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Enhancing India's Trade Relations with SADC

Southern African Development Community (SADC), comprising Angola, Botswana, DR Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe, is an integral part of the African region, accounting for 32.5 per cent of total land area of Africa, 27.2 per cent of total population of Africa and is the largest contributor to gross domestic product (GDP) of the African region. SADC accounted for 51.1 per cent of the nominal GDP of Sub-Saharan Africa and 32.1 per cent of Africa's GDP in 2012.

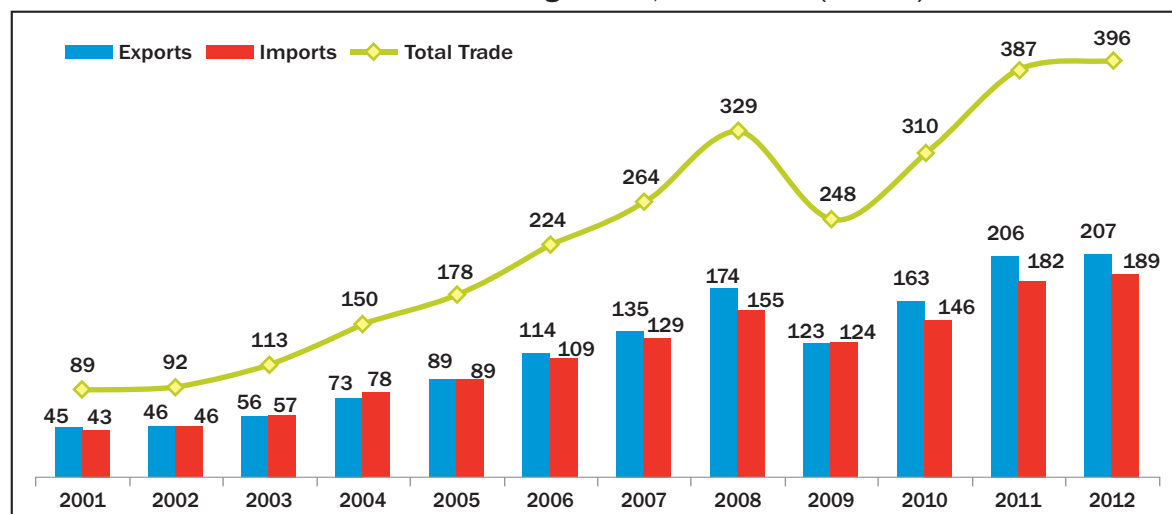
Southern Africa is one of the most mineral-rich regions in the world. It is endowed with numerous non-renewable resources such as coal, crude oil, natural gas and minerals. Southern Africa has huge reserves of diamonds, oil, uranium, platinum, coal and copper. For instance, South Africa has the world's largest reserves of manganese and platinum group metals (PGMs), and has large reserves of gold, diamonds, chromite ore and vanadium. Angola is the second-largest oil producer in Africa and the eighth-largest in the world. Namibia, with an estimated oil reserve of 11 billion barrels, is regarded as the next big player in Africa's oil industry.

In 2013, the GDP growth of SADC remained unchanged from that recorded in the previous year at 4.2 per cent. The combined GDP of SADC countries decreased to an estimated US\$ 637.3 billion in 2013 from US\$ 650.2 billion in 2012. The total GDP of SADC countries is expected to touch US\$ 676 billion in 2014. Per capita GDP, at current prices, of the region as a whole, was estimated at US\$ 3,873 in 2013, a 4.5 per cent increase from US\$ 3,706 in 2012. GDP per capita of SADC is expected to reach over US\$ 4,000 by 2014.

The economies within the SADC region are at varying stages of development. For instance, in 2012, GDP of South Africa at US\$ 384.3 billion was much larger than the combined GDP of the remaining fourteen SADC countries at US\$ 265.8 billion. Positive growth rates were recorded in all the member countries in 2012, accompanied by moderate inflation in most countries, except Swaziland. The average consumer price inflation decreased to 7.5 per cent in 2012 from 8.1 per cent in 2011 and is estimated to remain unchanged in 2013.

SADC as a bloc witnessed a widening of current account deficit from US\$ 15.3 billion in 2011 to

Chart 1 : SADC's Foreign Trade, 2001-2012 (US\$ bn)



Source : ITC Geneva, based on COMTRADE Statistics

US\$ 30.8 billion in 2012. All countries in SADC region, with the exception of Angola, Swaziland and Zambia, had a current account deficit during the year. Total international reserves of SADC stood at an estimated US\$ 111.8 billion in 2012, covering imports of over 7 months.

SADC's Foreign Trade

Reflecting the increasing globalisation of economies, global trade in the SADC region has witnessed a significant upward trend in recent years. During 2001 to 2012, SADC's total trade has risen almost five-fold, from US\$ 88.7 billion in 2001 to US\$ 395.5 billion in 2012, growing at a compound annual growth rate of 13.4 per cent over the period. While SADC's total exports has risen from US\$ 45.5 billion in 2001 to US\$ 206.6 billion in 2012, SADC's total imports has also witnessed a continuous growth, up from US\$ 43.2 billion to US\$ 188.9 billion (Chart 1).

Among the countries in SADC, the largest exporters are South Africa and Angola, together accounting for 77.9 per cent of SADC's total exports in 2012. Other important exporters from SADC include Zambia, Botswana, Tanzania and Namibia. As regards imports, South Africa and Angola are also the major importers

in the region, together accounting for 64.7 per cent of SADC's total imports in 2012.

Reflecting the significant rise in export of petroleum crude from SADC, mineral fuels are the largest export items from SADC, accounting for as much as 40 per cent of the region's total exports in 2012. Other major items of export from SADC include: pearls & precious stones, ores & slag, copper & articles, vehicles, iron & steel and machinery. In contrast to SADC's export basket which is dominated by crude oil, SADC's import basket is relatively diversified. Mineral fuels and machinery are the two largest import items, followed by vehicles, electronic & electrical equipment, plastics and articles, articles of iron or steel, and pharmaceutical products

While developed countries such as USA, UK, Germany, Italy, France, and Belgium continue to be major destinations for SADC's exports, developing countries such as China and India have emerged as major export destinations in recent years. In fact, in 2012, China and India emerged as the first- and third-largest destinations for SADC's global exports, accounting for 41.8 per cent and 8.5 per cent, respectively of SADC's total exports. As in the case with SADC's export destinations, while western countries such as

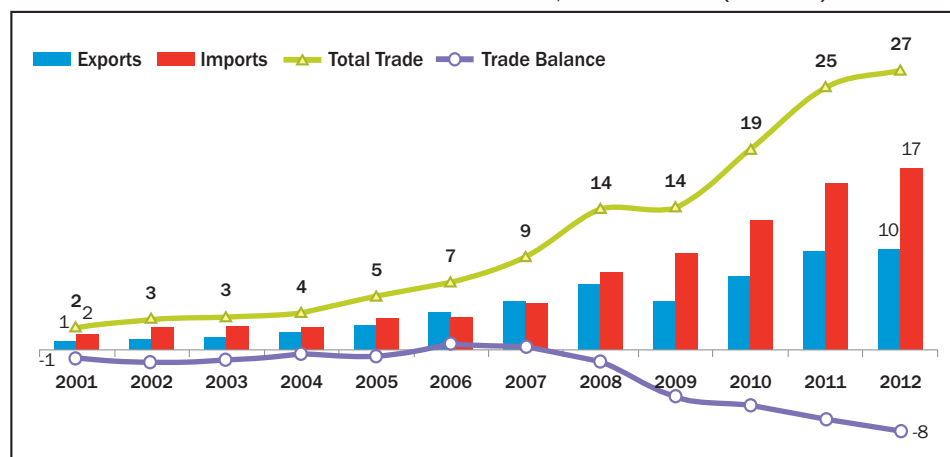
Germany, USA, UK and France remain major sources for SADC's global imports, China has emerged as the leading supplier to SADC, accounting for as much as 14.1 per cent of SADC's total imports in 2012. India is the fifth-largest source for SADC's imports, with an increase in share from 1.7 per cent in 2001 to 5.1 per cent in 2012.

India Emerging as an Important Trading Partner for SADC Countries

With the increasing diversification of India's global trade towards other developing countries, SADC has emerged as an important partner for India, both as an export market and also an import source. This is reflected in the synergy in bilateral trade relations wherein India's total trade (exports + imports) with SADC has risen almost 12-fold, from US\$ 2.3 billion in 2001 to touch US\$ 27.1 billion in 2012. Underlying the robust trend in total trade has been the sharp significant rise in India's trade deficit with SADC (Chart 2).

While India's total exports to SADC has risen from US\$ 0.7 billion in 2001 to US\$ 9.7 billion in 2012, India's total imports from SADC has also risen from US\$ 1.5 billion to US\$ 17.5 billion. India generally maintains a trade deficit with SADC region, which has risen from US\$ 0.8 billion in 2001 to touch US\$ 7.8 billion in 2012.

