

EXIMIUS: EXPORT ADVANTAGE

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Enhancing Project Exports from India

Project exports include exports of engineering goods on deferred payment terms and execution of turnkey projects and civil construction contracts abroad. Projects are financed through a variety of routes, including funding by sovereigns, multilateral development banks (MDBs), development financing institutions (DFIs), as also by the governments and/ or government backed institutions in other countries.

MDB funded projects represent a significant part of the total project exports undertaken across the globe. As per data compiled from major MDBs, Indian companies secured contracts valued at US\$ 26.1 billion during 2017-2021, in projects funded by the World Bank (WB), Asian Development Bank (ADB), African Development Bank Group (AfDB), Inter-American Development Bank (IDB) and European Bank for Reconstruction and Development (EBRD). A significant share of these projects have been secured through International Competitive Bidding. India is among the top supplier countries in the regions of South Asia, Sub-Saharan Africa, and Middle East and North Africa. Indian contractors specialize in energy, transport, and water supply/ sanitation sectors across all the regions in MDB funded projects, but they also face fierce competition in each of these sectors, particularly from China.

Select Strategies for Enhancing Project Exports

Strengthening Export Credit Agencies: Providing competitive finance is one of the key factors in success of project exports. Given the important role of ECAs in providing low-interest, long-tenor financing support for projects, there is a need to strengthen these institutions in India.

- **Regulatory Easing and Borrowing Support:** India Exim Bank's borrowing limit is pegged to 10 times of its Net Owned Funds, at par with commercial banks in India. However, such a leverage rule is not followed by other key ECAs across the globe. Therefore, enhancing the leverage ratio to 20 times may be considered, with suitable Board level safeguards, wherever necessary. Further, as a niche institution, India Exim Bank must necessarily have a higher degree of concentration of exposures. In this context, relaxing the prudential limits on exposure to Single Borrower and Borrower Group could be considered. The RBI's IRAC norms could also be relaxed for India Exim Bank's Buyer's Credit under the National Export Insurance Account (BC-NEIA). Further, India Exim Bank could be exempt from income tax like other ECAs such as those in the US, Canada and Japan, which may enable it to plough back its entire profits into its operations and facilitate the up-scaling of credit volumes.

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Incidence of withholding tax on overseas borrowings of India Exim Bank impacts the Bank's ability to offer internationally competitive credit packages. The GOI could consider waiving off the withholding tax on India Exim Bank's overseas borrowings. The GOI guarantees on borrowings as available to the recently set up National Bank for Financing Infrastructure and Development could also be considered for India Exim Bank on its overseas borrowings.

- Widening the Scope of Concessional Lending:** Developing countries need loans structured in concessional terms, with longer tenor and greater moratorium. In some cases, especially for the highly indebted poor countries (HIPCs), IMF debt sustainability framework mandates the countries to borrow only on concessional terms with a minimum concessional level of 35%. While majority of the LOC programme meets the IMF concessional condition, other programmes such as the BC-NEIA and Concessional Financing Scheme do not satisfy the minimum grant element mandated by the IMF and thus cannot be classified as concessional lending. To enhance the scope of concessionality, the GOI could consider providing an interest subvention for project exports supported under the Buyer's Credit programme of India Exim Bank. Such a move would project India as a partner for aid cooperation and also improve price competitiveness of project exporters in different markets, including the middle-income countries that cannot be accessed through the support provided under LOC.
- Risk Mitigating Instruments in Foreign Currency:** ECGC Ltd., as per norms of the Insurance Regulatory and Development Authority of India (IRDAI), is not allowed to extend cover in foreign currency. Insurance cover in foreign currency can significantly reduce the transaction costs for exporters. Thus, insurance cover should also be available in foreign currency. Special dispensation needs to be accorded by the IRDAI to ECGC Ltd. for providing cover in foreign currency under BC-NEIA. Regulatory supervision for such foreign currency cover can be provided by the RBI, which is also the regulator for export credit in the country.

Reviewing Minimum Local Content Requirement: A survey undertaken by India Exim Bank indicates that many Indian project exporters believe that meeting the minimum content requirement stipulated under the LOCs could be a challenge, particularly in civil construction projects in faraway markets. While relaxing the domestic content requirement may not be prudent; in line with best practices adopted by some ECAs, a value-added approach for calculation of minimum content

requirement could be considered, in certain segments of project exports, and in select geographies. Further, in civil construction projects, relaxation of domestic content requirement could be considered by GOI, subject to the condition that the key raw materials be sourced locally from the project country to the extent of the relaxation provided, with strict restrictions on imports of raw materials from any third country.

Encouraging Local Presence, JVs and Consortium Approach in Project Markets: India Exim Bank's survey of Indian project exporters indicates that all respondents are open to collaborate through joint ventures (JVs) in project countries and nearly 60% of them have engaged in JVs in the past, mostly in the regions of Middle East, Africa and South Asia. Indian companies need to be supported and encouraged to form JVs in the opportunity markets. Having a local presence in the country of the project significantly enhances the probability of success in securing a contract. Local presence also helps companies in bidding for contracts under National Competitive Bidding. Moreover, Indian companies should also be encouraged to adopt consortium approach to bid for multiregional and multisector opportunities. Such opportunities are expected to increase in the African continent on account of the newly formed African Continental Free Trade Area.

Considering Project Exports in FTA/RTA Negotiations: Prospects of project exports should also be considered while negotiating FTAs/RTAs with other countries. Non-tariff barriers such as high visa fees and non-issuance of multi-entry visa of longer periods to project implementation and commissioning professionals in some markets are a major concern. FTA/RTA negotiations should strive towards facilitating greater ease in movement of natural persons to execute the projects abroad. The possibility of including award of visa for workmen and officials of Indian contractor executing the projects on priority basis in such agreements with partner countries could also be considered. Further, the visa fees and duration could also be as per the general rule of reciprocity in this regard.

Countertrade Mechanism: Countertrade can serve as an effective market diversification strategy for Indian project exporters in untapped geographies with rich resources, that face restrictions in outward remittances. It also presents an effective way of mitigating risks associated with financing developmental projects in countries at risk of debt distress. A countertrade strategy would also be worth considering from the viewpoint of recovery of dues or securing future repayments in the developmental partnership programs of the GOI.

Creating Awareness about Procurement Opportunities: There is need for organizing detailed awareness workshops for preparing Indian exporters to tap the opportunities arising in

MDB funded projects. These workshops could train exporters in preparing responsive bids, apprise them about the specific requirements (standards, regulations, technical features, etc.) in the project countries, and encourage a more collaborative approach towards bidding for projects. India Exim Bank already organizes such programmes in collaboration with MDBs. More such programs can be conducted by the Department of Commerce, in consultation with industry associations, India Exim Bank, resident missions of MDBs, and other key stakeholders.

Co-Financing / Parallel Financing: There is a need to promote co-financing / parallel financing of infrastructure projects with other international funding agencies such as MDBs, ECAs, and national DFIs, as it can substantially enhance the project financing capabilities, while also meeting the growing infrastructure requirements. Bridging funding gaps in projects funded by India Exim Bank through co-financing by MDBs and other ECAs could be considered. GOI support may also be required to make the co-financing / parallel financing approach effective, by aligning the differences in funding structures and cost of fund between MDBs and India Exim Bank.

Knowledge Sharing for PPP: India's enabling environment for Public Private Partnerships (PPPs) has a strong focus on project preparation and capacity building, and India is at the right place to offer technical assistance and cooperation in development of PPP projects in other developing countries. India could increase its efforts towards sharing best practices for development of PPP regimes, particularly in Africa. This would create better financing environments in developing countries as also greater opportunities for Indian companies to invest and execute contracts in these countries.

Project Preparation Facilities for Creating Bankable Projects: Issue of bankability of projects has long been a major bottleneck in attracting private capital to bridge the infrastructure investment gap. Comprehensive approaches to develop project preparation facilities are required to increase the project bankability. Currently, India's engagement in project preparation facilities is mostly limited to early stages of project development activities. More facilities are required to also engage in post-preparation activities and concentrate on implementation and post-implementation stages as well.

