

EXIMUS: EXPORT ADVANTAGE

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A Quarterly Publication by:



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Building Value Chain: Opportunities for India and ASEAN

The South East Asian region has emerged as one of the fastest growing regions in the world, on the back of its strong manufacturing sector. With its strategic location, and abundant natural resources, the Association of Southeast Asian Nations (ASEAN) is one of the major regional blocs in the world. The existing ecosystem in the region supports sourcing, manufacturing and shipping of finished goods from these markets.

International trade has gained significance and has been growing rapidly in the region with the establishment of ASEAN Free Trade Area, with ASEAN currently accounting for 7.4% of total global trade. On the investment front, ASEAN countries such as Cambodia, Indonesia and Vietnam recorded the highest ever FDI inflows in 2019. Investments into Cambodia and Vietnam were majorly supported by the relocations of multinational enterprises from China due to recent US-China trade tensions as well as large investments into the manufacturing and services sector from other ASEAN countries and Japan.

India-ASEAN Trade and Investment

ASEAN is a strategic pathway for India to expand its economic interests and strategic outreach to the Asia-Pacific region. ASEAN and India together represents a combined population of 2.02 billion which is over a quarter of the global population and a GDP of over US\$ 6.1 trillion, creating one of the largest economic spaces in the world. There exist a lot of complementarities between India and ASEAN countries. In recent years, ASEAN has become one of the largest trading partners for India, with total trade significantly increasing from US\$ 52.6 billion in 2010 to US\$ 91.3 billion in 2019.

On the investment front, although Singapore, and to some extent, Malaysia have significant investments in India, the investment relations with other ASEAN nations remain rather untapped. CLMV countries are receiving strong investment interest from India in recent years mainly due to their high-growth markets, low wage labour and natural resource reserves.

GVC Analysis of ASEAN and India

An analysis of international trade in ASEAN countries, India and China in terms of technology-based exports revealed that while 57.5% of Chinese exports and 51.3% of ASEAN exports belong to mid and high-tech items; while only 32.9% of Indian exports are concentrated in the mid and high-tech items. An increased integration into Global Value Chains (GVCs) make it easier for India and some of the ASEAN countries to move

away from export reliance on resources and low technology products and to become major exporters of mid to high-tech manufactured goods and services.

GVC participation in ASEAN, though increased compared to 1990 levels, remained lower than rates in 2000 and 2010. Cambodia, Lao PDR, Myanmar and Vietnam have all undergone reduction in GVC participation from 2000 to 2018. India's GVC participation rate has also declined from 45% in 2010 to 41% in 2018.

Table 1: GVC Participation Rate in ASEAN and India

Country	1990	2000	2010	2018
Brunei	35.5%	31.9%	45.6%	49.7%
Cambodia	35.4%	35.2%	36.3%	31.0%
Indonesia	38.8%	46.0%	51.3%	50.0%
Lao PDR	38.1%	43.0%	37.9%	32.0%
Malaysia	61.0%	63.4%	67.3%	64.0%
Myanmar	32.3%	44.0%	45.0%	38.9%
Philippines	62.5%	63.3%	63.3%	57.5%
Singapore	75.5%	79.1%	76.5%	75.5%
Thailand	44.7%	53.5%	54.4%	51.8%
Vietnam	40.8%	45.6%	61.6%	49.3%
ASEAN	56.2%	61.3%	63.8%	60.8%
China	29.5%	37.9%	46.8%	44.6%
India	30.4%	38.6%	45.0%	41.4%

Source: UNCTAD EORA Database and India Exim Bank Analysis

Using foreign value-added (FVA) content of gross exports as a parameter to measure the extent of participation in GVCs through backward linkages, it is observed that India's integration in GVCs is low (14.1%). On the other hand, ASEAN has witnessed high backward linkages, with FVA components accounted for as much as 35.7% of gross exports in 2018. Share of FVA in exports or backward participation is high for economies like Singapore or Vietnam as they are heavily reliant on foreign inputs for their exports.

Comparing GVC participation of India and China with ASEAN revealed China with its large and diverse manufacturing base, and extensive presence in assembling and processing of high-tech products procure intermediates in large scale from ASEAN countries. China is the largest source of imported inputs for gross value added exports for ASEAN, with its share increasing from 2.7% in 1990 to 15.6% in 2018. India was the 12th largest source of imported inputs for ASEAN exports, with its share increasing from 0.7% in 1990 to 2.3% in 2018.

Development of Value Chain between India and ASEAN: Key Sectors

Development of value chains offers great opportunity to scale up India's engagement with ASEAN countries. Creating a Regional Value Chain (RVC) at different stages of industrial manufacturing between India and ASEAN countries would facilitate the relocation of production bases at various stages across India and ASEAN seamlessly. Some of the strategic sector for development of RVC between India and ASEAN countries are analysed here.

Electronics

Indian electronics industry manufactures a wide range of goods across the entire spectrum of electronics and ICT, from entry level to state-of-the-art electronic products. At the same time, electronics is one of the industries where India has registered huge trade deficit of over US\$ 40 billion, and the figure is expected to grow further. India's biggest challenge in the electronics industry arises from the fact that it is hugely dependent on China for imports.

Several ASEAN countries have strong manufacturing base in the electronics sector. Moreover, electronic companies in ASEAN are well diversified producing electronic parts and components to producing mid-tech to high-tech products and is involved in both capital and labour intensive stages of electronics manufacturing, with all aspects of production being operated simultaneously. An advantage of ASEAN electronics component companies are their absorptive capacities to imbibe the best technology and process, leading to increased productivity.

India is increasingly trying to diversify into the manufacturing of electronic products and electrical parts. Indian companies could try to establish manufacturing assembly units in ASEAN countries including Vietnam. Medical electronics devices segment has been receiving increased attention in the recent times, which is of equal importance to ASEAN countries as well. Increased investments from ASEAN, through long-term partnerships in the electronics sectors and setting up manufacturing in India would support in building local capabilities in India, in order to source strategic electronic goods domestically. Another area for collaboration between India and ASEAN economies are R&D and skill development in electronics, semiconductors and materials, as well as in areas such as 5G, automated manufacturing robotics, etc.

Automobiles and Auto-components

The ASEAN automotive sector over the years has emerged into a major production hub and dominant market for both original equipment manufacturers (OEMs) and auto parts suppliers due to a rapidly growing consumer market, integrated supply chains and comparatively lower labour costs. Most of the global auto firms have their presence in ASEAN, following a regional

production networks strategy, however, auto components are still imported in large scales into these producing countries, offering opportunities for suppliers from India. The growing automobile industry in ASEAN countries offers vast opportunities for investments for Indian manufacturers and distributors of automobile components. Several ASEAN countries are also major natural rubber producers and exporters, with several opportunities for tyre manufactures.

ASEAN economies would be able to take advantage of India's relative competitiveness in design and engineering, and manufacturing skills. India has a very large market in both four wheeler and two wheeler passenger vehicle segments. However, there is considerable dependence on imports of certain auto components such as drive transmission, steering, electricals, interiors, engine components, and alloy wheels from China, which could be locally produced or diverted to ASEAN economies through integration in a RVC.

Collaboration with ASEAN component makers and designers through JVs and technical alliances could support India to bring advanced technologies in a shorter time, while over the long run, it could support India's plan to develop technology locally through increased in-house R&D, and hence support in developing local supply chains. India and ASEAN countries could look into increased investment in production of electric vehicles, as well as setting up factories for nickel production.

Healthcare and Medical Products

India and ASEAN countries face several common health challenges including growing geriatric population and an increasing prevalence of non-communicable, chronic and life style diseases, resulting in growing healthcare expenditures. Increased cooperation among India and ASEAN countries through capacity development and joint research activity in healthcare has acquired renewed importance especially in the current Covid-19 scenario.

Local production of pharmaceuticals and medical equipment in several ASEAN countries are unable to meet their domestic demand. For instance, as per the Myanmar Pharmaceutical Industrial Enterprise, local production in the country could meet only 10% of domestic demand in 2018. While India is the leading producer of generics in the world, ASEAN companies heavily rely on both China and India for meeting their API requirements. Accordingly, there exist increased investment and collaborative opportunities between ASEAN and India to produce API ingredients within the region through partnership with multinational life science companies.

India with its strong healthcare sector, skilled health professionals and affordable and quality medicines could play a major role in ASEAN's healthcare and pharmaceutical sector. India could support ASEAN to enhance local production to meet the growing demand of medical products at cheaper costs,

as well in build their capacity to produce essential medical products, including vaccines, antibiotics, medical equipment or personal protective equipment. Collaboration with ASEAN countries in areas such as strengthening health systems, access to care, safe and good quality medical products, medical devices, affordable quality medicines (traditional and complementary medicines), where India's strengths are more visible could be a way forward, while India could learn from the successful universal health coverage scheme in ASEAN countries such as Thailand, as well as collaborate with ASEAN companies in providing e-consultation and telemedicine services.

