are more sensitive to exchange rate fluctuations, and the impact diminishes as immigrants spend more time in Canada, indicating that those with stronger ties to their home countries are more affected. Immigrants settled in ethnic enclaves, as well as those with family members in their source countries, demonstrate a higher susceptibility to exchange rate shocks.

Analysis of data on remittances shows that while exchange rate fluctuations affect those who send remittances, the total amount sent remains unchanged, suggesting that immigrants maintain a constant remittance amount in foreign currency. The significance of remittances as an important aspect of economic outflow from developed to developing countries is highlighted. Notably, immigrants' economic well-being and their connection to their home countries through remittances underscore the importance of understanding the impact of macroeconomic conditions in their home countries on their labour market outcomes in the host country, particularly in Canada. This study's relevance extends to policy implications concerning immigrant entry and duration of stay, especially in the context of the Canadian immigration policy, which emphasizes high-skilled labour and productivity but can vary depending on immigrants' family background and ties to their home countries.

To further extend the research agenda of looking at conditions in the destination economy and how it may impact immigrant behaviour, the study also looks at the intersection of two strands of economic literature concerning immigrants: the economic assimilation of immigrants in developed economies, specifically focusing on their labour market earnings trajectories compared to nativeborn individuals, and how macroeconomic conditions on entry effect these earnings over years. The study tries to combine these two areas of research by examining the impact of initial labour market conditions at the time of entry on current earnings for immigrants. This study investigates how recessions or economic conditions at the point of entry influence immigrants' long-term labour market outcomes and economic integration.

The existing literature has primarily concentrated on the impact of economic downturns on college graduates, showing that such exposure to increased unemployment rates during

economic crises can result in long-term earnings reductions. However, the study seeks to examine the effects on immigrants, a less advantaged group in the labour market and extends this analysis to encompass individuals with different skill levels and educational backgrounds. The research is based on a longitudinal dataset that matches immigrant tax returns to their initial conditions at the time of entry, providing insights into the long-term implications of initial labour market conditions on immigrant earnings, assimilation into the host country, and outmigration decisions. The study is significant as it provides a more in-depth understanding of how economic conditions at the time of entry can influence immigrant outcomes.

The study examines the impact of initial unemployment rates on immigrants' earnings in the first 15 years of the labour market. The primary result is that an increase in unemployment by 3% points leads to a 7% reduction in earnings. This effect only declines with time spent in the labour market, with the effect still significant ten years after entry. The study examines outmigration decisions based on unemployment rates at the time of labour market entry and earnings for immigrants who have not migrated out of the country. The results show that immigrants who stay in Canada perform better than those who out-migrate. The catch-up is faster, as earnings are not significantly impacted by the initial unemployment rate after year 8. The study examines the decision of outmigration and the share of immigrants who choose to leave Canada.

It finds that a significant fraction of immigrants outmigrate in their first year, increasing in years 2 and 3. A 3-point rise in unemployment leads to 4% of all immigrants out-migrating by year 3, and which reduces to 1.5% by year 5. The results show that immigrants who choose to leave Canada are doing worse than those who stay. The study also uncovers that immigrants from developed countries perform better in Canada than those from developing economies in the long run. Initially, immigrants from developed economies face a similar reduction in earnings compared to those from developing economies, but the effect dissipates more quickly for immigrants from developed economies. The effect remains significant after year 10.

In conclusion, the study makes a contribution to understanding the labour market impact of immigrant entry and how immigrant behaviour itself differs based on both conditions at home and abroad, providing valuable policy insights. High prices was evident for both net producers and consumers. ■

## India Exim Bank Lines of Credit

Contributed by: **Lines of Credit Group**

The Government of India, in 2003-04, formulated the India Development Initiative (IDI), now known as Indian Development and Economic Assistance Scheme (IDEAS) – with the objective of sharing India’s development experience by funding economic and infrastructure projects in the partner countries; supporting capacity building and skills transfer, and promoting bilateral trade in goods and services, by extending concessional Lines of Credit (LOCs) routed through India Exim Bank, to developing partner countries, towards creating socio-economic benefits in the partner country. The latest IDEAS guidelines have been revised and effective from March 31, 2022.