Greater Emphasis on Sustainable/ Renewable Sector: There has been a growing focus on renewable energy projects globally. While the GOI had earmarked concessional LOCs worth US\$ 2 billion for solar projects in Africa during India-Africa Forum Summit-III, the uptake of such LOCs by partner countries is low. Improving cost competitiveness in the renewable energy sector would be critical as financing alone

would not be a panacea for growth in project exports from this segment. Thus, given the extent of competition faced by Indian companies from Chinese firms, there is a need to enhance the quantum of support provided by GOI to the domestic solar PV manufacturers. This would also enhance the capabilities of Indian project exporters in the renewable energy segment.

Sub-Contracting Approach for Smaller Players: Small and Medium Enterprises could also consider the possibility of engaging in project exports by way of securing sub-contracts from major European/ American/ Japanese companies. To encourage this, the office of MDBs in India, ED (India)'s office in MDBs, together with Indian Missions abroad could send out alerts advising the project exporters of such opportunities in advance. Gaining exposure to international projects through these subcontracting opportunities can help strengthen capacities and allow companies to bid independently over time.

Push/ Pull Programs for Enhancing SME Participation: Push/pull programs are untied financing programmes, wherein countries aim to "push" or "pull" future sourcing of goods and services towards their country, by offering financing support to major multinational manufacturers, in return for their commitment to source from smaller domestic companies in the future. These programmes also pair financing with matchmaking between domestic suppliers and foreign buyers. Several ECAs, including EDC (Canada) and SACE (Italy) have successfully implemented such a strategy. A similar programme could be developed for India, which could be used to incentivize sub-contracting to smaller players from major companies in project export contracts.



Release of India Exim Bank's Study on 'Project Exports from India: Tapping Potential Amid Changing Dynamics' by Shri. Piyush Goyal, Hon'ble Minister of Commerce and Industries, Textile, and Consumer Affairs, Food and Public Distribution, at India Exim Bank's Summit on Enhancing Global Opportunities for India Project Exporters, in New Delhi on May 05, 2022. ■

Re-Connecting India and Central Asia

Central Asian Republics (CARs) comprise 5 landlocked transition and developing economies – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, which play an important role as a bridge between Europe and Asia. They share borders with each other and with just three other economies- Russia, China, and Afghanistan, resulting in highly concentrated export destinations. The region is richly endowed with natural resources and has a combined population of 74.8 million and GDP of US\$ 292.5 billion in 2020.

Trends in India's Trade with Central Asian Republics

CARs represents a region of considerable strategic interest for India due to its geographical location, mineral and hydrocarbon reserves, and prospects for the development of multiple trade corridors through land and sea routes. The region, being a part of India's "extended neighbourhood", is pivotal in India's foreign policy.

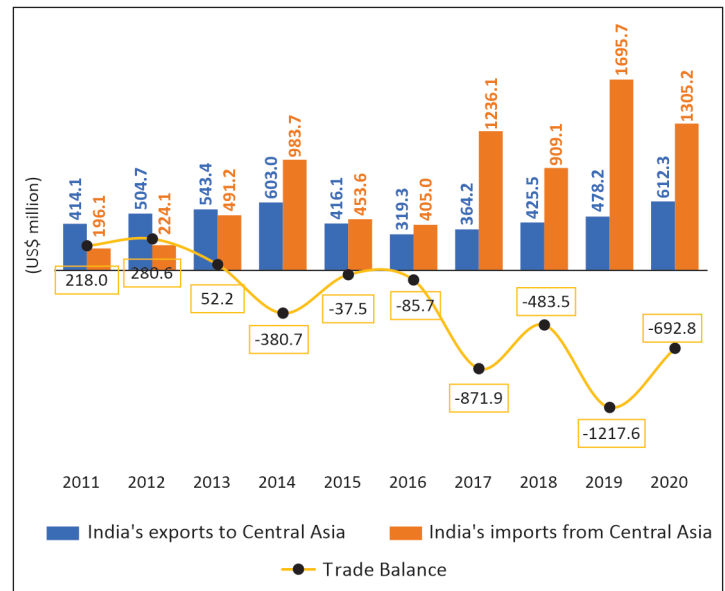
India's total trade with CARs has witnessed more than three-fold rise from US\$ 610.2 million in 2011 to US\$ 1.9 billion in 2020, with India's exports to the region amounting to US\$ 612.3 million and imports amounting to US\$ 1.3 billion in 2020. The total trade declined from US\$ 2.2 billion in 2019 to US\$ 1.9 billion in 2020 due to decline in imports of crude petroleum oil and silver by India from the Central Asian economies. India initially had a trade surplus with the region of US\$ 218 million during 2011, turned into a trade deficit of US\$ 380.7 million in 2014, which has widened further to reach US\$ 692.8 million in 2020, with an all-time high of US\$ 1.2 billion during 2019. India's exports to the region increased at a compound annual growth rate (CAGR) of 4% during the period 2011 to 2020, while the imports grew at a CAGR of 20.9% during the same period.

During 2020, Uzbekistan became India's leading export destination, among the CARs accounting for around 42.6% of India's total exports to Central Asia in 2020. Uzbekistan's share in India's export to the CARs stood at 21.2% and in 2011 has increased once time whereas Kazakhstan's share of 57% in 2011 has declined over the years. The other major exporters during 2020 were Kazakhstan accounting for 36.9%, Tajikistan (7.3%), Turkmenistan (7.2%) and Kyrgyzstan (6%) of India's exports to the region.

With regard to imports, Kazakhstan is the largest supplier to India among the CARs, accounting for over 98.3% of India's total imports from the region in 2020. Kazakhstan's share has increased from 62.5% whereas Uzbekistan's share has decreased from 26.6% in 2011. Uzbekistan accounted for 1.2%

of India's total imports from the region, followed by Kyrgyzstan (0.4%), and Turkmenistan (0.1%) in 2020.

India's Trade with Central Asian Republics, 2011 to 2020



Source: ITC Trademap and India Exim Bank Research

Pharmaceutical products are the major exported commodity by India to the region, accounting for 51.3% of India's total exports to the country during 2020. Other major export commodities include machinery and mechanical appliances (11.6% share of India's total exports), electrical machinery and equipment (9.8%), coffee, tea and spices (5.4%), articles of iron and steel (2.5%) and articles of apparel and clothing accessories, not knitted or crocheted (2.1%).

As regards imports, mineral fuels, oils and products of distillation accounted for over 96% of India's total imports from the region during 2020. Other major imported items include pearls, precious or semiprecious stones and metals (1.4% of total imports), inorganic chemicals (0.5%) and ships, boats and floating structures (0.4%).

Trends in India-CARs Investment Flows

Along with India's increasing exports to CARs, an important development has been improvements in bilateral commercial relations, resulting in India's overseas investments in countries in the region. Flow of bilateral investments between India and CARs have however, remained modest over the years. According to the data from Reserve Bank of India and the Ministry of Finance, GOI, the cumulative Indian Investments in

Joint Ventures and wholly owned subsidiaries in Central Asia during the period April 1996 to March 2021, amounted to US\$ 323.3 million. Among the CARs, Kazakhstan has emerged as an important destination for India's overseas investment, with total investment approved in the country amounting to US\$ 263.7 million during the same period. The country accounted for a share of 81.6% of India's investments in the region with majority of the investment in agriculture and mining. Among the other countries in the region, Uzbekistan also attracted sizeable Indian investments accounting for a share of 10% of India's total investment, mainly into manufacturing while Kyrgyzstan accounted for a share of 4.7%. Central Asia accounted for a marginal 0.1% of India's total ODI during April 1996 to March 2021. Coal, oil and gas received the highest investment followed by renewable energy, textiles, pharmaceuticals, financial services, and hotels and tourism.