Agribusiness and Food Processing

India and ASEAN are predominantly agriculture based economies, with large contribution to the region's GDP. ASEAN countries have been successful in building export industries around their natural resources, especially agricultural products. Despite these developments, ASEAN has very limited arable land area, in addition to other challenges such as unavailability of bio inputs for organic production, inconsistent supply, high production cost and farmers' capacity as well as processing level issues. Realizing its limitations, ASEAN economies are aiming for the sustainable development of agriculture sector through sustainable organic value chains.

Indian companies can cooperate with private sector in several ASEAN countries and provide their expertise in terms of technological know-how as well as marketing services. Mapping each other's complementarities in the agricultural and food products, India and ASEAN countries can strengthen their comparative advantages and increase their supply of agricultural products. The Covid-19 pandemic has also disrupted the agri-supply chain and innovative solutions are needed to ensure an efficient agri-supply chain mechanism in India and ASEAN countries. This would require joint cooperation and collaboration across all segments of the agri-food supply chain including raw material, production, harvesting, storage, infrastructure, logistics, marketing, technology as well as agri-finance. Processing of non-food agricultural products (tobacco, rubber, wood) is another area with huge scope of cooperation between India and ASEAN countries. Strategically planned collaboration between India and ASEAN economies have the potential to uplift agriculture sector in both regions to expand the RVCs and become a major part of GVC.

Thus, the fundamental idea behind building supply chains across India and ASEAN countries would be to optimally utilize the comparative advantage each country offers at different stages of production. By positioning themselves strategically in the GVCs, ASEAN and Indian economies not only can effectively cater to the foreign final demands of their own people, but can also play a crucial role in the value addition in the production processes at the Asian regional level. ■

Promoting Agriculture Exports from India

India's export of agricultural commodities¹ was estimated at US\$ 34.8 billion during 2019. The export of agricultural commodities registered a CAGR of 6.8% during the period 2010 to 2019 as against the CAGR of 4.3%, registered by India's overall exports. Globally, India was ranked 14th among the top exporters of agricultural commodities during 2019. Marine products were the top items exported from India with an estimated export value of US\$ 6.7 billion during 2019-20, basmati rice was the second largest commodity with an estimated export value of US\$ 4.4 billion. Other major commodity groups exported during 2019-20 were spices, meat preparations, sugar and molasses and non-basmati rice.

For the agriculture and allied products exported from India, the USA was the largest export destination with estimated exports of US\$ 4.6 billion during 2019-20 and China was the second largest with estimated exports of US\$ 3.7 billion. Other major export destinations in 2019-20 were Iran, Vietnam, the UAE, and Saudi Arabia.

India's Agricultural Policies

Agriculture trade policies in India objectively have been emphasising on raising farm output aiming at achieving self-sufficiency, reduce import dependency and ensure food security. Several support programmes have been designed and implemented by the Government of India (GoI), which are both product and non-product specific.

To promote agricultural exports, the Government has introduced a comprehensive Agriculture Export Policy (AEP) in the year 2018. The vision of this policy, as per the policy document, is to "Harness export potential of Indian agriculture, through suitable policy instruments; to make India a global power in agriculture and raise farmers' income."

The focus of the AEP is to instate a stable and predictable policy environment redirecting resources towards products that will earn higher returns in the international markets, while enabling improved responsiveness to market signals. The AEP suggests measures to address the varied logistical bottlenecks faced by the agricultural sector through the newly formed Logistic Division. Also, as part of the AEP, several unique product-district clusters have been identified for export promotion.

The GoI has also approved a new Central Sector Scheme – Pradhan Mantri Kisan SAMPADA Yojana (Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters) with a budgetary allocation of ₹ 6,000 crore for the period 2016-20 coterminous with the 14th Finance Commission

cycle. Through the scheme the Government envisage to create modern infrastructure with efficient supply chain management from farm gate to retail outlet.

The Kisan Credit Card (KCC) scheme by the GoI is designed to provide farmers with timely access to credit. Farmers who are KCC holders are exempt from the high interest rates of the regular loans offered by the banks and the financial institutions. The interest rate for KCC varies from as low as 2% and averages at 4%. In 2018-19, the GoI has also extended the KCC facility to fisheries sector.

The GoI has introduced new Farm Acts in 2020, which include (i) The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020; (ii) The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, 2020; and (iii) the Essential Commodities (Amendment) Act. These acts are envisaged to increase private investment in the sector and further augment income for the farmers.

Besides several central and state-run schemes, the Government also provides financial support to the various stakeholders engaged in the agriculture and allied sector by way of subsidies on inputs and resources for production. The GoI has recently introduced a Production Linked Incentive Scheme for Food Processing Industry (PLISFPI) with an outlay of ₹ 10,900 crore, to support creation of global food manufacturing champions.

To further strengthen and support the agricultural sector, several initiatives have been introduced by the GoI under the Atma Nirbhar Bharat Abhiyan. The Government has earmarked a ₹ 1 lakh crore Agriculture Infrastructure Fund (AIF) for creation of farm-gate infrastructure for farmers. Further, the Government has put in place a ₹ 15,000 crores Animal Husbandry Infrastructure Development Fund (AHIDF); allocated ₹ 20,000 crores under Pradhan Mantri Matsya Sampada Yojana (PMMSY) for development the fisherman community; and set up a ₹ 10,000 crores scheme for Formalisation of Micro Food Enterprises (MFE).

During the Union Budget 2021-22 the GoI has suggested to double the initial corpus of the Micro Irrigation Fund (MIF), by augmenting it by another ₹ 5,000 crores. Under the ongoing MIF, projects worth ₹ 3,970.17 crore have been approved for sanction of loan.

Institutional credit flow to agriculture has been steadily rising due to the various initiatives taken by the GoI, RBI, NABARD, and other financial institutions. During 2019-20, banks have disbursed ₹ 13.68 lakh crore of credit support to the agriculture

¹ HS01 to HS24

and allied sectors, which was about 8.8% more than the credit support extended during the previous year. India Exim Bank has been extending support to various industries to enhance their export potential. India Exim Bank's total credit exposure to the agriculture and food processing sector was estimated at ₹1,263.03 crore² (approximately US\$ 173.4 million), accounting for 1.8% of the overall credit exposure to all the industries.

Strategies to Enhance India's Agriculture Exports

Some of the strategies which could to be adopted for ensuring higher agriculture exports are mentioned below:

Ensuring High Quality Standards: Efforts should be made to enhance quality and shelf life of the goods exported. Awareness needs to be generated in farmers over exportable varieties, new production techniques, harvesting and post-harvest management, export market requirements for a quality product to be produced adhering to international standards.

Technological Intervention and R&D: This may encompass digitization of land records, geo-mapping of lands, and registration of farmers and farm producer organizations (FPOs); revamping of entire cold storage and refer infrastructure with adaptation of high-end technologies; increased mechanisation of farm, harvest management; application of artificial intelligence in planning, monitoring, harvesting and resource allocation. R&D in new product development is essential, however, should also include innovations in other areas of application in product and farm management.

Ensuring WTO Compatibility: The policies relating to minimum support price will also have to be made WTO compatible. India needs to shift its focus from domestic subsidies to direct income support. Under Agreement on Agriculture (WTO), the direct payment to farmers comes under the Green Box and thus should be promoted. Direct support includes income guarantee and security programmes; programmes aimed at adjusting structures and environmental protection programmes, regional development programmes among others.

Tapping Market Intelligence: A common information platform can be built, providing comprehensive information relating to trade opportunities and business environment in the different countries. While scouting for potential markets, tweaking products to meet specific consumer tastes and requirements need to be taken up in a scientific and sustained manner.

Enhanced Market Access: India also needs to develop a unified body to deal with market access requests for imports as well as exports and handle all sanitary and phyto-sanitary issues pertaining to the agriculture sector. Under any bilateral trade negotiation, India needs to adopt a degree of flexibility in order

to leverage its huge market of 1.3 billion people to get the best bargain for itself.

Development of Infrastructure: A robust infrastructure including last-mile connectivity, is one of the important pillar of a successful agriculture export policy. Availability of cold storage, warehouse and processing facilities, good roads, post-harvest infrastructure and world-class exit point infrastructure at ports have proved to be crucial in expanding exports of a country. Infrastructure development should also include strengthening of backward linkages in the agriculture value chain.