Chart 2 : India's Trade with SADC, 2001-2012 (US\$ bn)



Note : Imports data from 2006 include oil imports
Source : ITC Geneva, based on COMTRADE Statistics

The increasing importance of India as SADC's trading partner can be assessed from the fact that India's exports to SADC accounts for a respectable 5.1 per cent of SADC's global imports in 2012, up from 1.7 per cent in 2001. Further, India's imports from SADC now accounts for around 9 per cent of SADC's total exports, up from 3.4 per cent in 2001, depicting the rising importance of India in SADC's trade configuration.

The importance of the region can also be gauged from the fact that the region accounted for 35.3 per cent of India's

total exports to Africa during 2012, up from 26.2 per cent recorded in 2001. India's total imports from SADC region, as a percentage share of India's total imports from Africa, accounted for 40.6 per cent in 2012. At the same time, the share of SADC in India's exports rose from 1.7 per cent in 2001 to 3.3 per cent in 2012, while the region's share in India's global imports has also risen from 3 per cent to 3.6 per cent during the same period.

Mineral fuels (primarily petroleum products) and vehicles are the largest items in India's export basket to SADC, with a combined share of 49 per cent of India's total exports to SADC in 2012. Other important items of India's exports to SADC include pharmaceuticals, electrical & electronic equipment, cereals, machinery, plastics and articles and iron and steel.

As regards India's imports from SADC, crude petroleum is the largest item, with India's imports of crude petroleum from SADC having risen from US\$ 180 million in 2006 to touch US\$ 8 billion in 2012; import of crude petroleum accounted for as much as 5.3 per cent of India's global imports. Angola was the sole source of India's import of crude petroleum from SADC, accounting for 29 per cent of India's total imports from Africa. Angola is the eighth-largest source for India's global import of crude petroleum and is the second-largest source from Africa. Under pearls and precious stones, which are the second-largest category of India's imports from SADC, the major items comprise unwrought gold or gold in semi-manufactured forms and unmounted diamonds, mainly from South Africa, Tanzania, Botswana and Swaziland.

South Africa is India's largest export destination in SADC, accounting for around 52 per cent of India's total exports to the region in 2012, up from 44 per cent in 2001. Other major export markets in SADC include Tanzania, Mozambique, Mauritius and Angola. South Africa is the

largest import source, followed by Angola, Tanzania, Zambia and Mozambique.

India's Trade Balance with SADC Countries

Underlying the robust trend in bilateral trade (total trade) between India and SADC countries, is the rising trend in India's trade deficit with SADC. India's trade deficit with SADC has risen from US\$ 0.8 billion in 2001 to touch US\$ 7.8 billion in 2012.

Among the major trade partners with which India's maintains a trade deficit, the largest countries are Angola and South Africa. In the case of Angola, large and rising volume of crude petroleum imports from the country have underlined India's rising trade deficit with Angola. In the case of South Africa, India's large and rising imports of unwrought gold, together with imports of unmounted diamonds from the country, have underlined the huge trade deficit with the country.

Enhancing Bilateral Trade relations with Countries in SADC

While India's trade with most SADC countries has shown an upward trend over the years, it is however, important to highlight that India's share in most SADC countries' global imports continues to be marginal. For instance, India's share in global imports of Angola, Zambia, Botswana, Zimbabwe, Namibia and DR Congo ranges from a marginal 0.7 per cent to 2.6 per cent. Potential items of India's exports, based on 2-digit HS code, to SADC region include: machinery and instruments (HS-84); electrical and electronic equipment (HS-85); vehicles other than railway (HS-87); optical, photo, technical and medical apparatus (HS-90); furniture, lighting, signs, prefabricated buildings (HS-94); articles of iron and steel (HS-73); salt, sulphur, stone, plaster (HS-25); mineral fuels (HS-27); animal, vegetable fats and oils (HS-15); inorganic chemicals (HS-28); and paper and paperboard (HS-48).

Exim India in SADC

In line with the Government of India's strategy to enhance bilateral trade and investment relations with Africa, and as the apex financial institution in India for financing, promoting and facilitating India's international trade and investments, countries in Africa constitute a focus region for Export-Import Bank of India (Exim India). Exim India operates a comprehensive range of financing, advisory and support programmes to promote and facilitate India's trade and investment relations with countries in SADC. These include the currently operative 37 Government of India supported LOCs, 7 direct LOCs, support for Indian project exports, support for companies setting up joint ventures, and signing MOUs with institutions in SADC countries.

Exim India is a key partner of the CII-Exim Bank India Africa Project Partnership Conclaves that are held every year in India. The 10th CII-Exim Bank Conclave on India - Africa Project Partnership was held during March 9-11, 2014 in New Delhi, India. The theme of the 10th conclave was "India-Africa: Enhancing Partnership through New Initiatives". Lesotho was the Partner country and the Republic of Congo, the Focus Country at this year's Conclave, which was being attended by over 500 delegates, including head of states, senior ministers, diplomats and entrepreneurs from both India and African countries from more than 40 African countries. During the inaugural session of the conclave, Exim India has, at the behest of the Government of India, extended an LOC of US\$ 89.90 million to the Government of Republic of Congo, for development of Transportation System. Under the LOC, Exim Bank will reimburse 100 per cent of contract value to the Indian exporters, upfront upon the shipment of equipment and goods/ provision of services.

INDICATORS	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
GDP (at current prices, US\$ bn)	1224.1	1365.4	1708.5	1880.3	1858.7°	1872.3 ^f
GDP Per capita (US\$)	1044.9	1146.7	1411.7	1528.7	1486.7°	1474.0 ^f
Real GDP Growth (%)	6.7	8.6	8.9	6.7	4.5°	4.9°
Agriculture & allied activities	0.1	0.8	8.3	4.4	1.4°	4.6°
Industry	4.4	9.2	7.6	8.5	1.0°	0.7°
Services	10.0	10.5	9.7	6.6	7.0°	6.9°
Sectoral Share in GDP (%)						
Agriculture & allied activities	15.8	14.6	14.5	14.4	13.9°	13.9°
Industry	28.1	28.3	28.2	28.2	27.3°	26.2°
Services	56.1	57.1	57.3	57.4	58.8°	59.9°
Population (mn)	1171.5	1190.7	1210.2	1230.0	1250.2°	1270.6 ^f
Inflation rate (WPI, annual avg. %)	8.1	3.8	9.6	8.9	7.4	5.7 (Mar '14)
Gross Fiscal Deficit (% of GDP)	6.0	6.5	4.8	5.8	5.2	4.6°
Exchange Rate (₹/US\$, avg.)	45.9	47.4	45.6	47.9	54.4	60.10 (Mar 28,'14)
Exchange Rate (₹/Euro, avg.)	65.1	67.1	60.2	65.9	70.1	82.58 (Mar 28,'14)
Exports (US\$ bn)	185.3	178.8	251.1	306.0	300.4	312.4
% change	13.6	-3.5	40.5	21.8	-1.8	4.0
Oil Exports (US\$ bn)	27.5	28.2	41.5	56.0	60.9	56.6 (Apr - Feb)
% change	-3.0	2.3	47.2	34.9	8.7	2.1 (Apr - Feb)^
Non-oil Exports (US\$ bn)	157.7	150.6	209.6	250.0	239.5	225.3 (Apr - Feb)
% change	17.1	-4.6	39.2	19.3	-4.2	5.0 (Apr - Feb)^
Imports (US\$ bn)	303.7	288.4	369.8	489.3	490.7	450.9
% change	20.7	-5.1	28.2	32.3	0.3	-8.1
Oil Imports (US\$ bn)	93.7	87.1	106.0	155.0	164.0	167.6
% change	17.4	-7.0	21.6	46.2	5.9	2.2
Non-oil Imports (US\$ bn)	210.0	201.2	263.8	334.3	326.7	283.3
% change	22.2	-4.2	31.1	26.7	-2.3	-13.3
Trade Balance (US\$ bn)	-118.4	-109.6	-118.7	-183.3	-190.3	-138.6
Services Exports (US\$ bn)*	106.0	96.0	124.6	142.3	145.7	137.9 (Apr - Feb)
Software Exports (US\$ bn)*	46.3	49.7	53.1	62.2	65.9	50.9 (Apr - Dec)
Services Imports (US\$ bn)*	52.0	60.0	80.6	78.2	80.8	71.2 (Apr - Feb)
Services Balance (US\$ bn)*	54.0	36.0	44.0	64.1	64.9	66.7 (Apr - Feb)
Current Account Balance (US\$ bn) [#]	-28.7	-38.4	-47.9	-78.2	-87.8	-31.1 (Apr-Dec)
CAB as percentage of GDP (%)	-2.3	-2.8	-2.8	-4.2	-4.8	-2.3 (Apr-Dec)
Forex Reserves (US\$ bn)	252.0	279.1	304.8	294.4	292.6	304.2
External Debt (US\$ bn)	224.5	260.9	317.9	360.8	404.9	426.0 (end-Dec '13)
External Debt to GDP Ratio (%)	20.3	18.2	18.2	20.5	21.8	23.3 (end-Dec '13)
Short Term Debt (US\$ bn)	43.3	52.3	65.0	78.2	96.7	92.7 (end-Dec '13)
Short Term Debt / Total Debt (%)	19.2	20.1	20.4	21.7	23.9	21.8 (end-Dec '13)
Total Debt Service Ratio (%)	4.4	5.8	4.3	6.0	5.9	6.2 (end-Jun '13)
FDI (US\$ bn)	41.9	37.7	34.8	46.6	34.3	31.7 (Apr - Feb)
GDRs/ADRs (US\$ bn)	1.2	3.3	2.0	0.6	0.2	0.02 (Apr - Feb)
FIIIs (net) (US\$ bn)	-15.0	29.0	29.4	16.8	27.6	-0.4 (Apr - Feb)
FDI Outflows (US\$ bn)	19.4	15.1	16.5	10.9	7.1	6.1 (Apr - Feb)
Memo Items:	2009	2010	2011	2012	2013	2014 ^f
Global GDP (% change)	-0.4	5.2	3.9	3.2	3.0	3.6
Advanced Economies	-3.4	3.0	1.7	1.4	1.3	2.2
Emerging and Developing Economies	3.1	7.5	6.3	5.0	4.7	4.9
World Merch. Trade (Vol., % change)	-11.7	14.0	6.6	2.6	2.7	4.3
World Merch. Exports (US\$ trn)	12.5	15.2	18.1	18.3	18.6	19.3