India's Export Potential in Central Asian Republics

To enhance bilateral trade relations between India and CARs, strategy to enhance bilateral trade would entail identification of potential items of India's exports to CARs. This in turn, would be in line with India's global export capability as also demand existing in CARs, as exhibited by the rising trend in major import items of CARs. Concomitantly, such a strategy would also serve to enhance India's ranking as a major import partner of these countries. Some of these potential export commodities are given below.

The potential export items from India to Kazakhstan would include machinery; electrical and electronic equipment; vehicles other than railway or tramway; articles of iron or steel; pharmaceuticals; petroleum products; plastics and articles; optical, photographic, medical or surgical instruments; iron and steel and aircraft, spacecraft and parts thereof, among others.

The potential export items from India to Uzbekistan would mainly include machinery; transport vehicles; iron and steel; electrical and electronic equipment; petroleum products; plastics and articles; optical, photographic, cinematographic, and medical equipment; cereals; and articles of iron or steel.

In case of Turkmenistan, the potential export items would include machinery; articles of iron or steel; electrical and electronic equipment; transport vehicles; iron and steel; furniture, bedding, mattresses and mattress supports; miscellaneous chemical products; and plastics and articles.

Select potential export items from India to Kyrgyzstan would mainly include petroleum products; machinery; electrical and electronic equipment; transport vehicles; articles of iron or steel; iron and steel; plastics and articles; and footwear.

For Tajikistan, products having potential to be exported from India to Tajikistan would mainly include petroleum products; cereals; iron and steel; machinery; transport vehicles; electrical and electronic equipment; wood and articles of wood; animal or vegetable fats and oils; inorganic chemicals; and plastics and articles.

Investment Potential in Central Asian Republics

The Central Asian region enjoys comparative advantage in terms of its location being at the crossroads of Asia and Europe and its dynamic neighbours - Russia, India and China, and is thus emerging as an increasingly investment friendly region. Some of the plausible sectors where Indian investors could look towards investing in CARs are given below:

Kazakhstan: Oil Refining and development of oil and gas Infrastructure, mining-and-metallurgical sector, chemical industry, pharmaceuticals, healthcare, renewable energy and agriculture and food processing.

Uzbekistan: Oil and gas industry, mineral resources, chemical industry, solar energy and production and processing of fruit and vegetable products.

Tajikistan: Energy and hydropower, agriculture development and processing of agricultural products and tourism and service industry.

Kyrgyzstan: Hydropower, mining, food processing and information technology.

Turkmenistan: Oil and gas production and refining and chemical products.

India and Central Asia – Need for Enhanced Trade and Improved Connectivity

The year 2021 marks the 30 years of independence post the dissolution of USSR for the Central Asian countries and India's economic reforms. These five landlocked nations due to their geographical conditions remain logistically challenged despite being situated at the heart of the Eurasian landmass.

India's trade with Central Asia amounts to just US\$ 2 billion, owing to limited connectivity and low economic engagement with the region, which amounted to 0.4% of India's global trade in 2020. This reveals enormous potential for trade between India and the CARs by enhancing connectivity and trade related infrastructure. India's investments in the region also remains low and could be bolstered by collaboration in sectors like agribusiness, pharmaceutical and healthcare, IT, and chemical sectors besides the traditional oil and gas sectors. Investing in infrastructure development projects in CARs including rail, road and energy sector are some of the plausible options for Indian investors. India's strength in project exports would also pave way for investment in these regional infrastructure projects. ■

India's Engagements in Free Trade Agreements

The COVID-19 outbreak caused disruptions across the world including India, with the external sector being hit the hardest. India has a GDP target of US\$ 5 trillion to be achieved by 2024-25. The exports of both goods and services will have a major role to play in this as they are expected to contribute to 20% (US\$ 1 trillion) of this target.

India's combined exports of goods and services were registered at US\$ 538 billion in 2019, growing at an AAGR of just under 3%, followed by an on-year decline of nearly (-) 11 % in 2020 amid the COVID-19 outbreak. The latest data indicates that the total exports touched US\$ 670 billion in FY22, with merchandise exports crossing the US\$ 420 billion mark and services exports reaching US\$ 250 billion mark.

Rationale for Trade Agreements

Over the last two decades, trade has been a key determinant of the rapid expansion in the world economy. With respect to the rationales of the trade agreements, there are multiple reasons, which inter-alia includes, reducing or eliminating certain barriers to trade and investment; to facilitate stronger trade and commercial ties between participating countries; ability to improve economic efficiency; better terms-of-trade to increase its national income; among others. At the same time, FTAs lead to better jobs, new markets, and increased investment.

Further, it may be noted that the cumulative number of regional trade agreements (RTAs) has increased from 22 in 1990 to 305 in 2020. Even though non-discrimination among trading partners is one of the core principles of the WTO, RTAs constitute one of the exemptions and are authorized under the WTO, subject to a set of rules.

Assessment of India's Major Trade Agreements

ASEAN- India Free Trade Agreement (AIFTA)

The existing free trade agreement between India and the Association of Southeast Asian Nations (ASEAN) is split across three aspects - Trade in Goods; Trade in Services; and Investment. In the agreement, preferential imports form nearly 70% of the imports of India from ASEAN. With respect to ASEAN's imports from India, preferential imports cover 48% of imports.

India has remained a net importer of merchandise with the AIFTA aggregation, with a constant widening of trade deficit which increased from US\$ 6.7 billion in 2010 to US\$ 24.2 billion in 2021. The trade balance was primarily weighed down because of high imports of coal, crude palm oil, and petroleum oils.

The trade intensity index (TII) which determines for India's overall merchandise exports to the ASEAN aggregation is greater than one, indicating that the trade flows are larger than expected.

India-South Korea CEPA

The India-Korea CEPA came into effect in January 2010. As per the agreement, South Korea abolished tariffs on 93% of Indian imports and India did the same on 75% of Korean imports. India has remained a net importer of merchandise from South Korea during 2010 and 2021, with trade deficit amounting to US\$ 10 billion in 2021, up from US\$ 6.3 billion recorded in 2010. It is to be noted that the deficit largely arose on the account of high imports of electrical machinery, iron and steel, machinery, and plastics.

It is noted that India's TII to South Korea for overall exports was less than one and was particularly lower for iron and steel, electrical machinery, organic chemicals, and mineral fuels.

India-Japan CEPA

The India-Japan CEPA came into effect in August 2011, with the objective to eliminate tariffs on 90% of Japanese exports to India, and 97% of imports from India. India has been a net importer of merchandise from Japan during 2010 and 2021, with trade deficit amounting to US\$ 8.3 billion in 2021, significantly higher than US\$ 3.5 billion recorded in 2010. In the India-Japan preferential trade, while the preference margin is high in the case of most of the items on India's import side, on the Japanese side, the preference margin is relatively less as already India enjoys low or zero MFN tariffs in Japan. The TII for overall merchandise exports to Japan remains less than one for India.

India-Australia Economic Cooperation and Trade Agreement

India and Australia recently signed an Economic Cooperation and Trade Agreement (ECTA). India was a net importer of merchandise to Australia in 2021, with a trade deficit amounting to US\$ 8.2 billion, as against the trade deficit of US\$ 10.4 billion in 2010.

The India-Australia ECTA is the first trade agreement of India with a developed country in over a decade. The agreement covers diverse areas such as trade in goods, rules of origin, trade in services, TBT, SPS measures, dispute settlement, among others. India is also expected to enjoy greater market access for its products while easing of regulatory processes for

pharmaceutical products while opening a US\$ 12 billion market in Australia.

Potential Trade Agreements Between India and Developed Regions

India-European Union Bilateral Trade and Investment Agreements (BTIA)

The negotiations on the Bilateral Trade and Investments (BTIA) between India and the EU were launched in June 2007 to liberalize the trade in goods and services. India is a net exporter of merchandise to the EU 27, with a trade surplus amounting to almost US\$ 5 billion. The exports from India to the EU primarily comprise of mineral fuels, organic chemicals, machinery, precious metals, and articles of apparel and clothing. Some of the segments that could be explored for negotiations in this agreement are services, and renewable energy. However, India-EU negotiations have resumed from June 27, 2022.