Under the revised IDEAS guidelines, the Concessional Financing Scheme (CFS), has been subsumed in IDEAS 2022 as a part of the IDEAS Scheme. It will therefore involve Concessional Financing under IDEAS 2022 to support Indian entities bidding for strategically important overseas infrastructure projects.

India 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, India Exim Bank reimburses up to 100% value of contract on FOB/CFR/CIF/CIP basis to the Indian exporters and minimum 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. LOCs have helped

to create the requisite political goodwill for India in the beneficiary countries besides promoting India’s political, strategic and commercial interests. LOCs help project India’s growing economic strength as well as its willingness to contribute to infrastructure development and capacity building in the recipient developing countries. LOCs also, help to export goods and services required in the markets of the recipient country, in which India does not have a presence. The Indian exporters can obtain payment of eligible value from Exim Bank, without being exposed to risk on the buyer or the buyer’s country, against negotiation of shipping documents / provision of services (as per approved payment terms).

The LOCs are extended to sovereign governments or their nominated agencies, to enable buyers in those countries, to import goods and services from India on deferred credit terms. The Bank as on December 31, 2023, has 291 Lines of Credit, covering over 68 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of over US\$ 28.17 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.

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## The Quarter That Was

Contributed by: Corporate Communications Group

### India Exim Bank lists its maiden 10-year US\$ 1 billion Sustainability Bond on the London Stock Exchange's Sustainable Bond Market (SBM) Platform



Dr Vivek Joshi, Secretary, Financial Services, Ministry of Finance, Government of India, opens the Market at the London Stock Exchange (LSE) on October 30, 2023 in the presence of Ms. Harsha Bangari, Managing Director, India Exim Bank, to commemorate the listing of its maiden 10-year US\$ 1 billion Sustainability Bond on the LSE's Sustainable Bond Market (SBM) Platform.

This Bond was issued in January 2023, making India Exim Bank the first Indian issuer to open the markets for dollar and sustainability bond issuances in 2023. Following which, the Bank received an External Post Issuance Review in July 2023, after evaluation of the projects and assets funded with proceeds from this Bond. The Post-Issuance Review of this Sustainability Bond states that all the reviewed projects complied with the 'Use of Proceeds' criteria and were consistent with the commitments described in the Bank's ESG Framework. The London Stock Exchange has, upon due diligence, qualified Exim Bank's Sustainability Bond to be now listed under LSE's Sustainable Bond Market ("SBM") Platform.

### India Exim Bank forecasts India's merchandise exports to amount to US\$ 111.2 bn and non-oil exports to amount to US\$ 88.1 billion for Q3 (October-December) of FY2024

India Exim Bank forecasted India's total merchandise exports to amount to US\$ 111.2 bn, witnessing an y-o-y growth of 6.3%, while non-oil exports were forecast to amount to US\$ 88.1 billion,

witnessing an y-o-y growth of 7.7%, during Q3 (October-December) of FY2024. These positive growth rates were expected to be witnessed against the backdrop of negative growth seen during the first two quarters of the year. Positive growth in India's exports could be as a result of improvement in India's GDP growth outlook and expected global easing of monetary tightening spurring global demand. The outlook is, however, subject to risks of uncertain prospects for advanced economies, geopolitical shocks, and deepening geoeconomic fragmentation, among other factors.

### Closer Ties between India and Australia attain Renewed Significance in an Evolving Global Trade Landscape



India Exim Bank's Study titled 'Building Bridges: An Economic Analysis of India-Australia Trade and Investment Relations' was released by Ms Harsha Bangari, Managing Director, India Exim Bank and Mr. John Hopkins, MD & CEO, Export Finance Australia (EFA) on November 21, 2023, during the sidelines of the Asian Exim Bank Forum (AEBF) Annual Meeting held at Sydney, Australia.

AEBF was conceived and initiated by Export-Import Bank of India in 1996 for Asian Export Credit Agencies (ECAs) to exchange information and share ideas in a structured manner. The Asian ECA forum's principal task is to develop and enhance regional cooperation and forge stronger linkages among its member institutions, thereby fostering a long-term relationship within the Asian ECA community. The EFA hosted the 28<sup>th</sup> AEBF annual meetings under the theme, Export Credits 2040: Future Priorities for an Evolving Landscape. ■

## Country Scan

Contributed by: **Research & Analysis Group**

### Sri Lanka



Sri Lanka's economic growth is expected to rebound by 5.4% in 2024 after two consecutive years of contraction, followed by moderate growth averaging around 4% throughout 2025-28.