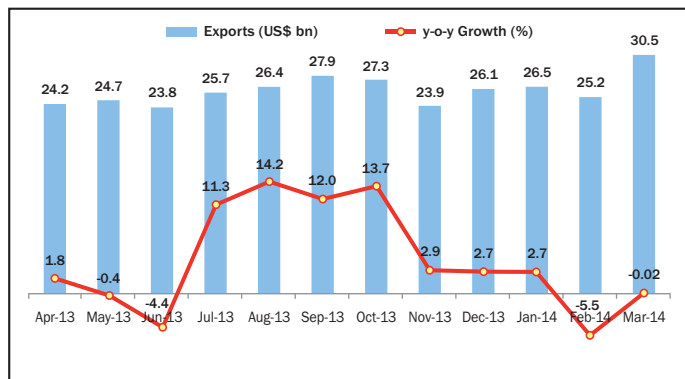
Source : Economic Survey, Various issues; Union Budget, RBI Monthly Bulletin, Annual Report & Weekly Statistical Supplement; Ministry of Finance; CSO; EIU; NASSCOM; Ministry of Commerce & Industry; Institute of International Finance (IIF); WEO, IMF.

Note : °-EAC, GOI's Projections; e - estimates; f- Forecasts; ^-% change is over corresponding period of the previous year; - Not Available; *- Data from 2009-10 onwards is given by RBI as per new format of standard presentation of BoP statistics based on guidelines set out in IMF Balance of Payment Manual.

[#] According to the interim Budget 2014-2015, India's Current Account Deficit is projected at US\$ 45 billion for 2013-14.

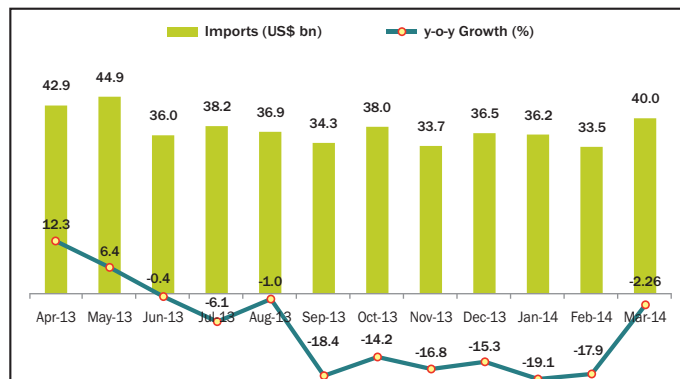
Updated on March 31, 2014

Chart 1 : India's Exports in 2013-14 – Monthly and Percent Change



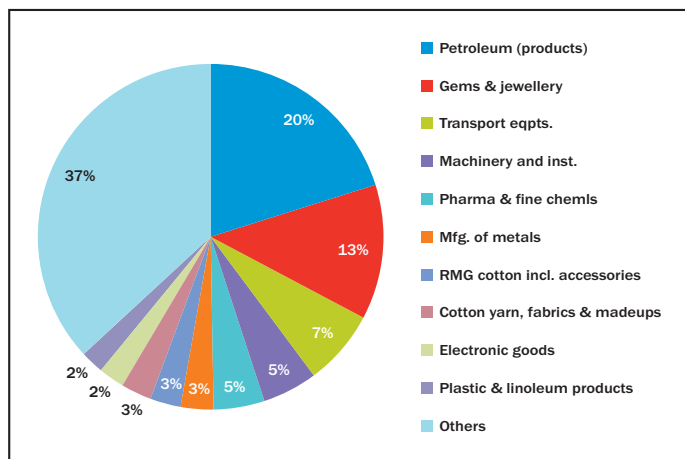
Source : MOCI

Chart 2 : India's Imports in 2013-14 – Monthly and Percent Change



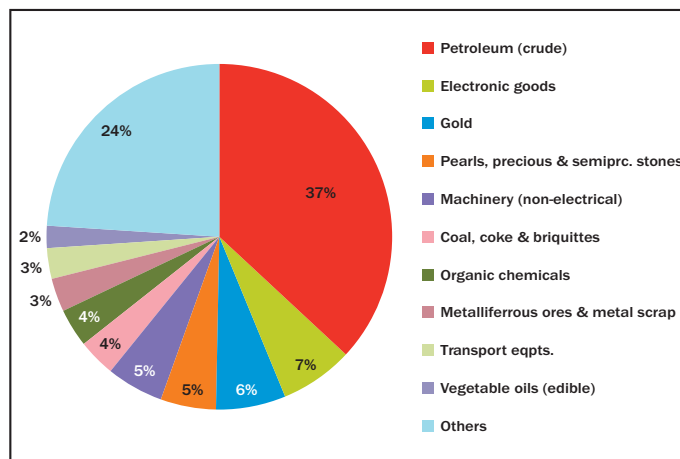
Source : MOCI

Chart 3 : India's Export Composition in 2013-14*



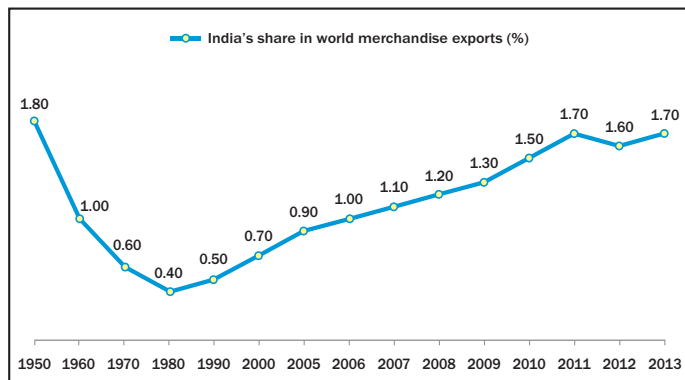
* Data for April-February
Source : MOCI

Chart 4 : India's Import Composition in 2013-14 *



* Data for April-February
Source : MOCI

Chart 5 : India's Share in World Merchandise Exports

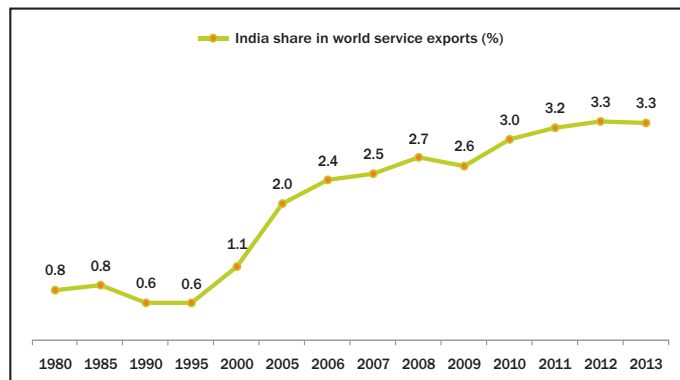


Notes :

- 1) China emerged as the leading global exporter in 2009, replacing Germany.
- 2) India is the 19th largest global exporter in 2013, up from 26th position in 2007, and 32nd position in 2000.

Source : WTO (Accessed on March 31, 2014)

Chart 6 : India's Share in World Service Exports



Notes :

- 1) India is the 6th largest global service exporter in 2013, up from 7th position in 2012 and 9th position in 2011, 11th position in 2009, and 15th position in 2005.