India-UK Free Trade Agreement

Post-Brexit, the possibilities of a free trade agreement between India and the UK, covering trade in goods and services as well as investments, have reached a critical juncture. During the last ten years, the trading patterns between the two countries show a high degree of complementarity. India has been a net exporter of merchandise to the UK, with trade surplus reaching US\$ 3.6 billion in 2021. Some of the important sectors that could be explored during the negotiations are aerospace and parts, and scotch and whiskey.

India's Trade Agreements: Looking Ahead

Addressing the Unequal Exchanges in Existing FTAs

In most cases, when India is on the import side, the preferential tariffs are significantly lower than the MFN tariffs, while for India's partner country, the preferential tariffs are closer to MFN tariffs when they are importing. As a result, the partner countries might not find much benefit if they decide to switch their imports to India, since the margin of preference is relatively low. These are the uneven distribution of gains that exist in India's trade agreements.

To address the problem of unequal exchange it is important to re-evaluate the existing and potential FTAs through a zero-budgeting exercise. Renegotiations of FTAs must also address the problem of prevailing inverted duty structures. Lastly, incorporation of an offset clause, as often done for procurement of defence equipment through deals or agreements, should be extended to wider trade agreements, especially for technology intensive sectors like automobile and electronics.

Incorporating WTO's Agreement on Technical Barriers to Trade in the FTAs

In the modern world, technical barriers to trade (TBT) are playing

a much bigger role in restricting the trade across geographies than tariffs. WTO's TBT Agreement lays down the framework to identify those technical regulations, standards, and testing and certification procedures which do not create unnecessary obstacles to cross-border trade.

It is suggested that India's trade agreements, especially with the developed countries, be comprehensive and tailor-made and built upon the foundations and provisions of the WTO's TBT agreement to provide a wider market access to domestically manufactured goods.

Provision of an Emergency Action Plan

The trade agreements that India enters must provide for a transitional tariff-based emergency action mechanism, which is a temporary bilateral safeguard measure used to protect the domestic industry and exporters against the events that can cause unforeseen damage in form of unprecedented surge in imports or fall in exports. Such arrangements must be comprehensive and specify the qualifying conditions for imposition and the duration for which the action may be maintained.

Trade agreements negotiations could also propose to have a 'graduation clause' with other developing country FTA partners, extending a 'sunset clause' for periodic review of the terms of select agreements, and a 'trigger mechanism' if the FTAs lead to a sudden surge in imports.

Reducing Trade Restrictiveness in Services

India has a Services Trade Restrictiveness Index (STRI) score, exceeding the world average, in all sectors and the highest in 3 of the total 22 services. Among the sectors, rail freight transport has the highest STRI value (1), which is the maximum STRI value. The other two with high STRI values are legal services (0.886), and accounting services (0.827).

To effectively overcome shortcomings in this area, it is suggested that the current and potential trade agreements should seek to further suitably liberalize the trade in services with substantial sub-sectoral coverage.

More Engagement in CEPAs

India should focus on entering into comprehensive economic agreements like CECA and CEPAs for better growth prospects. It is to be noted that CEPAs are essentially FTAs plus packages, comprising of an integrated package of agreement on goods or services, investment, mutual recognition, e-commerce, intellectual property and more. This could also drive the Government's ambitious "Assemble in India for the World" scheme, which seeks to merge "Assemble in India" with the existing "Make in India". ■

Trade and Investment Relations between India and the UAE

India's relationship with the UAE is at the centre of an assertive new Gulf policy subsumed under the 'Extended Neighborhood Policy'. The promotion of economic engagement with the UAE is a vital component of India's foreign policy in the region. India has acquired an increased salience for the UAE, with its 2.6 trillion-dollar economy, leading consumer of energy resources, and large expatriate population, making India a strategic partner to the UAE. India-UAE bilateral relations have two dominant verticals: the economic symbiosis and India's expatriate community. Both these intertwined pillars of India-UAE ties have paved the way to further expand India-UAE relations. The growing India-UAE economic relations contribute to the stability and strength of a rapidly diversifying and deepening bilateral relationship between the two countries.

Merchandise Trade

In the recent times, India's total trade with the UAE has decreased from US\$ 58.3 billion in 2010 to US\$ 41.9 billion in 2020. While exports have fallen from US\$ 27.4 billion in 2010 to US\$ 18.0 billion in 2020, imports have also declined from US\$ 30.9 billion in 2010 to US\$ 23.9 billion in 2020. However, in 2020, there has been a significant fall in the overall trade owing to the disruption caused by the pandemic and fall in the oil prices level. India's trade balance with the UAE witnessed a cyclical movement of deficit and surplus. In 2010, the total deficit amounted to US\$ 3.5 billion which has increased to US\$ 5.9 billion in 2020.

Exports: India's major exports to the UAE in 2020 were mineral fuels, oils and products (19% of total exports in 2020) followed by pearls, precious stones and metals (18.5%). Other major exports include electrical machinery and equipment (9%), article of apparel and clothing accessories, knitted (5.0%), iron and steel (4.5%), machinery and mechanical appliances (4.3%), among others.

Imports: As regards imports, India's top import items from the UAE in 2020 were mineral fuels, oils and products (49.8% of total imports), followed by pearls, precious stones and metals (28.5%), plastics and articles thereof (3.1%), ships, boats and floating structures (3%) and salt and sulphur (2.2%), among others.

Foreign Direct Investment

This unparalleled relationship between India and the UAE has only been strengthened in recent years, with the closer

engagement to enhance bilateral ties. Both India and the UAE have made significant investments in each other's economy thus supporting their development agenda.

UAE's Investments in India: During April 2000-September 2021, the UAE became the 9th largest investor in India accounting for 2.1% of the total FDI inflows of India. According to Financial Times' fDi Markets, during 2010-2020, total envisaged capital investment of the UAE stood at a cumulative amount of US\$ 18.1 billion from 344 projects by 121 companies which led to creation of 91,521 jobs. The UAE sovereign wealth funds invested over US\$ 4.12 billion in India during FY 2020-21¹.

In terms of capital investments, the majority of the UAE investment in India is in the real estate sector (29.6% of the total investment), followed by financial services (23%), food and beverages (16.7%), transport and warehousing (7.9%), consumer products (6%) healthcare (5.8%) and metals (2.8%), among others.

India's Investments in the UAE: During April 1996-March 2021, the UAE was India's 6th largest destination of FDI outflows accounting for 5.2% of the total investment in the same period. According to Financial Times' fDi Markets, during 2010-2020 envisaged investment from India to the UAE stood at a cumulative amount of US\$ 15.9 billion invested in 332 projects by 270 Indian companies resulting in 37,398 jobs.

In terms of capital investments, most of the India's investment in the UAE is in the real estate sector (32.8% of the total investment), followed by coal, oil and gas (14%), chemicals (11.5%), consumer products (6.5%), hotel and tourism (4.7%), transport and warehousing (3.7%), and metals (3%), among others.

Aligning India's Exports to the UAE

Using the revealed comparative advantage analysis, India's exports to the UAE has been classified into 4 groups based upon its competitiveness. The export competitiveness of India has been mapped with respect to the UAE's demand.

Product Champions: Out of the 1067 items at the HS 6-digit level, 506 items fell into the category of the product champions (PCs). The combined exports of these items from India to the UAE were US\$ 21.1 billion in 2019, representing approximately 72% of India's exports to the UAE in 2019. Major products

¹ Embassy of India, Abu Dhabi, UAE

include articles of jewellery and parts thereof, light oils and preparations, of petroleum or bituminous minerals, medium oils and preparations, of petroleum or bituminous minerals and light-vessels, fire-floats, floating cranes and other vessels, among others.

Winners in Declining Sectors: The total number of products in winners in declining sectors category is 146, with India's exports amounting to US\$ 2.9 billion and constitute a share of 9.8% of India's exports to the UAE in 2019. These are the product items in which India has attained a significant share in the UAE's import basket, but the UAE's import demand for these products has been falling in the last decade. Major products include diamonds, worked, but not mounted or set, semi-milled or wholly milled rice, cruise ships, excursion boats and similar vessels, ferro-manganese and men's or boys' shirts of man-made fibres, among others.