Adapting a PPP Model: PPP can transform the sector at multiple levels, by working in strict complementarity. An important role of the government will be to create an enabling environment for private investment.

Building Brand India: Marketing and promotion of 'Brand India' is an initiative that can propel India's exports further through penetration into new foreign markets and new products which automatically translates into higher value realization. The focus should also be on promotion of value added, indigenous and tribal products at international platforms.

Skill Development: Development of value chain necessarily requires skill development of the work force. Increased mechanisation, modernisation, upgradation, and adoption of technology in farm management and value chain development will need significant capacity building across the agriculture sector. This calls for a considerable and continuous investment in skill development and capacity building with emphasis on industry and market-based requirements.

Strengthening Institutional Farm Credit Delivery: Aggressive efforts are needed to improve institutional farm credit delivery mechanism in the country through technology driven solutions to reduce the extent of financial exclusion of agricultural activities and households. Exploring collaborations with agri-tech companies/start-ups may enable financial institutions to provide access to credit in an integrated, timely and efficient manner to the farmers.

Go Green: Environment-friendly practices should be promoted along with the efforts in increasing the production. Incentives for promotion of organic farming, extending subsidy to the producers of green manure, bio-fertilisers and bio-pesticides and steps for promoting large-scale production of compost by utilization of urban solid waste can be adopted.

Convergence of Different Government Schemes: Export Promotion Scheme of different Ministries and departments should be converged into a unified scheme and possibly presented at a single platform for easier access to information and easy understanding by the farmers and exporters. ■

² As on March 31, 2021

Strengthening India-Bangladesh Partnership

Bangladesh has emerged as one of the fastest growing economies in the world, driven by a robust annual average growth rate of 7.4% between 2015 and 2019. However, as a result of the Covid-19 pandemic, its growth moderated to 3.8% in 2020. Located strategically in Southern Asia, between India and Myanmar, and a coastline with the Bay of Bengal, Bangladesh is the largest least developed country (LDC) in terms of its population and economic size. It is also the 8th most populous country in the world, with a population of 166.6 million in 2019.

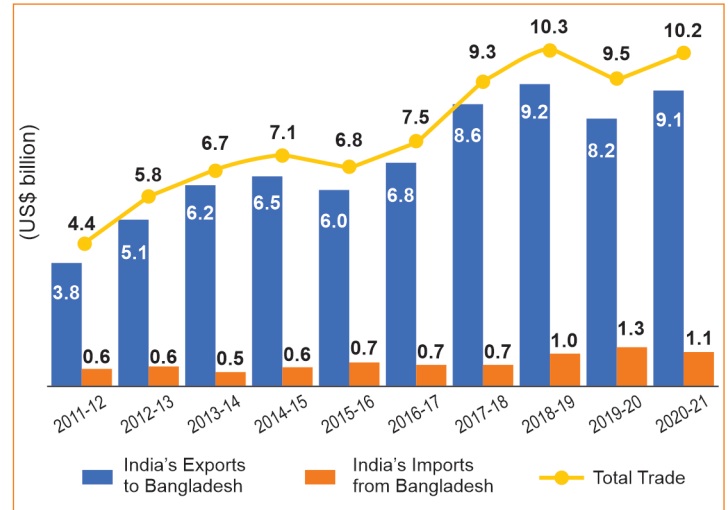
India and Bangladesh share an economic, historical, and cultural relationship that goes beyond a strategic partnership. Geographically India surrounds Bangladesh from three sides leading to a sharing of a long border of more than 4,000 Kms. Currently, India and Bangladesh are members of the South Asian Free Trade Area (SAFTA), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the Asia-Pacific Trade Agreement (APTA), and the Indian Ocean Rim Association for Regional Co-operation (IOR-ARC). Bangladesh has received preferential market access treatment from India for a large number of items of export under SAARC Preferential Trade Agreement (SAPTA) negotiations and also as part of Trade Liberalisation Plan (TLP) of the SAFTA. India provides preferential trade access to Bangladesh under these agreements as well as the Duty-Free Tariff Preferential (DFTP) Scheme for LDCs, which gives it duty free access to 98% of India's total tariff lines.

Bangladesh has emerged as the 5th largest export destination accounting for 3% of India's total exports in 2020-21 from being the 21st largest in 2010-11 accounting for 1.2% of total exports. Bangladesh is India's largest trading partner in South Asia accounting for 42.5% of India's exports to the region and 32.3% of India's imports from the region in 2020-21. India's exports to Bangladesh have registered a significant growth of AAGR 11.7% during 2010-11 to 2020-21 and stood at US\$ 9.1 billion from increasing US\$ 3.8 billion in 2010-11. Imports from Bangladesh have also increased from US\$ 0.6 billion in 2010-11 to US\$ 1.1 billion in 2020-21, increasing by an AAGR of 11.3% (Chart 1).

India's export basket remains well-diversified comprising cotton (19.5%), mineral fuels (11.2%), cereals (9.8%), vehicles (7.5%) and machinery and mechanical appliances (6.1%), respectively, during 2020-21 (Apr-Feb). The key items of import from Bangladesh during the same period were articles of apparel and clothing not knitted or crocheted (16.8%), animal and vegetable fats and oils (13.9%), articles of apparel and clothing

knitted and crocheted (10.7%), other made-up textile articles (9.6%) and vegetable textile fibres (9.2%), respectively.

Chart 1: India's Bilateral Trade with Bangladesh



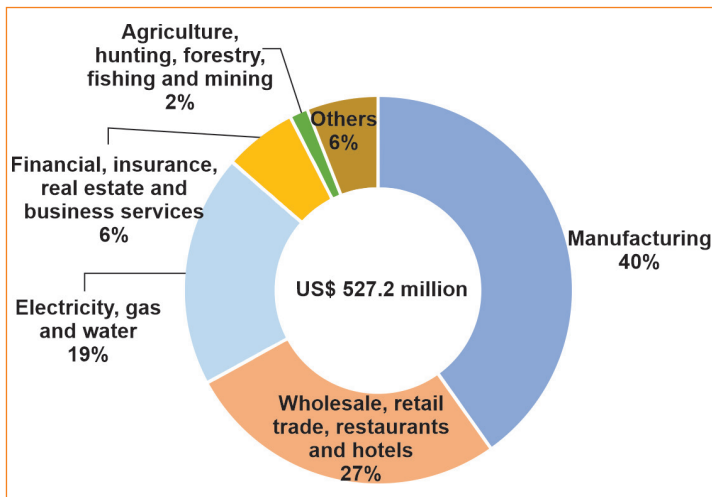
Source: Ministry of Commerce and Industry, GoI and India Exim Bank Analysis

India is an important trade partner for Bangladesh too. It was the second largest import source for Bangladesh during 2020 accounting for 17% of its global imports and 11th largest export destination accounting for 2.5% of Bangladesh's global exports. However, due to the existing non-tariff barriers, cumbersome procedures, and infrastructural bottlenecks, the two countries are unable to leverage the full trade potential. A Comprehensive Economic Partnership Agreement, at present in discussion, if fructifies can help in realising the untapped trade and investment potential.

During April 1996 to March 2021, India's cumulative approved FDI in joint ventures and wholly owned subsidiaries (FDI outflows), including equity, loan and guarantee issued, in Bangladesh stood at US\$ 527.2 million. The major sectors receiving investments were manufacturing; wholesale, retail trade and restaurants and hotels; electricity, gas and water; and financial, insurance, real estate and business services (Chart 2). Several Indian companies have invested in Bangladesh including Marico, Emami, Dabur, Asian Paints, Pidilite, Godrej, Sun Pharma, Tata Motors, Hero MotoCorp etc.

Others include community, social and personal services; construction; electricity, gas and water; wholesale, retail trade, restaurants and hotels; and transport, storage and communication services; and cumulative approved investments during April 2010-March 2020 in Bangladesh stood at US\$ 527.2 million.

Chart 2: Sector-Wise Indian Overseas Direct Investments in Bangladesh



Others include community, social and personal services; construction; electricity, gas and water; wholesale, retail trade, restaurants and hotels; and transport, storage and communication services; and cumulative approved investments during April 2010- March 2020 in Bangladesh stood at US\$ 527.2 million.

Source: RBI and India Exim Bank Analysis

According to the Bangladesh Bank, India was the 10th largest investor in Bangladesh during 2019, with investments worth US\$ 725 million mainly into telecommunication (20.8%) followed by banking (18.1%), textile and apparel (13.7%), power (8.5%) and chemicals and pharmaceuticals (4%) trading (3.7%), agriculture and food processing (3.4%) and computer software and IT (1%), respectively. On the other hand, cumulative inflows into India from Bangladesh during April 2000-March 2021 amounted to US\$ 0.1 million.