Source : WTO (Accessed on March 31, 2014)

The United Kingdom (UK) is one of the leading business locations in the world. It is a rich and diverse market with world-class industries including life science, ICT, creative, financial and professional business services, aerospace and automotive engineering, the UK offers an attractive location for businesses with easy access to customers, product innovators, suppliers and partners.

The UK is well established as one of the world's major trading nations. According to the Centre for Business and Economic Research (World Economic League Table 2013), the UK is the sixth-largest economy in the world with a GDP of around US\$2.4 trillion. With a population of 63.2 million, the UK is a major market in its own right. It is also the gateway to the European Union with its 28 member states and over 500 million consumers. While remaining an influential member of the EU, the UK retains sovereignty over its currency. This allows businesses in the UK to react flexibly to changing market conditions – a huge advantage for inward investment.

London's excellence in financial and business services makes the UK an ideal location for international activity. London was ranked first in the Z/Yen Group's Global Financial Centres Index 2013 of international financial centres.

For global entrepreneurs, the UK is the ideal location to launch and build an international business. With one of the most open and dynamic business environments in the world, the UK is both a major market in its own right and the perfect base for entrepreneurs to globalise their businesses. This status is confirmed by the World Bank's 'Doing Business 2014' survey, which ranks the UK first among the major European countries for the ease of doing business.

During 2012-13, UKTI recorded 1,559 FDI projects, an 11 per cent increase on 2011-12. The UK's inward investment results for 2012-13 have been the strongest for three years and confirm the country's position as the leading destination for FDI in Europe. Business investments from India contributed heavily and were ranked the fifth most important source of FDI globally for the UK and third-largest in terms of new jobs created.

With over 1000 companies investing in the country, the UK receives more than 50 per cent of India's investment in to Europe. India has been a key business partner for the UK which reflects in the UK's visa operations. The UK's largest visa operation worldwide is in India. Last year, over 97 per cent of the total business visa applications made were successful.

During April 1996 to March 2014, the cumulative Indian FDI in joint ventures and wholly owned subsidiaries including equity, loan and guarantees issued (FDI outflow) in the UK stood at US\$ 9.6 billion. Indian investments in UK include significant investments in ICT, advanced engineering and life sciences. There are around 700 Indian companies in the UK of which Tata is the largest private sector employer in the UK.

The UK government is committed to make the business environment even friendlier for overseas companies. UK Trade & Investment staff in British High Commission Offices across India would be happy to talk you through the range of initiatives introduced by the UK government. For more details visit www.ukti.gov.uk or write to us at uktiindia@fco.gov.uk

UK Trade & Investment is the government department that helps UK-based companies succeed in the global economy. It also help overseas companies bring their high quality investment to the UK's dynamic economy – acknowledged as Europe's best place to succeed in global business. UK Trade & Investment offers expertise and contacts through its extensive network of specialists in the UK, and in British embassies and diplomatic offices around the world.

Key facts

- UNCTAD reports that the UK recorded a 21.5 per cent increase in the value of FDI inflows to US\$62 billion in 2012, the highest increase among its European peers.
- The World Economic Forum Global Competitiveness 2013-14 report rated the UK as having the fifth most efficient labour market in the world.
- The reduction of corporation tax to 20 per cent in 2015 will make this the lowest rate in the G7, and the joint lowest in the G20.
- The Ernst & Young 2013 attractiveness survey confirmed that the UK retained its long-standing position as Europe's leading recipient of FDI projects, and also remained the leading recipient of FDI-generated jobs.
- The UK has one of the largest networks of treaties in the world, covering over 100 countries. UK treaty policy over many decades has been to reduce withholding taxes on interest and royalties to zero wherever possible.

Exim Bank of India (Exim Bank) has placed special emphasis on extension of Lines of Credit (LOCs) as an effective market entry mechanism with particular focus on small and medium enterprises. Exim Bank extends LOCs to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructural projects, equipment, goods and services from India, on deferred credit terms. Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. Exim Bank also extends LOCs at the behest of Government of India. Under LOCs extended at the behest of Government of India, Exim Bank reimburses 100 per cent of contract value to the Indian exporters, upfront upon the shipment of goods and at least 75 per cent of goods and services of total contract value should be sourced from India. Bank has now in place 189 LOCs covering over 75 countries in Africa, Asia, Latin America, Europe and the CIS, with credit commitments of over US\$ 10.33 billion, available for financing exports from India.

Exim Bank, at the behest of and with the support of Government of India, has signed six LOCs as given below during the quarter January - March, 2014:

- An LOC of US\$ 46 million to the Government of Mauritius to finance purchase of specialised equipment and vehicles. This is the second LOC extended by Exim Bank to Mauritius at the behest of the Government of India. The first LOC of US\$ 48.50 million was extended for financing of Offshore Patrol Vessel.
- An LOC of US\$ 26.50 million to the Government of Honduras, for the Development of Agriculture and Irrigation Infrastructure in the Jamastran Valley in Honduras. Exim Bank has earlier extended one LOC of US\$ 30 million for Export of communication equipment, medical equipment and transportation equipment.

- Two LOCs to the Government of Burundi viz. US\$ 4.22 million for Farm Mechanisation in Burundi and US\$ 0.17 million for preparation of Detailed Project Report [DPR] for an Integrated Food Processing Complex in Burundi. With the above two LOC Agreements aggregating US\$ 4.39 million, Exim Bank, till date, has extended three LOCs to Burundi, at the behest of the Government of India, taking the total value of LOCs extended to US\$ 84.39 million. The first LOC of US\$ 80 million was extended for financing the Kabu Hydro Electric Project in Burundi.
- An LOC of US\$ 89.90 million to the Government of Republic of Congo, for development of Transportation System in the Republic of Congo. This is the second LOC to the Government of the Republic of Congo. Exim Bank had earlier extended an LOC, valued US\$ 70 million for financing a Rural Electrification Project.
- An LOC of US\$ 25 million to the Government of Niger for financing Potable Water for Semi Urban and Rural Communities in Niger. This is the fourth LOC extended by Exim Bank to Niger at the behest of the Government of India. The first LOC of US\$ 17 million was extended for acquisition of buses, trucks, tractors, motor pumps, flourmills. The second of US\$ 20 million was extended for rehabilitation of six-power stations, purchase of power transformers and rehabilitation as well as erection of power lines and third LOC of US\$ 34.54 million was extended for solar electrification and setting up solar photovoltaic system.

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Buyer's Credit under NEIA

The Bank's strong emphasis on increasing project exports from India has been enhanced with the introduction of the Buyer's Credit under GOI's National Export Insurance Account (BC-NEIA) program. BC-NEIA is a unique financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters and serves as an effective market entry tool to traditional as well as new markets in developing countries, which need deferred credit on medium or long term basis.

The Ministry of Commerce and Industry announced the introduction of a "pilot scheme" of 2 per cent Interest Subvention for Project Exports through Exim Bank, and the modalities and guidelines of the Scheme were approved in March 2013.

At present, a positive list of 48 countries has been identified by ECGC for which Indian exporters can avail Buyer's Credit under NEIA. The list could be suitably expanded / modified on receipt of credit requests for projects from other countries, as has been done in the past. The Bank has till date sanctioned an aggregate amount of US\$ 444 million for 5 projects valued US\$ 520 million. The Bank has also given in-principle commitments for supporting several projects and the current active pipeline includes 54 projects aggregating US\$ 7.43 billion under BC-NEIA, at the behest of several leading Indian project exporters.

CAD falls to 0.9% of GDP in Q3

India's current account deficit (CAD) declined to US\$ 4.2 billion (0.9 per cent of GDP) in Q3 (October-December) of 2013-14 from US\$ 31.9 billion (6.5 per cent of GDP) in Q3 of 2012-13 primarily on account of a decline in the trade deficit as merchandise exports picked up and imports moderated, particularly gold imports. This is also lower than US\$ 5.2 billion (1.2 per cent of GDP) in Q2 of 2013-14. Merchandise exports increased on the back of significant growth in the exports of engineering goods, readymade garments, iron ore, marine products and chemicals. As a result, the merchandise trade deficit (BoP basis) contracted by around 43 per cent to US\$ 33.2 billion in Q3 of 2013-14 from US\$ 58.4 billion a year ago.

India's External Debt at 23.3% of GDP as at end-December 2013

At end-December 2013, India's total external debt stock stood at US\$ 426.0 billion, recording an increase of 5.2 per cent over US\$ 404.9 billion recorded at end-March 2013. India's external debt to GDP ratio stood at 23.3 per cent at end-December 2013 vis-à-vis 21.8 per cent at end-March 2013. The rise in external debt during the period was due to long-term debt particularly NRI deposits. A sharp increase in NRI deposits reflected the impact of fresh FCNR (B) deposits mobilised under the swap scheme during September-November 2013.