Underachievers: This was followed by underachievers with 370 items with India's exports worth US\$ 4.6 billion from India to the UAE. These products constitute a share of 15.6% in India's total exports to the UAE. These are the product items in which import demand in the UAE market is rising, but India does not have the required competitiveness in the export of these items. Major products includes telephones for cellular networks, non-industrial diamonds unworked, aluminium oxide, medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes and appliances for pipes, boiler shells, tanks, vats, among others.

Laggers in Declining Sector: The high range of exports under the category of declining sectors highlight the need for diversification to other sectors as well as industries which have greater scope for exports in the future.

Further, the analysis suggests strengthening of the existing products in the category of product champions to exploit the full potential of these products which are already showing a robust growth in the UAE market, whilst India's exports also hold a comparative advantage in them.

India- UAE CEPA

On February 18, 2022, India and the UAE signed a comprehensive economic partnership agreement (CEPA). The CEPA is also India's first bilateral trade agreement in the Middle East and North Africa (MENA) region.

The CEPA will provide a fresh impetus to labour intensive sectors, gems and jewellery, textiles, leather, footwear, sports goods, plastics, furniture, agricultural and wood products, engineering products, pharmaceuticals, medical devices and automobiles.

To facilitate the access of Indian pharmaceuticals products, separate annexure on pharmaceuticals is also included in the deal. In the area of trade in services, the pact has provided Indian service providers market access to 11 broad service sectors like business services, communications services, construction and related engineering services, educational services, financial services, and tourism and travel related services.

After CEPA come into effect, it will bring down the tariff to zero for 90% of Indian exports to the UAE. While this comprises almost 80% of the tariff lines, the list however will entail around 97% of the tariff lines over the next five years. Notably, the import duty on jewellery exports to the UAE from India has been reduced from 5% to 0%. Additional 9% of trade value will also be duty free in 5-10 years for products in electronic goods, chemicals and petrochemicals, articles of stone, cement, ceramics, machinery.

For the UAE exports to India, there will be an immediate relief on import duties on about 65% of tariff lines that is slated to increase to 90% of tariff lines in 10 years. India is allowed to import up to 120 tonnes of gold from the UAE at 1% duty less than the applicable duty in the first year. The volume will increase to 200 tonnes in five years.

Way Forward

The two countries have been meticulously working to promote its engagement. The signing of India-UAE CEPA is an acknowledgment of these economic synergies and shared vision and destined to usher stronger economic relations between the two countries and open new avenues for trade and investment. However, in order to further enhance this partnership, there are a certain hindrance which are to be addressed and a careful assessment and resolution could help boost this bilateral cooperation. A few policy catalyst that could help boost bilateral cooperation includes (i) expansion of trade based on identified commodities which hold export potential for India (ii) strict adherence of Rules of Origin to guard against duty-free imports of transhipped products (iii) cooperation in enhancing maritime security for ensuring peace, security, stability and prosperity in the Indian Ocean region (iv) moving from bilateralism to minilateralism as they are more task-oriented to address problems with fewer countries (v) promote exports of GI tagged products as these are unique to India thus placing India at a monopoly position (vi) enhancing supportive logistical infrastructure to reduce transaction and transport costs (vii) promote CEPA for a self-reliant India so that the UAE market can act in complementary to India's needs as well as create new capability and capacities together. ■

Essays on Finance and Development

Export-Import Bank of India (India Exim Bank) instituted the BRICS Economic Research Annual Award in 2016. The objective of the Award is to promote advanced doctoral research in international economics, trade, development and related financing, by nationals of any of the five member nations of BRICS, from any University/ educational institution globally. This study is based on the doctoral dissertation titled “Essays on Finance and Development” selected as the award-winning entry for the India Exim Bank BRICS Economic Research Annual Award (BRICS Award) 2022, written by Dr. Apoorv Gupta, currently Assistant Professor of Economics, Dartmouth College, USA. Dr. Gupta received his doctoral degree in 2020 from the Northwestern University, USA.

This study is a collection of three self-contained essays that focuses various aspects of economic development, with an emphasis on the factors affecting technology adoption and productivity. The first chapter studies how demand-side factors affect markups and propose a new methodology to correct for bias in misallocation losses generated by variable markups. Using data on Indian firms, the study first documents two key correlations: marginal costs and markups are increasing in firm size. It then explores how these correlations are driven by two factors: the assortative matching of wealthier consumers to larger firms, and the lower demand elasticity of wealthier consumers. Results on how firms across the size distribution change their markups in response to exogenous demand shocks to poor households provide support to the demand-based markup channel: producing better quality and selling to wealthier, less demand elastic households leads larger firms to incur higher costs and charge higher markups. This demand-driven markup dispersion lowers aggregate productivity gains from reallocation because firms also adjust their markups in response to policies that may improve allocative efficiency. Firms’ pass-through of changes in their costs into prices is a sufficient statistic to account for endogenous markup adjustment when estimating productivity gains from

reallocation. Gains from reallocation are 50% lower due to demand-driven variable markups.

The second chapter studies how large but temporary aggregate shocks trigger long-run adoption in financial technologies such as electronic payment systems. The network-based nature of many fintech products implies that their adoption is subject to coordination frictions. The study provides evidence on the quantitative importance of these frictions by studying data from the largest provider of fintech payments in India in the aftermath of the demonetization of 2016. Consistent with a dynamic technology adoption model with externalities, in response to the temporary cash contraction, both the size and adoption rate of the platform increased persistently. Estimates of the model suggest that 45% of the six-month response was driven by externalities. With externalities, temporary interventions can thus, lead to persistent shifts in adoption, though the study highlights an important limitation of this logic: because externalities create state-dependence, temporary interventions can also exacerbate initial differences in long-run adoption.

The third chapter studies the effect of information on technology adoption and productivity in agriculture. The empirical strategy exploits the expansion of the mobile phone network in previously uncovered areas of rural India coupled with the availability of call centers for agricultural advice. Information on agricultural practices is measured by analyzing the content of 2.5 million phone calls made by farmers to one of India’s leading call centers for agricultural advice. The study finds that areas receiving coverage from new towers and with no language barriers between farmers and advisers answering their calls experience higher adoption of high yielding varieties of seeds and other complementary inputs, as well as higher increase in agricultural productivity. The estimates indicate that information frictions can explain around 25% of the agricultural productivity gap between the most productive and the least productive areas in our sample. ■

India Exim Bank Lines of Credit

India Exim Bank extends Lines of Credits (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 LOC 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. 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 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 India Exim Bank, without recourse to them, against negotiation of shipping documents/provision of services. Indian exporters realise full payment on shipment of goods, through India Exim Bank, without being exposed to risk on the buyer or the buyer's country.

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 June 22, 2022, has 310 Lines of Credit, covering over 66 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of over US\$ 31.96 billion, available for financing exports from India.

India Exim Bank, with the support of Government of India, has signed one LOC as given below during the period April-June, 2022

India Exim Bank has on behalf of the Government of India, extended a Short-Term Line of Credit (STLOC) of US\$ 55 million to the Government of the Socialist Republic of Sri Lanka for financing procurement of urea fertiliser. The STLOC Agreement to this effect, was signed by Mr. K. M. Mahinda Siriwardana, Secretary, Ministry of Finance, Economic Stabilization and National Policies, Government of the Socialist Republic of Sri Lanka and Mr. Nimit Ved, General Manager, India Exim Bank, in the presence of the Prime Minister, Government of the Socialist Republic of Sri Lanka, H.E. Mr. Ranil Wickremesinghe and the High Commissioner of India to Sri Lanka, H.E. Mr. Gopal Baglay, in Colombo on June 10, 2022. With the signing of the above LOC Agreement for US\$ 55 million, India Exim Bank, till date, has extended 11 Lines of Credit to the Government of the Socialist Republic of Sri Lanka, on behalf of the Government of India, taking the total value of LOCs extended to US\$ 2.73 billion. Projects covered under the LOCs extended to the Government of the Socialist Republic Sri Lanka includes supply of petroleum products, railway projects, defence and infrastructure projects.