High electricity tariffs and austerity measures are expected to weigh down on private consumption, while tight monetary and fiscal policy, and political uncertainty are likely to adversely affect investments. However, a revival of the tourism sector and an expanding manufacturing sector due to the lifting of import restrictions, is likely to support economic growth. Inflation is likely to fall sharply to an average of 0.2% in 2024 owing to the easing of oil prices, appreciation of local currency and a weak domestic demand, with certain months also witnessing deflation. Given the uncertainty surrounding the IMF programme and the political climate, the Sri Lanka rupee is unlikely to appreciate through the SLR300:US\$1 threshold in 2024, standing at SLRs310:US\$1 at end of 2024. Several factors are expected to aid the increase in international reserves of the country in 2024. The current-account balance is likely to remain in deficit with the goods trade deficit widening. However, a weak domestic demand, moderating oil prices and currency appreciation are expected to keep the import bill in check.

### El Salvador



The Salvadoran economic growth may remain sluggish though increasing from 1.8% in 2023 to 2% in 2024, owing to continued high inflation, tight monetary policy, and the deceleration in

its major trading partners. The sovereign has high debt burden, 74% of GDP, and hefty debt service payments over the next couple of years. The government is focused on refinancing of short-term debt obligation targeting around US\$ 1.4 billion of the US\$ 2.8 billion (8% of the GDP) in short-term bills. El Salvador has made US dollar its official currency since 2001 and introduced bitcoin in 2021 as a second legal tender which has cast uncertainty over the financial sector, given the volatile nature of cryptocurrency markets (it has depreciated by more than 30% since 2021). The government's exposure to cryptocurrencies has also increased the risk of insolvency and threatens dollarization. While inflation is expected to moderate from 2.4% in 2023 to 1.5% in 2024, El Niño poses a significant risk to production and supply chains. The current account deficit is expected to narrow down to 4.5% of GDP in 2023 from 6.6% in 2022, but a potential balance of payments crisis looms. Limited access to multilateral borrowing may restrict capital inflows and pressure foreign exchange reserves.

### Djibouti



Djibouti's economy is expected to grow from 4.8% in 2023 to 5.5% in 2024, before picking up further to 5.8% in 2025, driven by export earnings from trans-shipment and logistics

services, and a rise in - largely debt-financed - investments. Downside risks to the economy include its service sector reliance, political conflict, dependency on Ethiopia for most of its maritime trade, and spillover effects from Ethiopia's growth constraints. The removal of fuel subsidies in mid-2024 is likely to result in inflation rates increasing from an estimated 2.2% in 2023 to 2.5% in 2024. However, supported by the Djibouti franc being pegged to the US dollar at Dfr177.7:US\$1 in 2024-25, inflation is likely to fall to 1.8% in 2025. Further on, despite the country's foreign-exchange reserves strengthening in 2024-25, its import cover is likely to average at one and a half months, below the internationally regarded threshold. Current-account surplus is expected to narrow from 15.9% in 2023 to 14.4% in 2024, and 11.6% in 2025 due to a narrowing trade surplus. Overall, imports is expected to see a boost while exports will also rise, albeit below potential. Considering Djibouti's limited FDI inflows and low foreign reserves, risk of debt distress remains high.

### Lebanon



Lebanon's economic crisis, fuelled by massive deposit outflows and a sovereign debt default, continues to deepen for the third year. The financial sector is insolvent, and the country is

amid a severe financial and economic crisis, with an expected to shrink by 2.6% in 2023 and rebound to 2.1% in 2024. Lebanon's debt-to-GDP ratios are markedly affected by the sharp currency depreciation, which increases the local currency value of foreign currency debt. Foreign currency debt comprised 40% of total debt in 2019, which increased to more than 90% in 2023 under revised exchange rate estimates. The public debt to GDP peaked in 2020 at 236.5% and it is estimated to decline to 197.9% in 2023. Lebanon pound is prone to dramatic fluctuations and revaluation with a surge in import costs and supply disruptions. There are multiple exchange rates operating in Lebanon, the official peg is at L£15,000:US\$1. The currency is expected to depreciate to L£87,291.6:US\$1 in 2023. There is record high inflation of 222% in 2023, majorly due to increase in import cost. Lebanon is expected to register a current account deficit of 22% in 2023 following a narrow export base and heavy dependence on imported inputs. ■