Infrastructure has been long cited as one of the key imperatives for Bangladesh to achieve its medium and long term socioeconomic development goals. The Perspective Plan of Bangladesh, 2021-2041 estimates Bangladesh's infrastructure needs at US\$ 10 billion a year till 2041. Within infrastructure, investments in transport can act as a multiplier, promoting economic activity by reducing operating costs and increasing time-savings. Extending this a step further, by building regional corridors between India and Bangladesh, would reinvigorate the significance of the eastern subcontinent in the global arena. This will be a win-win for both, India and Bangladesh. According to a recent World Bank Study, seamless transport connectivity between India and Bangladesh has the potential to increase national income by as much as 16.6% in Bangladesh and 7.6% in India. Apart from serving as a connecting link to the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and Association of Southeast Asian Nations (ASEAN) countries, for India in particular, enhancing connectivity infrastructure would advance India's Act East Vision along with further expanding its connectivity with Northeast India.

The growing economic partnership between India and Bangladesh is best reflected through India and Bangladesh's cooperation in the power sector. Significant progress has also been made in facilitating road and railway transport between the two countries. However, its full potential is yet to be explored, especially given the complementarities between the two countries. Bangladesh's 8th five-year plan highlights that although there has been significant infrastructure development in terms of roads and bridges, investments in water transport has lagged behind. India's recently announced Maritime Vision 2030 also aims at focussing on the development of Eastern Waterways Connectivity Transport Grid (EWaCTG) for enhancing regional connectivity and reducing transportation cost. Besides, waterways have been the most effective and most environmentally friendly mode of transport.

The recent initiatives for improving bilateral connectivity, such as the signing of the second addendum to the Protocol on Inland Water Transit and Trade (PIWTT) for increasing the number of routes from 8 to 10 in May 2020, will certainly provide further impetus to the inland waterway connectivity between the two countries. This will also pave way for enhanced cooperation in terms of infrastructure development for inland waterway connectivity, supply vessels and necessary machinery and equipment, and dredging works to accelerate the functioning of these routes.

India has been allocated lands in Mongla (close to the Mongla port), Kushtia (a district bordering India) and Mirsarai (in the Chattogram District) Economic Zones for investing in industrial activities. India could further assume a larger role in developing road and railway infrastructure including which would connect the inland waterways to the economic zones and ports such that the entire multimodal transport system is functional.

During the Prime Minister's visit to Bangladesh in March 2021, both countries agreed to continue working together as 'Partners in the region and the World' and cooperate on priority basis to facilitate effective implementation of BIMSTEC by speeding up operationalisation of the BBIN Motor Vehicle Agreement. Connectivity continues to underscore the focus area for increasing trade and creates scope for up-gradation of infrastructure and facilities of the Land Customs Stations (LCSs) / Land Ports and explore new connectivity routes through additional land ports.

Bangladesh and India need to work together and leverage the potential offered by the regional cooperation initiatives to integrate the flow of goods and services. Thus, creating an alternative corridor for trade and fostering greater cooperation for multi-modal connectivity which are imperative to overcome the pandemic-induced vulnerabilities, strengthening partnership and ensuring sustainable growth. ■

Indian Apparel Industry

Indian textile and apparel industry is important for the Indian economy, as it contributes up to 7% of industrial output in value terms, 2% of India's GDP and nearly 10.8% of the country's export earnings. The textile and apparel industry is one of the largest sources of employment generation in the country, with over 45 million people employed directly and another 60 million people employed in allied sectors, including a large number of women and rural population. Given its salience in India's economic output, employment and exports, the sector is crucial for inclusive growth of the country.

The Indian readymade garments/apparel industry is the largest segment of the Indian textile and apparel industry, accounting for almost 50% of the total output of the industry. As per the Annual Survey of Industries 2017-18, there were 10,498 factories engaged in the manufacturing of apparel. However, the Indian apparel sector is characteristically unorganised and segmented, with huge number of small manufacturers in the sector, making it difficult to arrive at a formal size of the apparel industry. Most of the production is organized in clusters and major clusters are located in the cities of Bangalore, Delhi NCR, Kolkata, Ludhiana, Mumbai, and Tirupur, among others. As per a study by the Apparel Export Promotion Council, 95% of the total apparel production in India takes place in the top 19 clusters.

Global Scenario

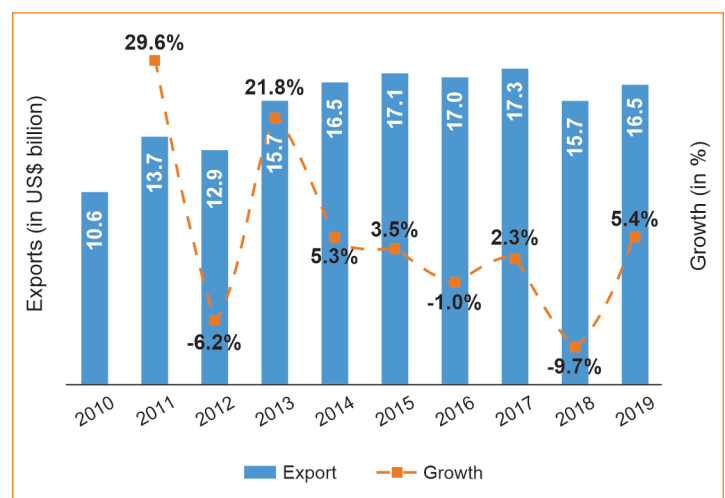
The global market for apparel manufacturing was estimated at around US\$ 898.3 billion during the year 2019. The market for apparel manufacturing registered a compound annual growth rate (CAGR) of 5.3% during 2015 to 2019. The Asia-Pacific region accounted for around 64% of the total market for apparel during 2019. The European region accounted for around 30% of the market. Western Europe, China, the USA and India were the top contributors to the revenues of the global apparel market during 2019.

The global apparel exports were estimated at US\$ 475.1 billion in 2019, witnessing a decrease of 0.1% as compared to the previous year. China was the largest exporter of apparels, with exports of US\$ 138.2 billion in 2019, and constituting a share of 29.1% in the global apparel exports. China was followed by Bangladesh, with 8.5% of the global apparel exports during 2019. Other major apparel exporters during 2019 include Vietnam (share of 7.0% in global apparel exports), Germany (5.0%), Italy (5.0%), India (3.4%) and Turkey (3.3%).

Indian Scenario

India is a net exporter of apparel, having a trade surplus of US\$ 15.4 billion during 2019. The exports of apparel from India were estimated at US\$ 16.5 billion in 2019, registering a y-o-y growth of 5.4%, as compared to the previous year's value of US\$ 15.7 billion. Analysis of exports during the past decade reveals that apparel exports from India registered a CAGR of 5% during 2010 to 2019, with the exports reaching its peak at US\$ 17.3 billion in 2017.

Chart 3: Exports of Apparel from India (in US\$ billion)



Source: Data accessed from ITC Trade Map, October 2020; India Exim Bank Research

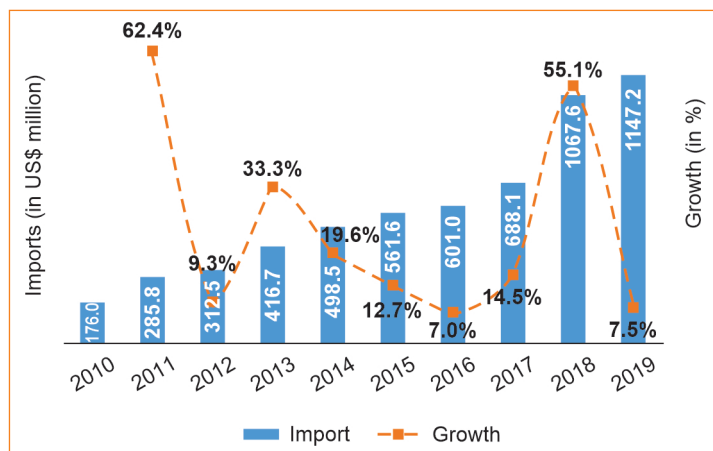
Within the category of apparels, garments of cotton incl. accessories was the largest exported item, with estimated exports of US\$ 8.6 billion in 2019-20. It was followed by readymade garments of manmade fibres with estimated exports of US\$ 3.5 billion in 2019-20.