3D Printing : The Next Industrial Revolution

'3D printing', as it is known today, spans several similar manufacturing methods that were a natural evolution from CNC machine tools developed in the first half of the 20th century. 3D printing is achieved using an additive process, where successive layers of material are laid down in different shapes. It is considered distinct from traditional machining techniques, which mostly rely on the removal of material by methods such as cutting or drilling (subtractive processes). Additive manufacturing or 3D printing is a process of making a three-dimensional solid object of virtually any shape from a digital model.

The technology is used for both prototyping and distributed manufacturing in jewellery, footwear, industrial design, architecture, engineering and construction (AEC), automotive, aerospace, dental and medical industries, education, geographic information systems, civil engineering, and many other fields.

Effects of 3D printing

Manufacturing firms have to be flexible, ever-improving users of all available technologies in order to remain competitive. Advocates of additive manufacturing also predict that this arc of technological development will counter globalisation, as end users will do much of their own manufacturing rather than engage in trade to buy products from other people and corporations. The real integration of the newer additive technologies into commercial production, however, is more a matter of complementing traditional subtractive methods rather than displacing them entirely.

Personal 3D Printing

For home enthusiasts and inventors who want to start 3D printing themselves, a growing range of personal 3D printing initiatives, kits and printers are also now available.

3D printing services

Some companies offer on-line 3D printing services open to both consumers and industries. Such services require people to upload their 3D designs to the company website. Designs are then 3D printed using industrial 3D printers and either shipped to the customer or in some cases, the consumer can pick the object up at the store.

Research into new applications

3D printers are now being used to create products ranging from custom-fitted prosthetics to stylish guitar. In a first-of-its kind procedure in UK, doctors employed a pioneering 3D printing technology to create a prosthetic face for a man who had the entire left side of his face removed after suffering from cancer.

NASA has already tested a 3D printer on the International Space Station, and recently announced its requirement for a high resolution 3D printer to produce spacecraft parts during deep space missions. The US Army has also experimented with a truck-mounted 3D printer capable of outputting spare tank and other vehicle components in the battlefield.

Future applications for 3D printing might include creating open-source scientific equipment or other science-based applications like reconstructing fossils in palaeontology, replicating ancient and priceless artefacts in archaeology, reconstructing bones and body parts in forensic pathology, and reconstructing heavily damaged evidence acquired from crime scene investigations. The technology is even being explored for building construction.

Yaduvendra Mathur takes over as CMD of Exim Bank

Mr. Yaduvendra Mathur has taken over as Chairman and Managing Director of Exim Bank. Prior to this appointment, Mr. Mathur was Chairman and Managing Director, Rajasthan Financial Corporation, since 2011. Mr. Mathur is an Indian Administrative Service Officer of the 1986 batch. A Graduate in Economics and an MBA in Finance, Mr. Mathur has worked with Golden Tobacco and Associated Cement Companies in Mumbai between 1982-1984 before joining the Indian Revenue Services (Income Tax) in 1984 and then the IAS in 1986, topping his batch. He has had long stints in various positions in the Finance Department including Principal Secretary Finance, Government of Rajasthan. He was also Planning Secretary, PHED Secretary and Director General Revenue Intelligence in Government of Rajasthan.

Growth in hi-tech exports will boost manufacturing sector: Exim Bank study

Despite India's early development strategy of creating a well diversified industrial base focused on manufacturing, acceleration of manufacturing growth and the desired dynamism has thus far remained elusive. The share of India's manufacturing sector stands at 13.5 per cent of GDP – a level which has remained stagnant over the past decade. India's share in global manufacturing today is only 1.8 per cent. India ranks 52nd in terms of manufacturing value added as a percentage of GDP, lower than even Bangladesh. This has had adverse impact on the country's trade deficit with limited ability to export manufactured products. Taking cognisance of the need to boost the manufacturing sector in India, Exim Bank has done an analysis of the potential of Hi-Tech exports from India titled "India's Hi-Tech Exports: Potential Markets & Key Policy Interventions" which was recently released in New Delhi.

Exim Bank's study highlights India's trade potential with SADC region

Exim Bank's recent publication on "Enhancing India's Trade Relations with Southern African Development Community (SADC): A Brief Analysis" highlights the increasing importance of SADC region in the African continent. The region is the largest contributor of gross domestic product (GDP) to the African region, to the tune of 32.1 per cent. In fact, reflecting the increasing globalisation of the economies in SADC region, SADC's global trade has witnessed significant upward trend in recent years. The Study covers all the 15 member countries namely, Angola, Botswana, DR Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe; and highlights select commodities at the 6-digit level in which India could enhance its exports to SADC.

Exim Bank signs MOU with ITC to promote India-Africa trade

Exim Bank signed a Memorandum of Understanding (MOU) with the International Trade Centre (ITC) in Geneva on 26 March 2014. The MOU will strengthen collaboration between ITC and Exim Bank to help increase enterprise and sector competitiveness and promote capacity-building in trade intelligence, including market analysis and research. The co-operation will also help foster trade support networks and business linkages between India and other countries, and improve the business environment. ITC and Exim Bank will also co-operate on the project on Supporting India's Trade Preferences for Africa (SITA), which will run from this year to 2020. The six-year project is aimed at promoting exports from five East African countries-Ethiopia, Kenya, Rwanda, the United Republic of Tanzania and Uganda – to India through investment and skills transfer from the Indian side.

Prof. Kishore Mahbubani delivers Exim Bank's Commencement Day Annual Lecture 2014

Prof. Kishore Mahbubani, Dean and Professor in the Practice of Public Policy at the Lee Kuan Yew School of Public Policy of the National University of Singapore, delivered Exim Bank's Commencement Day Annual Lecture in Mumbai on February 14, 2014. He spoke on the topic "The Great Convergence Can India Make It?" reflecting upon how the interplay between present geopolitical and economic conditions have led to the "great convergence" and the position and opportunities for India.

In his Lecture, Prof. Mahbubani said that by 2020, the global middle class will number 3.2 billion and 4.9 billion by 2030. In Asia alone, the middle class is expected to triple from 500 million in 2010 to 1.75 billion by 2020, accounting for 85 per cent of global growth. This would be an extraordinary development which has had and will continue to have enormous ramifications for the world. Again, however, this massive transformation has not been taking place as quickly in India. He spoke at length about the changing dynamics in the economic scenario and elaborated on India's various areas of strengths.

Prof. Kishore Mahbubani has had the benefit of enjoying a career in government, and at the same time, writing extensively on public issues. He was with the Singapore Foreign Service for 33 years (1971-2004) where he had postings in Cambodia (1973-74), Malaysia, Washington DC and New York, where he served two postings as Singapore's Ambassador to the UN and as President of the UN Security Council in January 2001 and May 2002. He was Permanent Secretary at the Foreign Ministry from 1993 to 1998.

Dr. Dilip M. Nachane, Member, Economic Advisory Committee to the Prime Minister, presided over the Lecture.

World trade in agriculture is estimated at US\$ 1,657 billion in 2012, of which India's exports amounted to US\$ 42.4 billion (2.6 per cent of world trade). India's exports of fruits and vegetables, the key sub-sector of Indian horticulture was US\$ 2.5 billion (1.7 per cent of global exports).

India is ranked second in the world in fruits and vegetable production, the country is ranked eighth in the world in terms of productivity in fruits (11.9 tonnes/Ha), and tenth in productivity of vegetables (19.2 tonnes/Ha). While the fruits productivity in India is marginally higher than that of world average, vegetable productivity is much lower than the world average.

India's export of fruits (HS Code 08) increased from US\$ 1079 million in 2008-09 to US\$ 1,410 million in 2012-13, at a CAGR of 6.9 per cent. Export of vegetables (HS Code 07) increased from US\$ 776 million to US\$ 1,036 million, during the same period, at a CAGR of 7.5 per cent (Table). India also imports fruits and vegetables, which has grown at a CAGR of 18.4 per cent and 14.6 per cent, respectively, during the period 2008-09 to 2012-13. Though the exports of fruits and vegetables from India have registered a steady growth in the past five years, the proportion of fruits and vegetables exported as a share of production (1.1 per cent for fruit and 1.5 per cent for vegetables) is much lower when compared to major exporting countries.

Analysis of global trends in trade and production reveals that most of the fruits and vegetables exported from India have

a low unit price realisation in the export markets, such as apples, oranges, banana, and onions, probably indicating poor quality of produce compared to international standards. This can also be correlated with our destination of exports, which are mostly Asian neighbouring countries (48 per cent share in India's total export of fruits and 70 per cent share in export of vegetables). A Trade Intensity Analysis shows that in the recent years, even in the Asian markets competition for Indian fruits and vegetables is growing.