## Currency Currents

Contributed by: Treasury & Accounts Group

### Iraqi Dinar

**ID** In late 2020, a national liquidity crisis led the Central Bank of Iraq (ICB) to devalue the Iraqi dinar (IQD) by 22% against the US dollar, resulting in public outcry, but amidst subsequent price surges, the ICB, with the Iraqi council of ministers' approval in February 2023, restored the exchange rate to 1,300 IQD per USD. Further, in a bid to combat financial crimes and evade US sanctions on Iran, Iraq decided to ban cash withdrawals and transactions in US dollars from January 1, 2024. However, depositors will be able to withdraw in US dollar in 2024 for amount deposited until end-2023, however, dollar deposits done in 2024 could be withdrawn in local currency at the official rate of IQD 1,320 per USD.

The ICB has also collaborated with the US to regulate wire transfers to reduce fraudulent transactions, and deals with foreign nations, aimed to bolster US dollar reserves for ten Iraqi banks. Despite a government-approved currency revaluation, concerns persist about the dinar's value in parallel markets. Additionally, Iraqi private banks are now authorized to utilize various foreign currency reserves beyond the US dollar, such as the Euro, UAE Dirham, Yuan, and INR, to facilitate international trade transactions. The IQD/ USD has been trading range bound in the range of 1306-1309 during the quarter and closed at IQD 1308 against US dollar as on December 18, 2023.

### Swiss Franc

**CHF** Swiss franc (CHF) is the official legal tender of Switzerland and Liechtenstein. The Swiss franc has surged from a low of 0.9244 against the US dollar in September 2023, supported by weakness in the dollar. It is becoming a preferred safe haven as heightened geopolitical tensions, worsened by the Israel-Hamas conflict and disappointing corporate earnings, and thereby, reducing the appeal of traditional havens like government bonds and the yen. Also, the franc's value against the euro has reached 0.9409 in September 2022, its highest since the Swiss National Bank (SNB) abandoned the peg to the euro in January 2015.

Additionally, the SNB continued to strengthen the franc by selling foreign currency reserves, softening the blow from volatile commodity prices, and limiting import inflation, among the central bank's key weapons against elevated price growth in Europe. As a result, foreign exchange reserves held by the SNB fell for the sixth straight month to the lowest CHF 641.73 billion in seven years in November. In the recent policy meet in December, the Swiss National Bank maintained interest rates unchanged at 1.75%. During the quarter, the pair has been trading in the range of CHF 0.8591 – 0.9244 against US dollar and closed at CHF 0.8608 against US dollar as on December 19, 2023.

### Israel Shekel

**NIS** The new Israeli shekel (ILS) is the currency of Israel and is divided into 100 agorot. In October 2023, the Bank of Israel has announced its first-ever sale of foreign currency, up to US\$ 30 billion, to maintain stability amid the ongoing conflict with Palestinian militants in Gaza. This decision was prompted by an unprecedented security situation, causing the shekel to fall 2.8% against the dollar. The shekel had already weakened by 10% in 2023 due to political turmoil, and the anticipation of a prolonged war with Hamas in Gaza further contributed to its depreciation. Amid the ongoing Israel-Hamas conflict, the Israeli shekel has dropped to a record low of 4.0273 against the US dollar, marking the lowest point in over 11 years.

Further, the Bank of Israel sold US\$ 8.2 billion of foreign currency in October to counteract the shekel's decline during the ongoing conflict, resulting in a more than 1% strengthening of the shekel to around 3.84 against the US dollar. As a consequence of these interventions, the country's foreign reserves decreased to US\$ 191.2 billion at the end of October, the lowest level in a year, representing 36.8% of the country's GDP. During The quarter, the ILS has appreciated against US dollar from a low of 4.0855 on October 26, 2023 to 3.6357 as on December 19, 2023 and closed at 3.6467 as on December 19, 2023.