With respect to the export destinations, the top five export destinations contributed to 59.1% of the apparel export from India in 2019, indicative of significant market concentration. The US is the largest export destination for apparel exports from India, with estimated exports of US\$ 4.4 billion in 2019, and constituting a share of 26.7% in the total apparel exports from India. India's exports of apparel to the US have been steadily increasing, with the share of the US in India's exports of apparel increasing from 21.7% in 2014 to 26.7% in 2019. Other major export destination includes the UAE (share of 11.5% in India's exports of apparel), the UK (9.7%), Germany (6.4%), Spain (4.7%), and France (4.5%).

During 2018, the apparel imports witnessed a double-digit growth of 55.1% to reach US\$ 1.1 billion and continued its

upward trajectory in the following year. The imports of apparel by India reached a record high of US\$ 1.14 billion in 2019, registering a y-o-y growth of 7.5%. Apparel imports by India have grown consistently during the past decade, registering a CAGR of 23.2% during 2010 to 2019.

Chart 4: Imports of Apparel by India (in US\$ million)



Source: Data accessed from ITC Trade Map, October 2020;
India Exim Bank Research

With respect to the sources of imports, the top five source countries contributed around 81.6% of the apparel imports by India in 2019, of which the top two countries contributed around 61.5%. Bangladesh is the largest source of apparel imports by India, with estimated imports of US\$ 389.6 million in 2019, constituting a share of 34% in India's apparel imports. Imports of apparel by India, from Bangladesh, have been increasing rapidly, registering a CAGR of 42.5% during 2010 to 2019, much higher than the CAGR for overall apparel imports by India. China is the other major import source, constituting a share of 27.5% in India's apparel imports during 2019. The apparel imports by India from China registered a CAGR of 20.2% during 2010 to 2019. Other major import sources for India include Spain (share of 8.5% in India's apparel imports), Sri Lanka (5.8%), Hong Kong (5.8%) and Vietnam (3.5%).

The FDI equity inflows in the textile sector in India were estimated at US\$ 319.9 million in 2019, registering a year-on-year growth of 16.1% over the previous year. FDI in the sector during April 2000 to September 2020 was estimated at US\$ 3,464.1 million, which was 0.7% of the overall FDI equity inflow in India during the same period.

Government Initiatives

The Government of India has initiated several policy interventions to support the growth of the textile and apparel sector in the long-term. With the allowance of 100% FDI in the sector, under the automatic route, the sector is expected to attract US\$ 140 billion (₹ 10,485 billion) of foreign investments

in the coming years. The government has also earmarked considerable investments under various schemes, such as Integrated Textile Parks (SITP) and Technology Upgradation Fund Scheme (TUFS) to encourage the flow of more private equity towards capacity building, technology development and skill development in the sector. For further accelerating the growth in the textile and apparel industry, the Ministry of Textiles, Government of India has assigned ₹ 6,900 Million (US\$ 106.58 million) for setting up of 21 readymade garment manufacturing units in seven states, with an objective of development and modernization of the Indian textile and apparel sector. The Government of India has also announced Production Linked Incentive Scheme for promoting MMF and technical textile, with an approved financial outlay of ₹ 10,683 crore over a five-year period. The scheme is designed to provide incentive from 3% to 15% on stipulated incremental turnover for a period of five years after one year gestation period for brownfield investment and two years gestation period for greenfield investment.

Pandemic associated Disruptions in the Sector

The widespread impact of the Covid-19 pandemic has impact nearly all manufacturing sectors. The textile and apparel sector has also been affected, both globally and in India. Apparel retail is estimated to have contracted by around US\$ 27 billion (₹ 2,042 billion) in FY 2020-21 as compared to the pre-Covid-19 projections for the sector. Exports of apparel from India witnessed a y-o-y growth of -24.7% during 2020, reaching a level of US\$ 12.2 billion. According to the data released by the Confederation of Indian Textile Industry (CITI), the recovery for the domestic market for textile and apparel post pandemic is expected to be relatively steep and the market size is estimated to reach US\$ 120 billion (₹ 9,074 billion) by 2024.

As the Indian textile and apparel industry re-organizes itself to overcome the economic impact of the Covid-19 pandemic, it will be imperative for the industry to uphold its social and environmental responsibilities, going forward. Traceability has emerged as a fast-moving trend in garmenting globally, and the trend has been further fostered by the pandemic. This will require the Indian apparel industry to push for a more transparent textile and apparel supply chain.

There have been some growth shoots in the sector despite the pandemic associated disruptions. India has emerged as the second largest manufacturer of PPE in the world with more than 600 companies in India certified to produce PPEs currently. The global market for PPE is forecast to reach over US\$ 92.5 billion (₹ 6,927 billion) by the end of 2025, as compared to US\$ 52.7 billion (₹ 3,971 billion) during 2019. This would be a major demand boost for the sector. ■

Production Linked Incentive Scheme as a Policy Tool to Facilitate India's GVC Integration

Nearly 70% of international trade today involves global value chains (GVCs), as services, raw materials, parts, and components cross borders – often numerous times. At a time when trade tensions were already dampening global trade sentiments, the Covid-19 pandemic jolted the global supply chains and resulted in unprecedented surge in uncertainty. As a result, many companies are now striving for resilience in their supply chains and are developing mechanisms to reduce reliance on a single large supplier in their production value chain. Transnational companies are looking at alternative investment locations to reduce their risks. This has created newer avenues for countries like India to leverage the emerging changes in value chains.

Several economies such as Malaysia and Vietnam are competing with India to attract such investments. However, with the pandemic-associated lockdowns and supply chain disruptions, global investors are also looking at local market size while taking their investment decisions. This shall bode well for India as India's competitive strength derives from its large domestic market. Besides, the abundance of low-cost labour, availability of abundant natural resources in sectors such as textile, skill advantages in services sector etc. also provides India a competitive edge over other countries. Moreover, the Government of India (GoI) has also been taking various steps to boost India's competitiveness through investor-friendly policies, greater focus on infrastructure projects, and improvement in ease of doing business. On account of the major reforms by the GoI across various areas of doing business, the country's ranking in the World Bank's Ease of Doing Business Report improved from 142nd in 2014 to 63rd in 2019. The new sector specific schemes viz. the Production Linked Incentive (PLI) Scheme, is yet another step taken to help India emerge as one of the important destinations for manufacturing investments.

The PLI Scheme aims to provide incentives on incremental sales of products manufactured in domestic units. The scheme is expected to engender large scale foreign investments in key focus areas and deepen India's position in the global value chains. Additionally, the scheme also aims to encourage local companies to set up or expand manufacturing units. The scheme was initially introduced for mobile and allied equipment, pharmaceutical ingredients and medical devices manufacturing, but now covers a wide array of skill and technology-intensive sectors, including Advance Chemistry Cell Battery Manufacturing; Electronics (Including Telecom Products, IT Hardware, Electronic components); Automobile and Auto Components; Bulk Drugs & Pharmaceuticals; Medical

devices; Textile and Allied Sectors (including technical textiles, man-made fibre & RMG of man-made fibre); Food Processing; Solar PV manufacturing; White Goods (AC, LED); and Steel Products.

The introduction of the PLI scheme is also timely for boosting exports, considering that the Merchandise Exports from India Scheme, which was one of the key export incentive scheme, has been withdrawn w.e.f. December 31, 2020. The PLI, along with the new scheme for Remission of Duties and Taxes on Exported Products, would move the country towards a more comprehensive, production-oriented and WTO-compliant incentive system, to bolster the manufacturing sector, and thereby help integrate the sector in the GVCs.

The PLI scheme is likely to help Indian manufacturers move up the value chain, and lead to higher value-added exports from the country. This is particularly true for sectors where India currently enjoys a trade surplus. Besides, scale economies would also fetch new customers and markets thereby improving India's export volumes in these sectors. According to India Exim Bank Research, during 2019-20, the cumulative exports from the 10 PLI sectors stood at US\$ 71.9 billion and there is significant untapped potential in these sectors. According to India Exim Bank's estimates, tapping the latent potential in these sectors could augment India's exports by another US\$ 55 billion.

Additionally, the scheme is also likely to neutralize trade deficit in several key sectors. India recorded a trade deficit in 5 out of the 10 PLI sectors viz. Advance Chemistry Cell Battery Manufacturing, Electronics, Medical devices, Solar PV manufacturing, and White Goods. According to India Exim Bank Research, there is potential to neutralize trade deficit of nearly US\$ 40.9 billion in these sectors through the PLI scheme. This amounts to more than one-fourth of the overall merchandise trade deficit and nearly 56.8% of the non-oil merchandise trade deficit of India.