A study of Revealed Comparative Advantage (RCA) for fruits (disaggregated data of HS Code 08 - edible fruit and nuts; peel or citrus fruit or melons, at 6-digit level) shows that of the 72 products globally traded, India has comparative advantage for only 7 products, which include grapes (fresh and dried), guava, mangoes and mangosteens, papaws, and citrus, excluding certain edible nuts. Similarly, for vegetables (disaggregated data of HS Code 07 - Edible vegetables and certain roots and tubers, at 6-digit level), India has comparative advantage for only 9 products out of 69 products that are globally traded. However, India's share in world exports is less than 1 per cent in all of these products both for fruits and vegetables.

Challenges

Challenges faced by the fruits and vegetables sectors are across the value chain, from the supply side (which includes production and post harvest management) to the demand side (which includes non-tariff trade barriers). At the production level, while the major

challenge is low productivity, at the post production stage, the wastage rate is very high. Estimated processing and loss to production in India varies from 11 per cent in mangoes to very high share in tomatoes. Result is low marketable surplus and low trade in the sector. Main areas of concern have been water management, quality planting material, pests and diseases management, and technology suitability for small and marginal holdings. Slow rate of development of post-harvest technologies and its dissemination, and technological gaps are acting as prime reasons for high wastage in this sector.

Strategies

For enhancing trade, production and productivity sustainably in the horticulture sector India needs to focus on three main areas, viz., productivity improvement through technological interventions; reduction of wastage through efficient post-harvest management, and diversification of markets through development of customised products and compliance to global standards. Improvement in market intelligence through various means, including a good market information system, internet and good telecommunication facilities at the markets can also help in improving market integration and market efficiency. Importantly, India needs to adopt twin strategy, one to cater to domestic demand, and another to cater to global demand.

Table : India's Export of Fruits and Vegetables

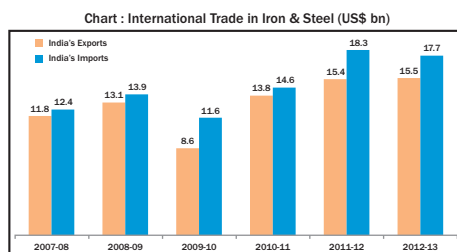
Exports of Fruits (US\$ billions)				Exports of Vegetables (US\$ billions)			
Country	2012	Share (%)	CAGR (%) 2009 to 2012	Country	2012	Share (%)	CAGR (%) 2009 to 2012
World	91.9			World	57.5		
India	1.4	1.5	6.9	India	1.0	1.5	7.5

Source : Trademap, ITC, Geneva; Exim Bank Analysis

India has seen a rapid rise in production over the past few years, which has resulted in India becoming the fourth-largest producer of crude steel (after China, Japan, and USA) and the largest producer of sponge iron in the world. Crude steel production has witnessed a consistent increase—from 46.6 MT in 2005-06 to 77.6 MT in 2012-13, recording a CAGR of 7.6 per cent during this period.

Globally, iron and steel exports (HS Code 72 and 73) declined from US\$ 827.4 billion in 2008 to US\$ 726.2 billion in 2012. Among the top 10 exporters of iron and steel, except South Korea, USA, Japan and Netherlands, all others recorded a fall in exports during the period between 2008 and 2012.

India has remained a net importer of iron & steel since the last six years experiencing a consistent widening of trade deficit. While exports increased at a CAGR of 5.7 per cent from US\$ 11.8 billion in 2007-08 to US\$ 15.5 billion in 2012-13, imports witnessed a significantly higher growth recording a CAGR of 7.4 per cent to shoot up from US\$ 12.4 billion to US\$ 17.7 billion during the same period (Chart). As a result, trade deficit increased from US\$ 0.6 billion in 2007-08 to US\$ 2.2 billion in 2012-13 (CAGR of 28.7 per cent).



Source : Ministry of Commerce, Exim Bank Analysis

The concern of increasing trade deficit in the iron and steel category gets aggravated given the fact that the share of iron & steel in national exports has shown a significant decline in the last six years - it came down from 7.2 per cent in 2006-07 to 5.2 per cent in 2012-13.

Outlook

The global steel industry is expected to recover in 2014 in terms of volumes, led by a rebound in Europe and the rest of the world, offsetting a slowdown in Chinese growth. However, the pricing outlook is not very positive, in line with the excess production capacity globally.

In terms of consumption, World Steel Association forecasts growth rates for Chinese steel consumption to drop below the rest of the world for the first time since 2006. World steel demand, excluding China, is projected to rise by 3.5 per cent, surpassing growth of 3 per cent in China.

The performance and outlook of the Indian steel industry, particularly in the context of India's development process, depends upon, and determines the trends in the overall economy, as also the linkages with the rest of the world in terms of trade, investment and technology transfer.

While near-term demand is expected to remain muted, long-term prospects are forecast to be steady. It is anticipated that steel demand in India would pick up from 2014-15 with an expected pick-up in demand in key end-user sectors.

A healthy demand and capacity additions by companies is expected to support the growth in steel production in 2014-15. The demand for flat steel is expected to grow at a healthy pace in line with a revival in automobile production. A pick-up in industrial and infrastructure construction activity is also expected to push up demand for long steel.

The machinery required for industrial and infrastructural projects scheduled to be commissioned during 2014-15 and the year after that, will also contribute to the growth in demand for steel.

CMIE forecasts steel consumption to grow at 5.2 per cent in 2014-15 from an estimated 4.1 per cent in 2013-14.

Since incremental demand for finished steel is expected to be considerably lower, the demand-supply gap will widen, when majority of the planned capacities are scheduled to be commissioned in 2014-15 and in 2015-16. The widening gap could encourage manufacturers to target overseas markets to arrest the expected fall in operating rates.

While the rupee has stabilised at a new low of around 62-63, a weak rupee could lead to increase in coking coal costs for domestic steel majors like SAIL and JSW which are dependent on imports. For companies with higher forex debt like JSW Steel, and Tata Steel, it could also lead to higher net debt.

On the raw materials front, although coking coal prices are expected to decline, the depreciation in the rupee is expected to continue to partly negate the benefit of the steep fall in coking coal prices in 2013-14. Additionally, while the domestic iron ore supply constraints are set to ease marginally, non-availability and high prices of coking coal remains a worry for the steel producers in India.

Opportunities exist for future growth of the sector due to reasons that include potentially huge domestic demand for steel-intensive social and economic infrastructure, resulting from all round economic development, particularly growth in urbanisation; demographic conditions that favour increasing demand for consumer durables; untapped rural market and increasing interest of domestic and overseas producers in capacity creation to serve the domestic and overseas markets.

The global economy is showing signs of gradual recovery from the financial crisis and subsequent slowdown in growth momentum across countries in the world. Global activity has strengthened during the second half of 2013 and is expected to improve further in 2014 and 2015. Growth in emerging market economies (EMEs) is expected to pick up on the back of stronger external demand from advanced economies, although domestic weaknesses continue to remain an area of concern. During 2014-15, EMEs are forecast to grow at an annual average growth rate of 5.3 per cent.

EMEs are assuming increasing importance in global economy and are projected to underpin the pick-up in global economy. Developing Asia continued to grow most rapidly among the rest of the regions in the world. The real GDP growth of developing Asia slightly improved to 6.5 per cent in 2013, as compared to 6.4 per cent in 2012. China, the largest economy in the region, retained its GDP growth rate of 7.7 per cent in 2013 similar to what was registered in 2012, largely due to acceleration in investment. Real GDP growth in India gained momentum at 4.4 per cent in 2013, as against 3.2 per cent growth in 2012, reflecting the easing of supply bottlenecks and strengthening of exports.

Recent Trends in World Trade

According to IMF's recent estimates, global exports of goods amounted to US\$ 18.7 trillion in 2013, implying a rise of 2.2 per cent over the previous year's total of US\$ 18.3 trillion. While advanced economies registered a growth of 2.4 per cent in volume of export of goods in 2013, EMEs registered a growth of 3.3 per cent. During 2014, world exports of goods are projected to grow by 4.9 per cent, taking annual global exports to US\$ 19.6 trillion.

Even in terms of import demand, a sharp pick up is projected for global import demand in the medium term – from 2.1 per cent in 2012 to 6 per cent in 2018, driven by a robust import demand projected for EMEs. Growth in import demand in advanced economies is projected to increase to 4.1 per cent in 2014, from 1 per cent witnessed in 2013, while in emerging economies it is forecast to increase at a robust rate of 6 per cent in 2014, as compared to 5.3 per cent in 2013.