### Canadian Dollar

**C\$** The Canadian Dollar (CAD) is the 7<sup>th</sup> most traded currency in the world. It is also the sixth-most held reserve currency in the world, behind the US dollar, Euro, Yen, Sterling, and Renminbi. The GDP growth in Canada is at 1.1%, considerably lower than the U.S.'s 5.2%, primarily attributed to international trade challenges and lower inventories. Although public spending has buoyed domestic demand, government activity reveals a 0.4% contraction. Additionally, the Bank of Canada (BoC) maintained its overnight target at 5.0%, signaling a reluctance to further tightening. While maintaining a hawkish bias, the BoC acknowledged the economy is "no longer in excess demand."

In early November 2023, the Canadian Dollar came under pressure, following increase in Canada's unemployment rate to 5.7% from 5.5%. Subsequently, the CAD has strengthened from 1.39 to 1.35 against the US dollar, reaching its highest level in over two months despite falling oil prices and a widening negative interest rate spread versus the US analysts are maintaining bullish forecasts for the Canadian dollar, considering it undervalued and poised to benefit from strong economic ties with the United States. The closing rate of as on December 19, 2023, was CAD 1.3331: US\$ 1. ■

## Exim Mitra

Contributed by: **Exim Mitra Group**

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, India 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 Procedures and Phytosanitary Compliances for Export of Tomatoes from India to New Zealand

Exporting tomatoes from India to New Zealand involves complying with specific regulations and procedures like getting a Biosecurity Import Permit. This permit is issued by the Ministry for Primary Industries (MPI) of New Zealand for importing fresh tomatoes. Applications can be made online through the MPI website. Also obtaining a phytosanitary certificate from the designated authority in India, typically the National Plant Protection Organization (NPPO). This certificate verifies whether the tomatoes meet New Zealand's import health standards. One can use the consultation option from MPI website for identifying the specific treatments that might be required for the tomatoes depending on the season and potential pest risks. For more information on the measures and procedures one might like to visit the following useful links.

- New Zealand Ministry for Primary Industries (MPI): <https://www.mpi.govt.nz/import/>
- Biosecurity Import Permits: <https://www.mpi.govt.nz/import/>
- National Plant Protection Organization (NPPO) India: <https://ppqs.gov.in/>
- Federation of Indian Export Organizations (FIEO): <https://fieo.org/>

### Information regarding Pre-Shipment and Post-Shipment Credit in Export Business

In international trade, pre-shipment and post-shipment credit are two types of financing options available to exporters to bridge the gap between the production/purchase of goods and receiving payment from the buyer. Pre-shipment Credit provides financing before the goods are shipped. They are useful for covering expenses like raw materials, manufacturing, processing, packaging, and other pre-shipment costs. Typically, provided by banks in the form of packing credit or working capital loans. It reduces financial risk for the exporter by allowing them to start production without waiting for payment and can be secured by the goods themselves or other assets of the exporter. Post-shipment credit provides financing after the goods are shipped but before payment is received from the buyer. It is useful for covering expenses like transportation, insurance, customs clearance, and working capital needs until payment arrives. Typically, provided by banks in the form of bills discounting or export receivables finance. It reduces the risk of non-payment from the buyer as the bank advances the funds based on the export documents and can be secured by the export documents or other assets of the exporter.

### Information regarding the Rebate of State and Central Taxes and Levies (RoSCTL) Scheme

The RoSCTL scheme is a government initiative designed to boost exports by reimbursing embedded state and central taxes and levies on goods exported from India.

#### Eligibility:

- The scheme applies to exports under Chapters 61, 62, and 63 of the Customs Tariff, covering textiles, garments, and made-up articles.
- You must be an IEC holder registered with the DGFT.

#### How to apply for the scheme:

- **Register for the scheme:** Log in to the DGFT's online portal (<https://www.dgft.gov.in/>) and register your firm for the RoSCTL scheme.
- **File Shipping Bills:** Prepare and file shipping bills with the customs department for your export shipments. Ensure all details are accurate and complete.
- **Claim RoSCTL Duty Credit Scrip:** After customs clearance, submit an online application for RoSCTL Duty Credit Scrip on the DGFT portal. Attach all necessary documents like shipping bill, invoice, and packing list.
- **Verification and disbursement:** DGFT verifies your application and documents. If approved, the RoSCTL Duty Credit Scrip is electronically issued to your nominated bank account within 15 days.
- **Utilization of Scrip:** You can utilize the Duty Credit Scrip for import of duty-free inputs or for payment of customs duty on subsequent exports. It can also be transferred or sold to other exporters.