For further information, please contact:

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Telephone: +91 11 24607700; E-mail: eximloc@eximbankindia.in

Website: www.eximbankindia.in

Success Story



India Exim Bank's GOI supported LOC of US\$ 250 million to the Government of Nepal

India Exim Bank has extended a GOI-supported LOC of US\$ 250 million to the Government of Nepal for financing infrastructure projects such as highways, airports, bridges and irrigation project. The credit agreement was signed on October 21, 2011.

Project Details:

Contract was signed between Mohan Energy Corporation Pvt. Ltd. and Nepal Electricity Authority, and was included under the LOC on August 8, 2016.

The scope of the project includes procurement of plant design, supply and Installation, testing and commissioning of Solu Corridor 132kV Double Circuit Transmission Line.

The total cost of the Project- **US\$ 29,000,000**

Project was successfully completed on April 5, 2022 (Operational Completion). ■

The Quarter That Was

India Exim Bank's Seminar on 'India-Australia: Evolving Trade and Investment Paradigm'

India Exim Bank's study titled 'India's Trade and Investment Relations with Australia: Recent Trends and Potential' was released at the hands of Hon Barry O'Farrell AO, Australian High Commissioner to India in the presence of Mr. Peter Truswell, Consul General of Australia, Mumbai and Ms. Harsha Bangari, Managing Director, India Exim Bank, during a seminar titled 'India-Australia: Evolving Trade and Investment Paradigm' on April 08, 2022, hosted by India Exim Bank. The event was also graced by Mr. John Hopkins, Chief Risk Officer and General Counsel, Export Finance Australia; Dr. Monica Kennedy, Senior Trade and Investment Commissioner, Austrade, Mumbai; Mr. Irfan Malik, President, New South Wales Chapter, Australia India Business Council; and Mr. Amit Bhandari, Senior Fellow, Gateway House Mumbai.

The study highlights the immense opportunities existing for enhancing trade and investment relations between India and Australia. The study notes that till the period prior upto 2020, the total trade between the two countries peaked at US\$ 18 billion in 2017, with India's exports to Australia amounting to US\$ 4 billion and imports from Australia amounting to US\$ 14 billion.

Strengthening the Financing Architecture for Project Exports Should be a Priority: Shri Piyush Goyal

Strengthening the financing architecture for project exports through innovative financing instruments and relooking regulations such as prudential norms for export credit agencies should be a priority, said Mr. Piyush Goyal, Hon'ble Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution, and Textiles, Government of India, during a summit organized by the India Exim Bank on the theme 'Enhancing Global Opportunities for Indian Project Exporters' on May 5, 2022, in New Delhi. The Summit had participation from representatives from Government of India, foreign diplomatic missions in India, multilateral financing institutions, development financing institutions, export credit agencies, credit insurance agencies, and Indian companies, among others.

Addressing the participants in the Summit, Mr. Goyal highlighted the remarkable resilience of Indian exporters despite the pandemic induced disruptions. Mr. Goyal noted that the country is heading towards achievement of the larger objective of US\$ 1 trillion of exports in goods and services each, and nascent sectors such as project exports would be critical for this.

India Exim Bank Extended Buyer's Credit Facility of US\$ 164.69 million to Cameroon

India Exim Bank on May 11, 2022 executed a Buyer's Credit Agreement with the Government of the Republic of Cameroon for construction of 400kV Transmission Line along with associated sub-stations project in Cameroon, valued at US\$ 173.36 million. This funding is proposed to be provided under the Buyer's Credit program under the National Export Insurance Account (NEIA) Scheme. The project inter alia is expected to improve the socio-economic well-being, with supply of electricity to the population of more than 8 million in the northern part of Cameroon. The Buyer's Credit Agreement was signed in Yaoundé, Cameroon. The project is proposed to be executed by Kalpataru Power Transmission Ltd. (KPTL).

India Exim Bank - JBIC conclude US\$ 100 million Loan Agreement to Support the Indian Healthcare Sector

India Exim Bank concluded a US\$ 100 million loan agreement with Japan Bank for International Cooperation (JBIC), along with three Japanese private financial institutions, namely, MUFG Bank, Ltd., the Bank of Kyoto, Ltd., and the Hachijuni Bank, Ltd., on May 23, 2022, on the side-lines of the Quad Leaders' Summit. The purpose of this facility is to support the Indian healthcare sector related to combating COVID-19, including but not limited to vaccine manufacturers, pharmaceutical companies, manufacturers of personal protective equipment, medical oxygen or other medical devices, hospitals, and other related activities.

Hon'ble Minister for Finance and Corporate Affairs Launches the New E-Tracking and Remote Administration (NETRA) Platform Developed by India Exim Bank

In a step towards bolstering India's commitment to development partnership as the country advances from the Amrit Mahotsav towards the Amrit Kaal, Smt. Sitharaman launched a one-stop, dynamic monitoring platform developed by India Exim Bank, termed NETRA (New E-Tracking and Remote Administration). The NETRA platform allows seamless and secure access to information, real-time updates on project implementation, and expeditious delivery of quality projects under IDEAS. The NETRA platform is equipped to capture more than 200 data points, providing information at all stages, right from announcement of the concessional credit lines by the Government of India, to monitoring of the approval process, and implementation of the projects. The NETRA platform, along with the revised IDEAS guidelines and model documents, would be harbingers of a new era of development cooperation for India. ■

Country Scan

Italy



Given its heavy dependence on energy imports, Italy is likely to be one of the worst-affected economies, outside of eastern Europe, by the Ukraine crisis. Strong fixed investment due to EU recovery funds is likely to compensate somewhat for the growth headwinds posed by the war in Ukraine. Economic activity is expected to expand by 2% in 2022 as compared to 6.6% in 2021. Given Italy's heavy dependence on imported oil and gas, including from Russia, and relatively large traditional manufacturing sector, which is energy-intensive, the Italian economy is more exposed than most in the EU to the ongoing global energy price shock. The inflation is expected to average 6.3% in 2022. The euro is likely to partly recover against the dollar in 2022 as the European Central Bank begins to raise interest rates, with an expected average of US\$1.10:€1. Italy's current-account surplus is expected to shrink to 1.5% of GDP in 2022, from 2.5% of GDP in 2021, because of a decline in the trade surplus, owing to higher energy prices.

Ecuador



After growing by 4.2% in 2021, Ecuador's real GDP is expected to grow by 2.1% in 2022. Economic growth is likely to average just under 2% per year in 2023-26, with private

consumption and investment making the largest contributions. Risks to growth stem from even higher inflation from prolonged Russia-Ukraine conflict. Average consumer price inflation is expected to rise to 3.8% in 2022 as global food and commodity prices soar on the back of Russia-Ukraine conflict. Inflation is expected to average at 2.3% per year in 2023-26, which is a slightly slower pace than in 2010-19. Dollarization is expected to be maintained throughout the 2022-26. De-dollarization remains a highly unlikely political move, given strong support for the exchange-rate regime, on the basis that it promotes macroeconomic stability. The current account is expected to remain in surplus in the coming years. Continued growth in exports, high oil prices and a deceleration in import growth is likely to increase the trade surplus in 2022, helping the external surplus to swell to a bumper 5.9% of GDP.

Tunisia



The pace of recovery for Tunisia is likely to slow in 2022, reflecting the persistent uncertainty owing to the pandemic and global geopolitical situation, weighing on the tourism sector and industry. As a result, the economy is expected to grow by 2% in 2022 from 3.3% in 2021. Soaring food and energy prices is likely to increase Tunisia's import bill, drive up prices, put upward pressure on government spending and provoke a rise in political protests. The surge in global oil and food prices following the war in Ukraine, coupled with shortages of consumer staples such as wheat, is likely to maintain upward pressure on prices. Consumer price inflation is likely to rise to 8.5% in 2022, from 5.7% in 2021. The dinar is expected to depreciate against the US dollar as large external imbalances put pressure on the currency and as inflation picks up in 2022. The dinar is expected to average in 2022 at TD3.3: US\$1, compared with TD 3.2:US\$ 1 in 2021.