Increasing Importance of EMEs in Global Output and Trade

The increasing importance of developing economies could be seen from the fact that the share of emerging market economies in global GDP has steadily

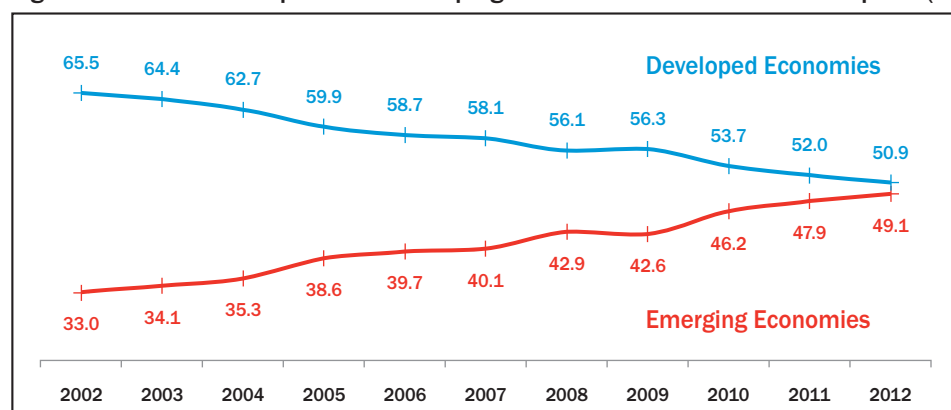
increased from 20.5 per cent in 2001 to 38 per cent in 2012, and further expected to account for around 40 per cent of global GDP by 2014. Moreover, in the context of global trade, while the share of developed economies in global exports has moderated over the period 2002-2012 from 66 per cent to 51 per cent, emerging economies are assuming increasing importance with rising share in global exports which witnessed an increase from 33 per cent to close to 50 per cent during the same period (Figure).

World merchandise exports have more than tripled over the last two decades, with a quarter of that trade comprising exports among developing countries - so-called "South-South" trade - which reached a record US\$ 4.7 trillion. Trend in South-South trade has been led by developing Asia, followed by developing America, with intra-regional exports within developing Asia amounted to US\$ 3.5 trillion in 2012.

Enhancing South-South Cooperation- Asian Exim Bank's Forum 2014

Export-Import Bank of India, ever since its inception in 1982, has played a catalytic role in effecting India's increasing integration with the global economy by promoting, financing and facilitating India's international trade and investment, with particular reference to emerging market economies in Asia. The Asian Exim Banks Forum set up in 1996 is a positive initiative in this direction which aims to enhance economic cooperation and forge stronger linkages among its member institutions, thereby fostering a long-term relationship within the Asian Exim Banks community. Exim Bank of India would be hosting the 20th Asian Exim Bank's Forum in India during November 2014.

Figure : Share of Developed and Developing Market Economies in Global Exports (%)



Source : ITC Geneva, based on UN CONTRADE Database

Grassroots Initiative and Development

Exim Bank acts as an enabling agency by reaching out to organisations operating at the grassroots level across India. The Bank, through its grassroots initiatives, envisages supporting globalisation of enterprises based out of rural India. The programme seeks to address the needs of relatively disadvantaged sections of society while creating expanded opportunities for traditional crafts persons and artisans, and rural entrepreneurs of the country. The Bank has consciously sought to establish, nurture and foster various institutional linkages and has entered into formal cooperation arrangements with select broad-based agencies in order to directly reach out to the artisans, by helping in capacity building, technological up-gradation, quality improvement, market access, training and more. In this context, during 2013-14, the Bank entered into a Memorandum of Cooperation (MoC) with the Women on Wings (WoW), a non-profit organisation based in Austerlitz, the Netherlands, working with the objective of improving the income of women in developing countries. WoW, which plans to create one million jobs for women in rural India by 2018, assists Indian enterprises by providing consultancy and business development, investing through human capital and providing good networking support for marketing their produce.

During the year, the Bank also provided support to a Gujarat based trust, viz. SAHAJ, which provides home-based livelihood opportunities to tribal artisans of Eastern Gujarat and helps address the issue of migration. The interventions by the Bank are aimed at financing the establishment of Common Facility Centre (CFC). Intervention in the form of financial support was also provided to a Belgaum, Karnataka based organisation - Mitan Handicrafts Development Pvt. Ltd., which is working with nearly 700 producers, mostly the rural poor women in semi-arid and drought prone villages of Belgaum district. The support was provided for financing working capital requirements of the organisation and for purchasing

additional dyeing and weaving equipments for its CFC. The Bank also provided financial support to Anwasha Tribal Arts and Crafts, an organisation working with more than 2000 tribal artisans belonging to socially deprived communities on arts & crafts development. The support was provided for financing working capital requirements of the organisation and for construction of a small workshop for tribal women artisan for assembling the tribal Jewelry parts. The Bank also provided financial support to two emerging technology-oriented organizations under the aegis of IIT Madras's Rural Technology Business Incubation (RTBI).

In addition to providing financing support, the Bank, under its rural initiatives, also works towards capacity and skill upgradation of artisans. During the year, the Bank organised "Design Development and Training Workshops" for 60 women master artisans in Golaghat, Assam in association with Impulse Social Enterprise Pvt. Ltd., a Shillong, Meghalaya based organisation, with an objective of developing utility based prototypes for Handloom products. A training programme was also organised for 50 artisans associated with Gramya Turnkey Services Pvt. Ltd., a Bengaluru, Karnataka based organisation for developing natural fiber based hand crafted utility products. The workshop was organised in association with "The Ants Craft Trust", Bangalore and about 20 marketable prototypes were developed during the workshop.

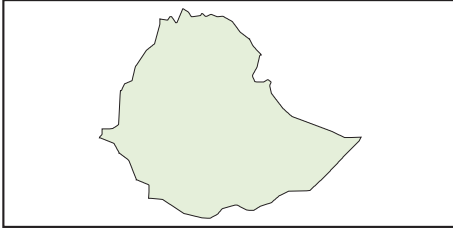
During the year, the Bank formed a new joint venture, viz. Bharat Handloom Marketing Company Ltd. (BHMCL) in association with the National Handloom Development Corporation Ltd. (NHDC) and the Association of Corporations and Apex Societies of Handlooms (ACASH).

Marketing Advisory Services January-March 2014

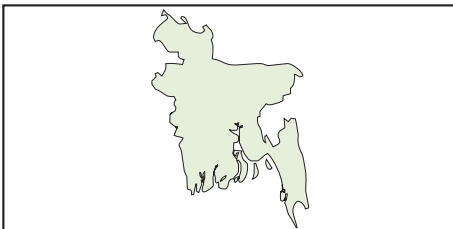
Exim Bank in association with National Centre for Design and Product Development (NCDPD), New Delhi, organised a ten-day "Product Development Workshop" for Pochampally weavers and technicians at Pochampally, Andhra Pradesh. The objective of the workshop was to create necessary awareness, develop skills, provide support leading to promotion of domestic as well as international business and to improve the livelihood and economic status of weavers & technicians.

The participants influenced by the designer's teachings created more than 100 designs on their own. Over 50 artisans having various skills were trained by designers from NCDPD. The workshop helped the skilled weavers in improving their understanding and quality standards of IKAT products, in the larger context of improving the scope of income generation through new design and development of marketable products based on the craft and skill level of artisans. The participants were introduced to design various products for home use and utility products, including home furnishings like curtains, table covers, cushion covers, pillow cases, utility related boxes, tissue paper boxes, photo frames, ladies bags, and packaging boxes. Innovative products like belts, necklaces were also designed from the waste material. The concept involved fusion of various fabrics and beads etc to save on production cost and to make it look attractive as well.

Exim Bank, through its Marketing Advisory Services, plays a promotional role to create and enhance export capabilities and international competitiveness of Indian companies. Exim Bank assists in identification of opportunities overseas and seeks to help Indian exporting firms in their globalisation efforts by proactively assisting in locating overseas distributor(s) / buyer(s) / partner(s) for their products and services.

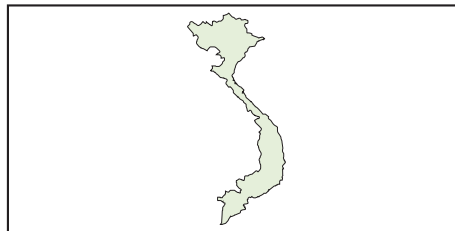
Ethiopia

Ethiopia is one of the fastest growing non-oil economies in Africa. The country plans to attain middle-income status by 2020. While Ethiopia has reportedly witnessed tangible progress on the UN's Millennium Development Goals (MDGs), the International Monetary Fund (IMF) has noted that there still remains a pressing need for policies to translate positive growth outcomes into stronger employment gains and further reduction in poverty and set off a dynamic, virtuous cycle of self sustaining and broad-based growth. The country has attracted significant foreign investment in textiles, leather, commercial agriculture and manufacturing. In February 2014, the World Bank approved funds to help Ethiopia upgrade its road system, strengthen road maintenance and reduce travel time along inter-regional corridors. The project is aligned with the Growth and Transformation Plan and supports economic expansion.