Nevertheless, it is important to understand that promotion of exports through linkages with GVCs would necessarily entail imports of certain components and intermediates. The focus of the PLI Scheme under the GoI's Atmanirbhar Bharat Abhiyan is therefore not to insulate the economy, but to localize the higher value-added activities in the country and engender organic growth in the manufacturing sector. To that end, the PLI scheme is certainly going to help Indian manufacturers to integrate deeper into the GVC in the long run. ■

India Exim Bank's Lines of Credit

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 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 as on June 21, 2021 has 274 Lines of Credit, covering over 62 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of over US\$ 26.94 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.

India Exim Bank, with the support of Government of India, has signed 2 LOCs as given below during the period April-June 2021:

- i. A LOC of US\$ 108.28 million was extended to the Government of Republic of Eswatini (Swaziland), for the purpose of financing 'Construction of a new Parliament Building in Eswatini'. With the signing of the above LOC, India Exim Bank, till date, has extended four Lines of Credit to the Government of Republic of Eswatini (Swaziland), with the support of the Government of India, taking the total value of LOCs extended to US\$ 176.58 million. Projects covered under the LOCs extended to the Government of the

Eswatini (Swaziland), includes information technology park, agricultural development and mechanization of agriculture, construction of disaster recovery site and construction of a new Parliament Building in Eswatini (Swaziland).

- ii. A LOC of US\$ 100 million was extended to the Government of the Sri Lanka for the purpose of financing 'Projects in the Solar Energy Sector' project. With the signing of the above LOC, India Exim Bank, till date, has extended eight Lines of Credit to the Government of the Sri Lanka, with the support of the Government of India, taking the total value of LOCs extended to US\$ 1,529.15 million. Projects covered under the LOCs extended to the Government of the Sri Lanka includes purchase of defence equipment / supplies, upgradation of railway line (Colombo-Matara), upgradation of Southern Railway Corridor from Colombo to Matara, (i) track laying by IRCON on the Omanthai-Pallai sector, (ii) track laying by IRCON on the Madhu Church-Tallaimannar sector, and (iii) track laying on the Medawachchiya- Madhu railway line, (i) track laying on the Pallai-Kankesanthurai railway line, (ii) setting up of signaling and telecommunications systems for the Northern railway line, rehabilitation of Kankesanthurai Harbour, and Projects in the Solar Energy Sector.

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Success Story



Inauguration of the Extension of Lake Victoria Water Supply to Tabora, Nzega and Igunga Towns Project in Tanzania

India Exim Bank has extended a GoI-supported LOC of US\$ 268.35 million to the Government of Tanzania for extension of Lake Victoria pipeline to Tabora, Igunga and Nzega towns in Tanzania. The Credit Agreement was signed on June 19, 2015 and was made effective on October 7, 2015. The scope of the Project includes construction of 280 km of transmission pipeline, 1200 km of distribution networks and 29 water storage reservoirs with various capacities located in Tabora, Igunga and Nzega Towns in Tanzania. The total cost of the Project is US\$ 256.87 million.

The Project was officially inaugurated by the Hon. President of Tanzania on January 30, 2021 along with Deputy High Commissioner from India High Commission in Tanzania and other dignitaries. The Project shall benefit nearly 1.20 million residents in the regions of Tabora, Igunga and Nzega Towns and nearby villages in Tanzania ensuring access to drinking water facility. ■



The Quarter That Was

India Exim Bank's PAT more than Doubles in FY 2021

India Exim Bank's Managing Director, Mr. David Rasquinha, and Deputy Managing Directors, Ms. Harsha Bangari and Mr. N. Ramesh, announced the Bank's results for the financial year 2020-21.

Key highlights of the Bank's performance during 2020-21 are as under:

Parameter (A-J in ₹ Crore, K – N in %)	Performance in 2019-20	Performance in 2020-21	Growth over 2019-20
A. Loan Portfolio	99,447	103,851	4.43%
B. Non-Fund Portfolio	15,869	14,229	(10.34%)
C. Customer Asset Portfolio(A+B)	115,316	118,080	2.40%
D. Net Investments	10,837	10,017	(7.57%)
E. Total Borrowings	105,166	109,617	4.23%
F. Total Business (C+D+E)	231,319	237,714	2.76%
G. Business per Employee	651	683	4.91%
H. Operating Profit	2,031	2,823	39.00%
I. Profit Before Tax	244	356	45.90%
J. Profit After Tax	124	254	104.84%
K. Net Non Performing Assets	1.77%	0.51%	(126 bps)
L. Capital to Risk Assets Ratio	20.13%	25.89%	576 bps
M. Provision Coverage Ratio	88.76%	96.74%	798 bps
N. Slippage Ratio	1.94%	1.52%	(42 bps)

Lines of Credit (LOCs): During FY 2020-21, India Exim Bank on behalf of the Government of India (GoI) extended 20 LOCs, aggregating US\$ 2.23 billion, to support export of projects, goods, and services from India. India Exim Bank has built up a portfolio of 272 GoI-LOCs with credit commitments aggregating US\$ 26.76 billion which are at various stages of implementation. With ever expanding reach, the LOCs have gained momentum in stimulating economic growth across 64 countries in Africa, Asia, Latin America, Oceania and the CIS region.

Project Exports: During FY 2020-21, India Exim Bank has supported 38 project export contracts valued at US\$ 3.6 billion (approx.) under its commercial window. Some major project exports contracts supported by the Bank during the

year include power transmission project in Bangladesh; a solar project and installation of electrical equipment in Australia; and construction of sub-stations in Thailand.

Buyers' Credit under National Export Insurance Account (BC-NEIA): During FY 2020-21, India Exim Bank sanctioned an amount of US\$ 2.88 billion, for 32 export projects, valued at US\$ 3.15 billion. The Bank has also given in-principal commitments for US\$ 1.58 billion supporting 16 projects valued at US\$ 1.78 billion, under BC-NEIA, at the request of several leading Indian project exporters.

Overseas Investment Finance: During FY 2020-21, five corporates were sanctioned funded and non-funded assistance aggregating ₹ 7.21 billion for part financing their overseas investments in 2 countries. So far, India Exim Bank has provided finance to 637 ventures set up by 476 companies in 78 countries.

During FY 2020-21, India Exim Bank raised FC resources aggregating US\$ 2.03 billion equivalent, through a variety of instruments. In January 2021, the Bank raised US\$ 1 billion for a 10-year tenor at a coupon of 2.25% p.a. in the 144A/Reg-S format. The transaction marked the lowest coupon from any Indian issuer for a 10-year US dollar issuance. The issue attracted a total order book in excess of US dollar 3.5 billion at close, thereby achieving more than 3.5 times subscription from high-quality investors.


During the year, the Bank has also raised funds through bilateral loans from Banks/Financial Institutions. So far, the Bank has raised FC resources in diverse currencies including Australian Dollars, Euros, Great Britain Pounds, Japanese Yen, Mexican Peso, Offshore Renminbi, Singapore Dollars, South African Rand, Swiss Francs, Turkish Lira and United States Dollars.

During the year, the Bank received capital of ₹ 13 billion from the GoI by way of budget allocation. As on March 31, 2021, the Bank's total resources including paid-up capital of ₹ 151.59 billion and reserves of ₹ 24.26 billion aggregated ₹ 1,272.02 billion.


Rating: The Bank is rated Baa3 (Negative) by Moody's, BBB- (Stable) by S&P Global Ratings, BBB- (Negative) by Fitch Ratings and BBB+ (Stable) by Japan Credit Rating Agency. All the above ratings are of investment grade or above and are the same as the sovereign rating. ■

Country Scan

France

 The French economy, which contracted by 8.2% in 2020 is set to witness a partial recovery, by registering a growth rate of 5.4% in 2021. However, the economy is not expected to return to pre-pandemic levels before 2022. Pressure on prices is expected to remain low, with average inflation at around 1.3% in 2021 and at 1.5% during 2022-25. After closing last year at US\$ 1.23 : € 1, the euro depreciated against the US dollar throughout the first quarter of 2021, reaching US\$ 1.17 : € 1 at end March. The euro is likely to undergo some appreciation against the US dollar in the second half of the year when a more sustained economic recovery kicks in. During 2022-23, the euro is expected to witness a new round of depreciation against the US dollar owing to a widening interest rate differential with the US as the ECB maintains its ultra-loose monetary policy for longer than the Federal Reserve. The current-account deficit widened to the equivalent of 1.9% of GDP in 2020, from 0.7% in 2019, reflecting sharp deteriorations in the trade deficit and the services surplus as a result of the global coronavirus crisis. The CAD is expected to narrow to 1.8% of GDP as recovery in external trade flows begin.