### Information regarding Quotation, Buyers, Pricing Margins and Documentation in the Onion Trade

One can refer to the "Indicative Steps to Begin Export" under the Export-Import intelligence section of Exim Mitra portal where there is a section on pricing and costing. As the prices of onions keep fluctuating, while determining the quotation, one would need to keep the following things in mind:

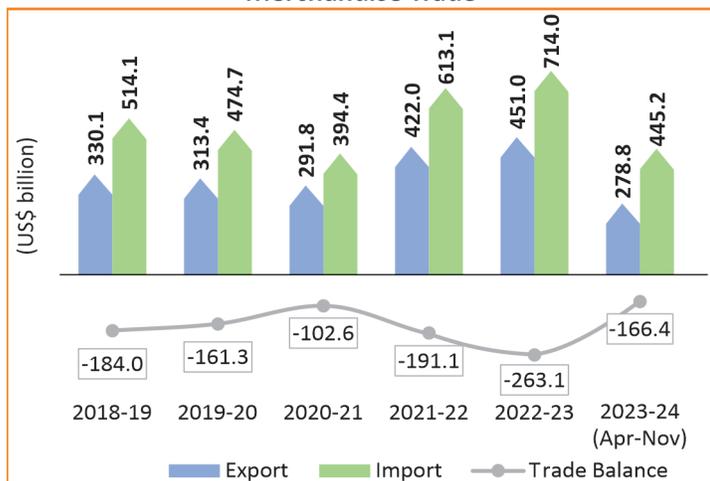
- Quantity
- Delivery period
- Price of the product
- Freight Costs
- Payment Terms
- Packaging
- Cost of financing
- Any other expenses etc.

One may also like to go through the explanation of export costing and pricing, export documentation and procedures, and specific information about export of onions given by APEDA on their agrixchange, ready reckoner page [https://agriexchange.apeda.gov.in/Ready%20Reckoner/Essential\\_Exporting.aspx#](https://agriexchange.apeda.gov.in/Ready%20Reckoner/Essential_Exporting.aspx#)

# Snippets on Indian Economy

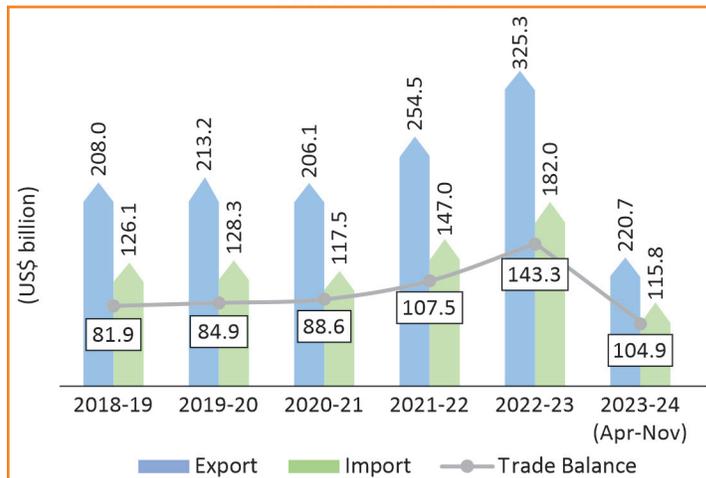
Contributed by: Research & Analysis Group

## Merchandise Trade



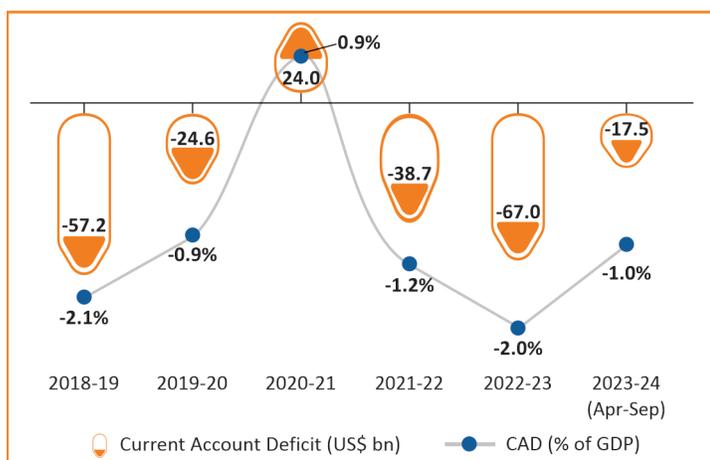
Source: Ministry of Commerce and Industry, GoI