Singapore



After witnessing a post covid recovery of 7.6% in its real GDP growth, Singapore's economy is expected to grow by 3.6% in 2022, with electronics, chemicals and advanced manufacturing sectors

remaining as important drivers of external sector performance in 2022. Inflation is expected to rise steeply to 6% in 2022, compared to 2.3% in 2021, on the back of surging global food and commodity prices. Singapore operates a managed exchange-rate regime against a trade-weighted basket of currencies. The Monetary Authority of Singapore (MAS) is expected to maintain a hawkish stance in its monetary policy until 2024. Nominally, the local currency is likely to face mild depreciatory pressure against the US dollar until 2024, amid US interest-rate rises; the exchange rate is expected to reach S\$1.38:US\$1 by end-2022. Singapore traditionally maintains a surplus on its current account, which is expected to remain sizable in coming years. The current account balance which stood at 18.1% of the GDP in 2021, is expected to increase to 18.3% of the GDP in 2022. Net direct investment inflows are likely to remain positive, as foreign investors remain positive about economic prospects in Singapore and South-east Asia. ■

Currency Currents

Euro

€ The Euro staged its worst performance against the US dollar in the second week of June since late April, with EUR/US\$ falling about 5.72%. This was despite a hawkish European Central Bank that announced imminent rate hikes, an end to monthly asset purchases and an upgrade to inflation expectations. The central bank did however downgrade growth estimates.

According to the ECB's Survey of Monetary Analysts, the euro zone is expected to avoid recession this year and consequently growth is expected to accelerate subsequent to the second quarter of 2022. The 19-country currency bloc has also been adversely impacted by a fallout from Russia's invasion of Ukraine, which has lowered consumer confidence, investment and households' purchasing power mainly on account of increased fuel and food prices.

The closing rate of EUR/US\$ as on June 15, 2022, stood at 1.0443.

Egyptian Pound

£ Egypt devalued its pound by around 16% in March 2022 after Russia's invasion of Ukraine prompted foreign investors to pull billions of dollars out of Egyptian treasury markets, putting pressure on the currency. The Central Bank of Egypt adjusted the official exchange rate to EGP 18.27 per US dollar, from EGP 15.70 which had been the set trading rate since November 2020.

The pound's depreciation has come at a time when many food supply chains around the world have been hit hard by the hostilities in Ukraine. Egypt is the world's biggest importer of wheat, relying on Russia and Ukraine for about 85% of wheat supplies and 73% of sunflower oil. Egypt has also suffered losses in tourism revenue at resorts in the Red Sea region, popular with both Russian and Ukrainian visitors. Even before U.S. Federal Reserve rate hikes that started in March and Russia's invasion of Ukraine, Egypt had been struggling to sustain appetite for its local and foreign borrowing to plug current account and budget deficits and fend off pressure to let its currency weaken.

The closing rate of US\$/EGP as on June 15, 2022, stood at 18.7400.

Turkish Lira

₺ The Turkish Lira (TRY) plunged to its current all-time low of 18.3624 in late December 2021, after the central bank slashed its key interest rate from 15% to 14%, despite inflation then running at 21%. The lira shed 44% last year and has been the worst performer in emerging markets due to steep drawdown in the central bank's reserves.

In June, the Lira weakened as far as 17.3611 against US dollar and the recent losses have brought it back towards the record lows it hit last December. The currency's dramatic decline comes as inflation in Turkey has skyrocketed to a more than 20 year high of 73% amid unorthodox monetary policy decisions. Pressure on the Lira is mounting due to external financing position, rising inflation, further de-anchoring of inflation expectations, political divergence with the West in NATO, and the inability for the Turkish central bank to alter policy to influence macro developments.

The closing rate of US\$/TRY as on June 15, 2022, stood at 17.2254.

Bangladesh Taka

₳ Bangladesh follows a managed float of its currency through appropriate market intervention to keep its exchange rate stable against the US dollar within a band. The decline of COVID-19 cases was met with a global hike in prices of commodities as the Russia-Ukraine war caused an increase in supply costs. As a result, the demand for dollars rose and the Bangladeshi taka, like many other currencies in the world, began losing value. Bangladesh taka slipped by 7.8% against the dollar since the beginning of April 2022.

Bangladesh as a major importer of fertilizer, wheat and edible oil from Ukraine and adjoining countries, including Russia, has been suddenly facing unprecedented supply constraints of these items. In addition, the gas and oil markets have been equally destabilised by the war thereby creating huge pressure on the import payments. To ensure stability in forex markets, the Bangladesh Bank has so far injected over US\$ 6 billion in the current financial year into the banking system. However, the supply was much lower against the demand and subsequently the settlement of import bills was executed at higher rates than the set rate of Taka 92.5 per US dollar.

US\$/BDT after touching all time high of 93.85 on June 13 and 14, 2022, closed at 92.81 on June 15, 2022. ■

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:

Do I need a GST number if I have an IEC number?

As per DGFT Trade Notice No. 09 dated 12.06.2017, with implementation of the GST w.e.f (the notified date), GSTIN would be used for the purpose of:

- Credit flow of IGST on import of goods, and
- Refund or rebate of IGST related export of goods.

Registration No. under GST, called GSTIN, is a 15-digit alpha numeric code with the PAN prefixed by State Code and suffixed by 3-digit details of business verticals of the PAN holder.

Since GSTIN is used for the purposes mentioned above, it thereby assumes importance at the identifier at the transition level. In view of this, it has been decided that the importer/exporter would need to declare only GSTIN at the time of import and export of goods. PAN level data aggregation would automatically happen in the system.

For more information, one might refer to their local SEZ websites.

Information Regarding Export of Cypermethrin (10% EC) (HS Code-38089910)

Cypermethrin comes under the purview of the Export Promotion Council of Chemexcil. Chemexcil is set up by the Ministry of Commerce and Industry (GOI) with the objective of promoting exports of the following items to various countries-

- Panel – I: Dyes and Dye Intermediates
- Panel- II: Basic Inorganic and Organic Chemicals, including Agrochemicals
- Panel- III: Cosmetics, Soaps, Toiletries, and Essential oils
- Panel- IV: Specialty Chemicals, Lubricants and Castor oil

For more information, regarding licenses and documents one might contact the Chemexcil head office:

Chemexcil- Chemicals Export Promotion Council
4th floor, Jhansi Castle, 7, Cooperage Rd,
Dr Ambedkar Statue Chowk Area, Colaba, Mumbai,
Maharashtra 400001
(022 2202 1288)
chemexcil.in/head-offices

Information on Factoring Services

Factoring services are offered by few designated institutions in India, for e.g.-

- IFCI Factors Ltd.
- SBI Global
- Standard Chartered Bank
- Canbank Factors Ltd.
- ECGC India Ltd.

One may approach them for assistance. India EXIM Bank will also undertake export factoring activity for micro, small and medium enterprises (MSMEs) in FY23 to keep expanding on its broad objective to boost Indian exports and increase India's share in the world market.

Should invoice value be mentioned in the Bill of Lading? What is the difference between Import General Manifest and BL in the same context?

As per information from several newsletters, we understand that- "Under Sea Cargo Manifest and Transshipment several fields of information must be provided when submitting an electronic manifest. A group of fields under Section 1.6.4 relate to the details of the bill of lading and includes one field (1.6.4.38) referring to the invoice value of the consignment.

The carriers must now issue bills of lading which states the invoice value of the cargo. This would constitute an ad-valorem bill of lading with the potential legal effect that the carrier has waived rights of package/weight limitation.

However, legal experts have confirmed the provision of invoice value is considered optional by the customs authority at present. Furthermore, the Indian Carriage of Goods by Sea Act does not mandatorily require the issuance of an ad valorem bill of lading."