Senegal

 Real GDP of Senegal grew by 0.5% in 2020, Senegal's slowest growth rate in more than a decade due to the Covid-19 pandemic. The average consumer price inflation increased to 2.5% in 2020, compared to 1.8% recorded in 2019 due to supply-chain disruptions early in the pandemic and localised floods. It is expected to decrease to 2% in 2021 as above average cereal production causes food prices to fall. Senegal's economic growth is expected to recover in 2021 by 3%, driven by recovering external demand, construction of hydrocarbons projects and new exploration and expansion in the gold mining sector. The CFA franc is pegged to the euro at CFAfr 655.97 : € 1 and therefore fluctuates in line with euro US dollar movements. It is expected to appreciate to CFAfr 542.1 : US\$ 1 in 2021 as compared to CFAfr 575.6 : US\$ 1 in 2020 as confidence in emerging markets gradually returns. Overall, the current-account deficit is expected to narrow, from an estimated 12.3% of GDP in 2020 to 10.9% of GDP in 2021, in line with a recovery in tourism revenue and workers' remittances.

United Kingdom

 The Covid-19 pandemic caused a severe economic contraction in the United Kingdom in 2020, with real GDP shrinking by 9.9%. Export and import growth turned sharply negative in 2020 as global demand collapsed and travel restrictions persisted. As restrictions are lifted and government incentives to boost investment kick in, it is expected to recover by 5.8% in 2021. However, Brexit-related disruption is likely to restrict the pace of expansion. Inflation declined sharply in 2020, to an average of 1%, as the pandemic depressed demand. Inflation is expected to rebound by 3% in 2021, owing to increased consumer spending, as well as supply constraints both in the domestic market and internationally. The value of sterling has been volatile in recent years owing to political uncertainty related to Brexit and the pandemic, as well as the UK's large current-account deficit, which requires significant international capital investment to support the currency. Sterling is expected to depreciate against the US dollar in 2021 at US\$ 1.42 : £ 1 from US\$ 1.28 : £ 1 in 2020. The current account deficit is expected to widen from 3.5% of GDP in 2020 to 4.5% of GDP in 2021 as the export sector is weakened by worse terms of trade with the EU.

Trinidad and Tobago

 The GDP is expected to grow by 3% in 2021 (after an estimated contraction of 7.6% in 2020) as the Covid-19 pandemic recedes and oil and gas production recovers. However, the GDP is likely to return to the pre-pandemic levels only by 2024. After averaging 0.6% in 2020, the inflation is expected to grow modestly and average at 1.2% during 2021-25. The economy remains exposed to supply-side inflationary pressures, with vulnerable food prices. The domestic currency came under stress in 2020 amid the oil price shock, the central bank is expected to keep the exchange rate close to the implicit peg of TT\$ 6.8 : US\$ 1 during 2021-25. With the oil prices plummeting in 2020, the current account turned to a deficit of 4% of GDP in 2020. As the commodity markets recover, and exports increase, Trinidad & Tobago is expected to post surplus on the current account averaging 2.7% during 2022-25. The international reserves are also expected to grow and stabilize at an equivalent of around 10.8 months of import cover, which is high relative to other Caribbean countries. ■

Currency Currents

Australian Dollar

A\$ Australia's economy plunged into its first recession in nearly 30 years in the last financial year, as it suffered the economic fallout from the coronavirus. A\$/US\$, which has been on a rising trend since the outbreak of the Covid-19 pandemic. Australia's economy raced ahead last quarter as consumers and businesses spent with abandon, lifting output back above where it was last year and has continued its rapid rebound, to grow larger than it was before the Covid-19 pandemic. Growth was spurred by a soaring demand for commodities around the world and spending by consumers and businesses.

The Australian dollar (A\$) has been especially volatile against the US dollar since hitting a three-year high in February 2021. The A\$/US\$ rate started 2021 at 0.7693, quickly moved up to 0.7820, but then fell to 0.7562 at the start of February, as rising US Treasury yields lifted the value of the US currency. The pair spiked to 0.8007 in late February as the Aussie strengthened with copper reaching 10-year highs. The rate moved down to 0.7586 by end March before edging towards 0.7817 in April with a resurgent copper market. Analysts expect the Australian dollar to rise this year on increasing commodity prices and global economic recovery. As on June 14, 2021, A\$/US\$ closed at 0.7711.

United Arab Emirates Dirham

Dh United Arab Emirates dirham is among the world's most stable currencies in terms of exchange rate stability. It has been pegged to the US dollar since 1973. Since 1997, it has been set at a rate of 1 US\$ to 3.6725 Dh. The currency is pegged to US dollar because of the country's reliance on the oil industry where oil prices are denominated in U.S. dollars. The closing rate of US\$/Dh as on June 14, 2021, is 3.6728.

The coronavirus crisis hit the Gulf state hard last year, both via the shock of low oil prices and the huge toll it took on vital non-oil economic sectors such as tourism. The central bank expects to see a full economic recovery in 2022, with GDP growth rising to 3.5%. Events such as the Dubai Expo World Fair scheduled to run from October this year to March 2022 are likely to provide some support. The UAE being the major tourism, transit, and trade hub in the region, is expected to benefit from the event.

Malaysian Ringgit

RM The Malaysian economy has been steadily growing over the past years, growing by 4.8% in 2018 and 4.3% in 2019. However, the economy contracted by 6% in 2020 due to the impact of the Covid-19 pandemic, coupled with declining government expenditure and lower public and private investments. Nevertheless, a strong economic recovery is expected in 2021 and stabilisation by 2022.

The Ringgit greeted the start of Malaysia's two-week national lockdown with a show of stability, suggesting that any adverse impact from the restrictions may be limited. The currency, however, was Asia's worst-performer in May, falling almost 1% against the dollar as the nation's virus cases rose to a record. However, it never breached the March low of 4.16 per dollar and has since steadied at around 4.13 despite the present lockdown in Malaysia. The closing rate of US\$/RM as on June 14, 2021, was 4.1130.

Guinean Franc

Gnf The Guinean economy has been resilient in the face of the global pandemic. Real GDP grew 5.2%, only slightly less than 5.6% in 2019. This remarkable performance is linked to the strong 18.4% increase in mining activity in 2020, compared with 8% in 2019, the result of a recovery in Chinese demand for bauxite and aluminium, of which Guinea has been the major supplier since displacing Australia in 2017. But the pandemic hurt non-mining sectors, wherein growth fell to 2.5% in 2020 from 5.1% in 2019, largely because of delays of major projects and the temporary closure of borders and measures to contain Covid-19, which disrupted agricultural, manufacturing and service activities.

US\$/Gnf has been on a declining trend since the outbreak of the Covid-19 pandemic and was impacted further to a low of 10098 in February 2021 after Guinea declared the Ebola epidemic. US\$/Gnf has since recovered some lost ground and closed at 9756 on June 14, 2021. ■

Exim Mitra

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 Shipment Comprehensive Risks Policy

Shipment Comprehensive Risks Policy is commonly known as Standard Policy. These policies are issued by ECGC of India to provide export credit insurance support to Indian exporters. Standard Policy is the one ideally suited to cover risks in respect of goods exported on short-term credit, i.e. credit not exceeding 180 days. This policy covers both commercial and political risks from the date of shipment. It is issued to exporters whose anticipated export turnover for the next 12 months is more than ₹ 50 lakhs. The following commercial and political risks are covered under Standard Policy.

Commercial Risks

- Insolvency of the buyer.
- Failure of the buyer to make the payment due within a specified period, normally four months from the due date
- Buyer's failure to accept the goods, subject to certain conditions.

Political Risks

- Imposition of restrictions by the Government of buyer's country or Government action which may block or delay the transfer of payments made by the buyer.
- War, Civil War, revolution or civil disturbances in the buyer's country.
- New import restrictions or cancellation of valid import licence.

Procedure on Sale of Goods at Overseas Exhibitions/ Trade Fairs

Participants in international exhibition/ trade fair have been granted general permission vide Regulation 7(7) of the FEMA Regulations, 2000 for opening a temporary foreign currency account abroad. Exporters may deposit the foreign exchange obtained by sale of goods at the international exhibition/ trade fair and operate the account during their stay outside India provided that the balance in the account is repatriated to India through normal banking channels within a period of one month from the date of closure of the exhibition/trade fair and full details are submitted to the AD Category – I banks concerned.