## Services Trade



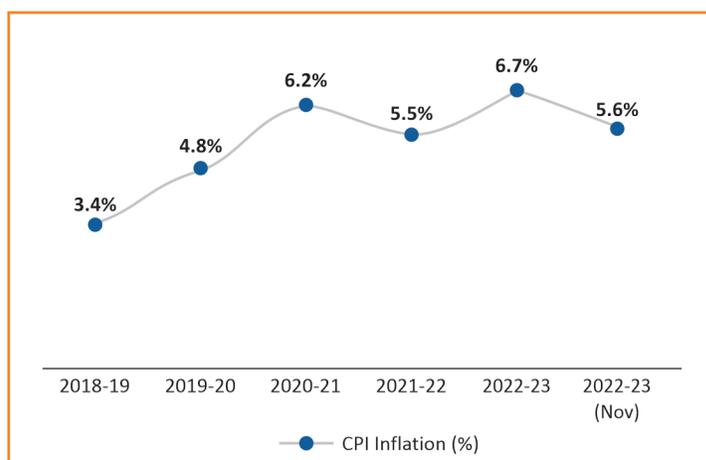
Source: RBI

## Current Account Deficit



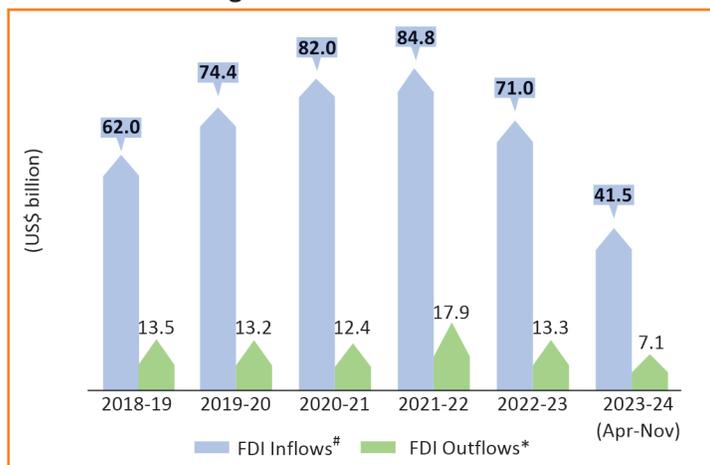
Source: RBI

## Consumer Price Inflation



Source: Ministry of Statistics and Programme Implementation, GoI

## Foreign Direct Investment Flows

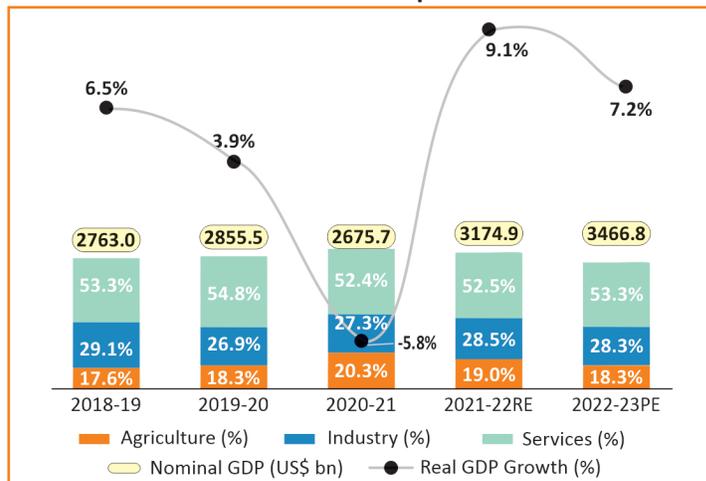


Note: \* - FDI Outflows reflect actual figures and include equity, loans and guarantees invoked

# - FDI Inflows include equity, re-invested earnings and other capital

Source: RBI and Ministry of Finance, GoI

## Sectoral Output



Note: Figures in yellow represent Nominal GDP (US\$ bn); RE-Revised Estimate; PE-Provisional Estimates

Source: Institute of International Finance & MOSPI, GoI