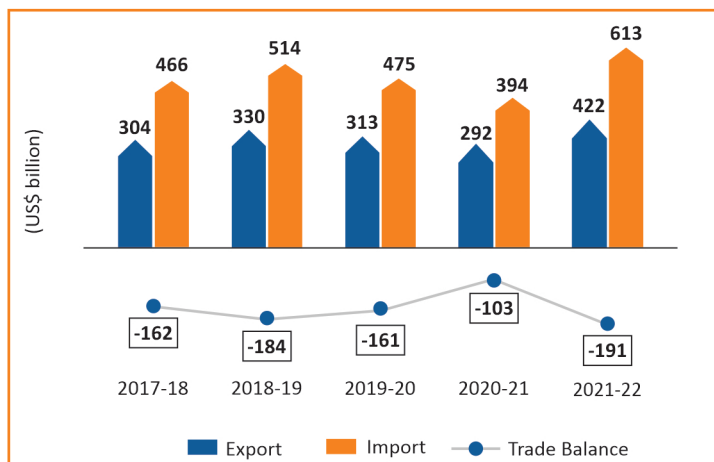
For more details about this, one may contact the Central Board of Excise and Customs.

Information on Export Promotion Councils in the Renewable Energy Sector (specifically Solar Powered Equipment).

The National Solar Energy Federation of India (NSEFI) is an overarching organization representing all Indian solar businesses. NSEFI has proposed a creation of a 'Renewable Energy Export Promotion Council' along the lines of Gems and Jewellery Export Promotion Council (GJEPC) to encourage exports of renewable energy equipment and related services from India. Further, there are other export promotion councils that one might find useful- the Services Export Promotion Council, Project Exports Promotion Council and Engineering Exports Promotion Council.

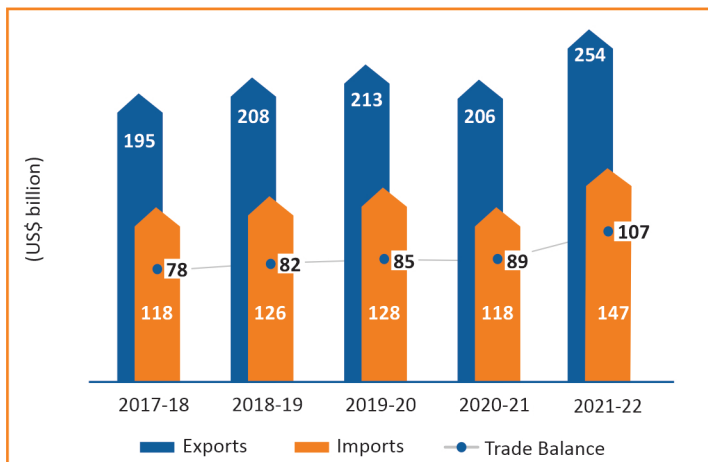
Snippets on Indian Economy

Merchandise Trade



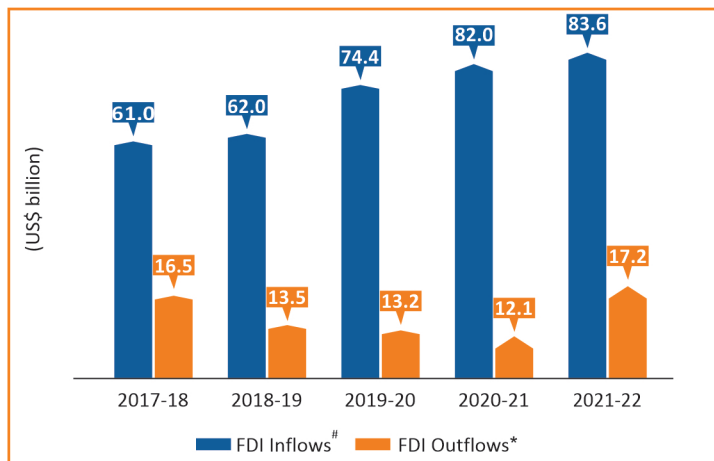
Source: Ministry of Commerce and Industry, GoI

Services Trade



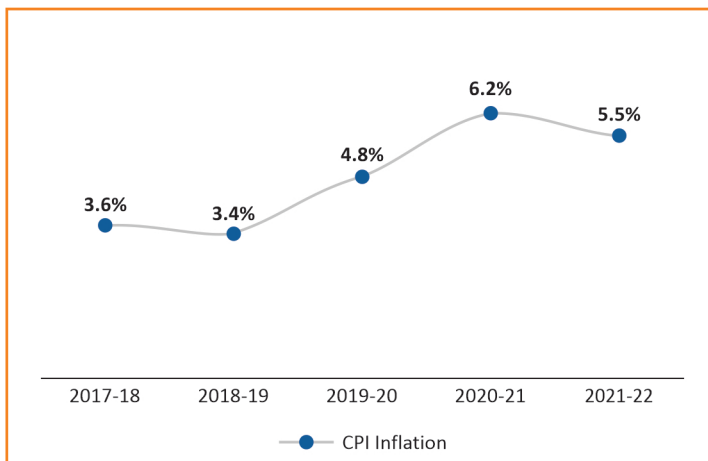
Source: Ministry of Commerce and Industry, GoI

Foreign Direct Investment Flows



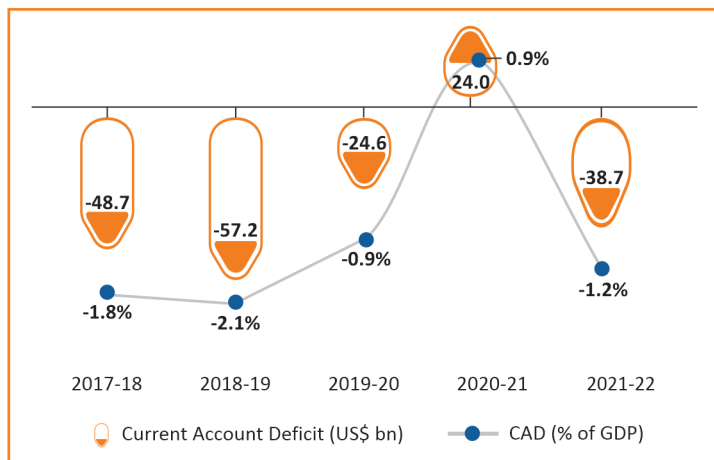
Note: * - FDI Outflows reflect actual figures and include equity, loans and guarantees invoked
 # - FDI Inflows include equity, re-invested earnings and other capital.
 Source: RBI and Ministry of Finance, GoI

Consumer Price Inflation



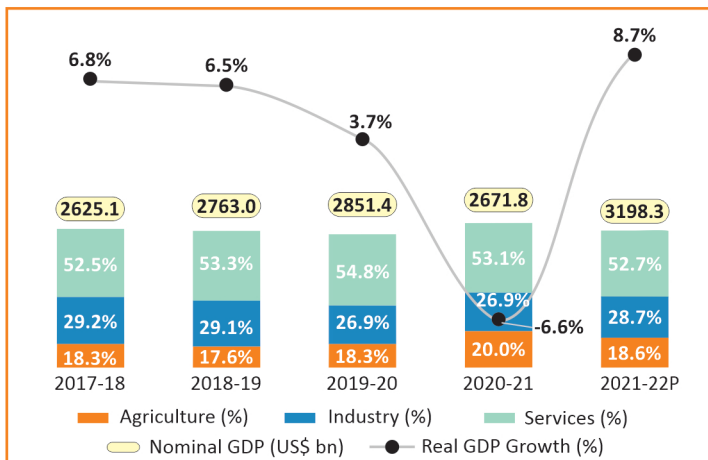
Source: Ministry of Statistics and Programme Implementation, GoI

Current Account Deficit



Source: RBI

Sectoral Output



Note: Nominal GDP (US\$ bn); P - Projections
 Source: Institute of International Finance & MOSPI, GoI