Information on E-documents to be Submitted for the Application for SCOMET Authorization

The following documents need to be uploaded online while making the application:

- End Use-cum-End User Certificate(s)(EUC) from all the firms/entities involved in the supply chain of the product(s) (to be furnished on their letter head duly signed by the authorised signatory);
- Copy(ies) of Purchase Order(s) of firm(s) involved in the supply chain of the item/product;
- Aayat Niryat Form (ANF)-1 (Profile of Exporter);
- Elaborate technical specification relating to item of export;
- Copy(ies) of supply contract/agreement (if documents are bulky only the relevant portion containing contract reference and parties to the contract and the portion indicating the item(s) to be supplied and quantity thereof not exceeding 10 pages shall be uploaded)
- Copy of DGFT authorization letter for the same product, if any in case of application for repeat orders

Hard copy (Paper copy) of the following documents are required to be submitted to DGFT (HQ):

- Original End Use-cum-End User Certificate (EUC);
- Copies of Bills of Entry into the destination country for items exported during the last one year

Information on ITC HS Code List or India Harmonised Code System Code

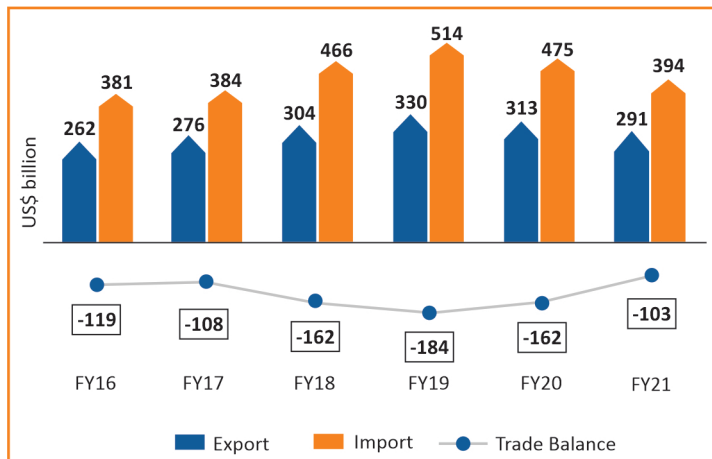
ITC-HS codes are divided into two schedules. ITC (HS) Import Schedule I describe the rules and guidelines related to import policies whereas Schedule II describe the rules and regulation related to export policies.

Schedule I of the ITC-HS code is divided into 21 sections and each section is further divided into chapters. The total number of chapters in the schedule I is 98. The chapters are further divided into sub-heading under which different HS codes are mentioned. Export Policy Schedule II of the ITC-HS code contains 97 chapters giving all the details about the guidelines related to the export policies.

Commodity description, weeding out of defunct codes, addition of new codes, change of product description etc., are taken up periodically as a part of the ongoing process towards perfection. ■

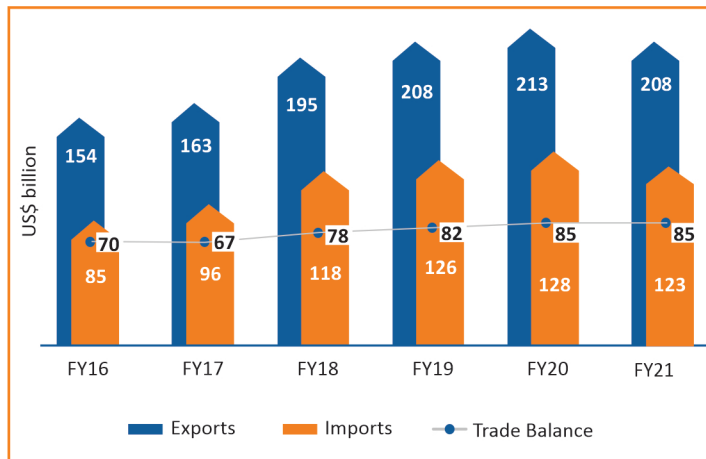
Snippets on Indian Economy

Merchandise Trade



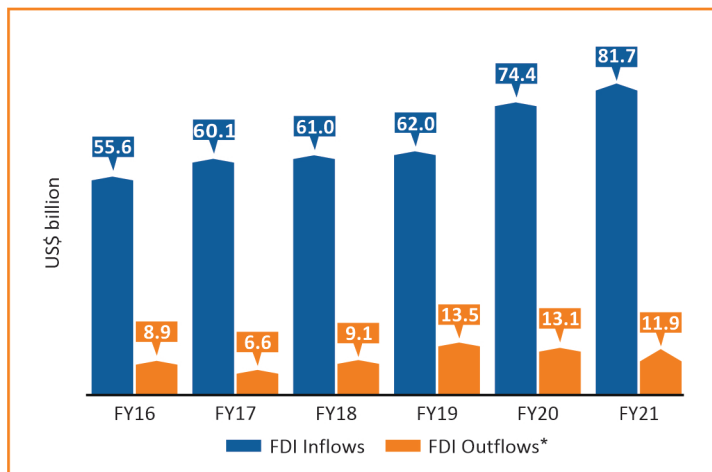
Source: Ministry of Commerce and Industry, GoI

Services Trade



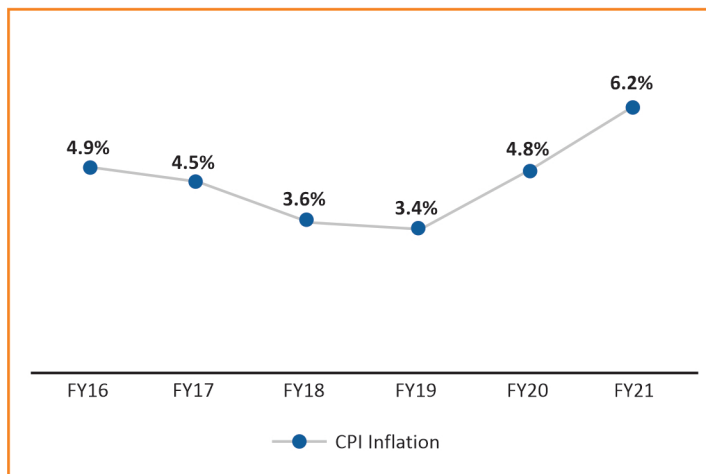
Source: Ministry of Commerce and Industry, GoI

Foreign Direct Investment Flows



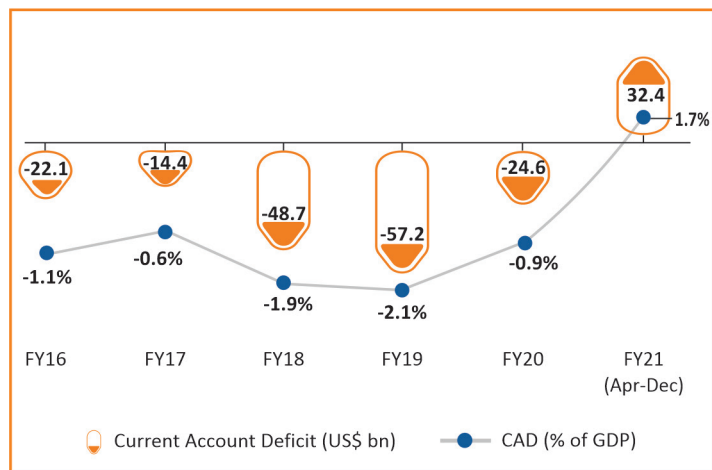
Note: * - FDI Outflows include equity, loans and guarantees invoked
Source: RBI and Ministry of Finance, GoI

Consumer Price Inflation



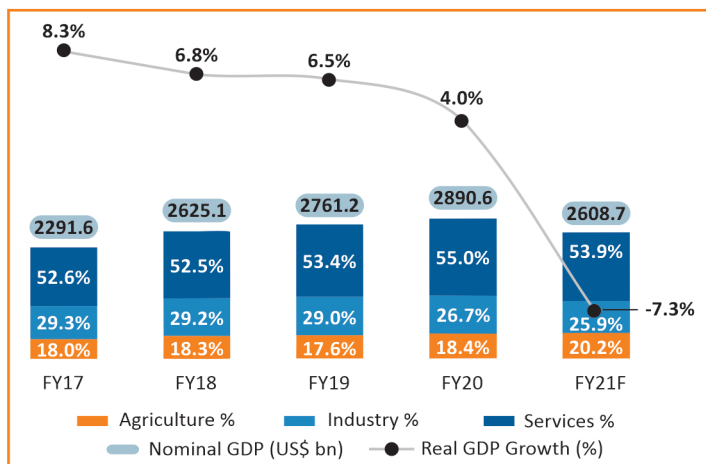
Source: Ministry of Statistics and Programme Implementation, GoI

Current Account Deficit



Source: RBI

Sectoral Output



Note: F-Forecast

Source: Institute of International Finance & MOSPI, GoI