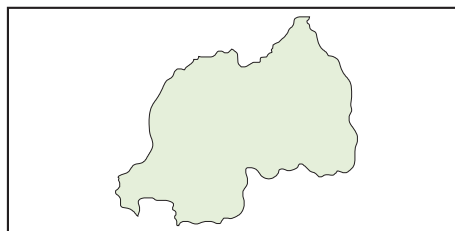
Bangladesh

In its most recent review of the Bangladeshi economy (December 2013), the IMF praised the country's macroeconomic policies and approved the disbursement of US\$ 140 million under its Extended Credit Facility Arrangement, but cautioned that political risk and the frequency of strikes and industrial disasters will reduce growth in coming years and could risk the progress that Bangladesh has made towards reducing poverty. Dun and Bradstreet

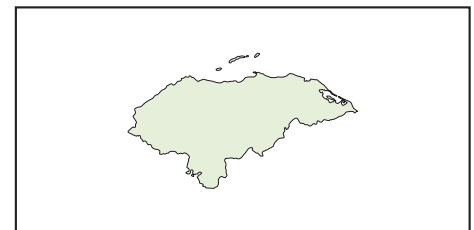
recently downgraded Bangladesh due to ongoing civil unrest. Bangladesh held general elections in 2014 but the process was marred by voting irregularities and government restrictions on the opposition's right to campaign. Local companies have reported large declines in export orders in the second half of 2013. Services and industrial activity has also fallen in the latter part of the year, according to the central bank.

Vietnam

Vietnam joined the World Trade Organisation in January 2007, which has promoted more competitive, export-driven industries. Vietnam also became an official negotiating partner in the Trans-Pacific Partnership trade agreement in 2010. Agriculture's share in GDP has continued to shrink from about 25 per cent in 2000 to less than 20 per cent in 2012, while the share of industry has increased from 36 per cent to more than 42 per cent in the same period. State-owned enterprises account for about 40 per cent of GDP. Between 2008 and 2011, Vietnam's managed currency, the dong, was devalued in excess of 20 per cent, but its value remained relatively stable in 2013. In February 2011, the central bank shifted from policies aimed at achieving a high rate of economic growth, which had stoked inflation, to those aimed at stabilising the economy, through tighter monetary and fiscal control. The government has committed to restructuring the banking sector, with partial privatisation of major state-owned banks.

Rwanda

The 2014 World Bank Doing Business Report has ranked Rwanda 52nd out of 189 countries, and the second best country in Africa to do business, after Mauritius, and before South Africa and Botswana. The country has adopted policies and institutional arrangements considered "best practice" by the World Bank's "Doing Business" surveys, resulting in increasing investor interest for investments. Data from Mining in Africa Country Investment Guide 2014 reveals that the country has untapped wealth and steady rise in mineral revenues. The IMF predicts the economy to grow by 7.5 per cent in 2014 but warns that the financial system is too weak to offer the government the possibility of getting more financing from the domestic market. The fourth quarter of 2013 has witnessed steady inflow of donor funding that has boosted confidence and allowed the government to resume spending.

Honduras

Honduras is a lower-middle income country facing significant challenges, with more than two thirds of the country's population living in poverty. Since the 2008-2009 global economic crises, Honduras has experienced a moderate recovery, propelled by public investments, exports, and higher remittances. The World Bank has worked with the government to design a support program to help Honduras deal with its development challenges, which include the country's vulnerability to external shocks, as the agricultural sector has lost about one-third of its purchasing power in the past two decades, largely due to the decline in prices for export crops, particularly bananas and coffee. Honduras is also susceptible to disasters such as hurricanes and droughts.

Pound Sterling

During the current financial year FY 2013-14 the pound (GBP) has appreciated sharply against the US dollar in terms of London closing rates from 1.5102 to 1.6731. The key driver was faster than expected growth in employment rate and productivity. The UK recovery has gained momentum and inflation has returned to the 2 per cent target. Reduced uncertainty, easier credit conditions and the stimulative stance of monetary policy is expected to support continued solid economic growth, with the expansion in demand becoming more entrenched and more broad-based. The headline unemployment rate is likely to reach the Monetary Policy Committee 7 per cent threshold by this year end. Even so, the Committee judges that there remains spare capacity, concentrated in the labour market.

Inflation is likely to remain close to the target over the next three to six months. Given this, and with spare capacity remaining, the MPC judges that there remains scope to absorb slack further before raising Bank Rate. Moreover, the continuation of significant headwinds - both at home and from abroad - mean that Bank Rate may need to remain at low levels for some time to come. The current trend is expected to continue and the UK economy will continue to gain momentum. Further improvements in the domestic economy, particularly the unemployment rate, will fuel expectations that the Bank of England could be forced into early policy tightening. Given the above, GBP is expected to appreciate further against USD. The pound was trading at 1 GBP = 1.6673 USD as on March 31, 2014.

Brazilian Real

Brazilian Real (BRL) has been freely floating against the US Dollar since January 18, 1999. The BRL depends largely on the domestic policies of Brazil. Analysts observe that countries, like Brazil, with high yields are attractive to investors attract heavy capital inflows throughout the year despite high risk associated with the region. Brazil also faces concerns over BRL strength with the potential for intervention on sustained appreciation.

BRL fell 13 per cent in 2013 on a concern that fiscal deterioration would lead to lower credit rating, and amid speculation that the tapering of Federal Reserve stimulus will sink demand for the nation's assets. The annual drop in the currency was the biggest since the financial crisis in 2008. The government is trying to establish liquidity in the exchange-rate market. Policy makers maintain that the real has weakened to a level that doesn't correspond to the country's economic fundamentals.

After falling heavily throughout last year and a weak start to the year 2014, BRL has stabilised and regained some of its initial losses against the US dollar. With the central bank signalling that the monetary tightening cycle could be getting to an end (by slowing the pace of hikes at the last meeting), alongside a deceleration in inflation, initial government efforts to return public finances to a more sustainable path and the better-than-expected fourth-quarter GDP growth, the currency has received some support as of late. Nevertheless, the BRL will remain subject to shifts in investor risk perceptions. The market is expecting BRL to depreciate further. The real was trading at 1 USD = 2.2559 BRL as on March 31, 2014.

Indian Rupee

Favourable events of a strong Q4, such as the balance of payment report, reduced current account deficit, easing inflation and announcement of a general election time line, seemed to trigger a significant rally in the Indian equity market and a sharp out performance of the Indian Rupee (INR), relative to its regional peers. Market is expecting INR to strengthen further in the near term. However, an appreciation beyond certain level is doubtful despite upbeat macro data. The rupee appreciation would make imports cheaper. Given that the main reason for the drop in current account deficit was lower gold imports, RBI may not afford a demand increase at the moment.

A stronger rupee would disincentives exporters as their earnings take a beating. RBI would not want that to happen for now. Growth is on a sticky wicket: a fall in imports, oil and non-oil, points to a sharp fall in demand, which does not bode well for the economy - a pickup in economic activity is unlikely in the short term. Companies are holding back their investments owing to political uncertainty ahead of the April-May general elections. So a change in the economy is likely only in the second half of the next financial year.

Thus, it is expected that recent positive INR momentum, on the back of a narrowing current account deficit, softer inflation prints, enhanced policy credibility and strong capital inflows, will continue in the near-term. However, the upcoming general election remain a risk for the INR. The rupee was trading at 1 USD = 60.0593 INR as on March 31, 2014.

India is a late entrant into the electronics industry with space and defence technologies development starting around 1965 upon initiative taken by the Government. Industry had seen its golden period in 1980s. However, the success of 1980s couldn't be carried forward to the next decade when the policy regime proved to have a detrimental effect on the industry.

Elimination of custom duties upon signing of Information Technology Agreement (ITA) agreement and fall in custom tariffs, put pressure on the electronics industry. Production of electronic components has not been able to grow at the pace of other segments due to lack of forward linkages for MSMEs on account of easy availability of imports. Moreover, as a result of ITA, it has been noted that only few firms dominate the industry. Huge barriers exist for new entrants into the manufacturing and innovation space.

Current Scenario

During the period 1995-96 to 2012-13, India's total production of electronics has increased by a CAGR of 14.4 per cent. Communication and broadcast equipment has witnessed the maximum surge in production over this period of 19.7 per cent, followed by computer hardware and strategic equipment (Chart). Growth of electronic components has been lower than most electronic categories which is worrisome as

significant value added in this industry happens at the components stage.

India's exports and imports of electronic goods has been witnessing continuous moderation in 2011-12 and 2012-13, after it peaked in 2010-11. While the moderation has been starker in the case of exports which from 52.1 per cent in 2010-11, moderated to 7.4 per cent in 2011-12 and further contracted by (-) 7.8 per cent in 2012-13, it has been less so in case of imports. India is a net importer of electronic goods and had a huge trade deficit of US\$ 21.6 billion in 2012-13 with the world in general and US\$ 14.6 billion with China in particular. As a matter of fact, China is the largest import source within all categories of electronic imports by India, with share in India's imports as high as 57 per cent, 50 per cent and 30 per cent in the final electronics, subassembly and component categories, respectively.

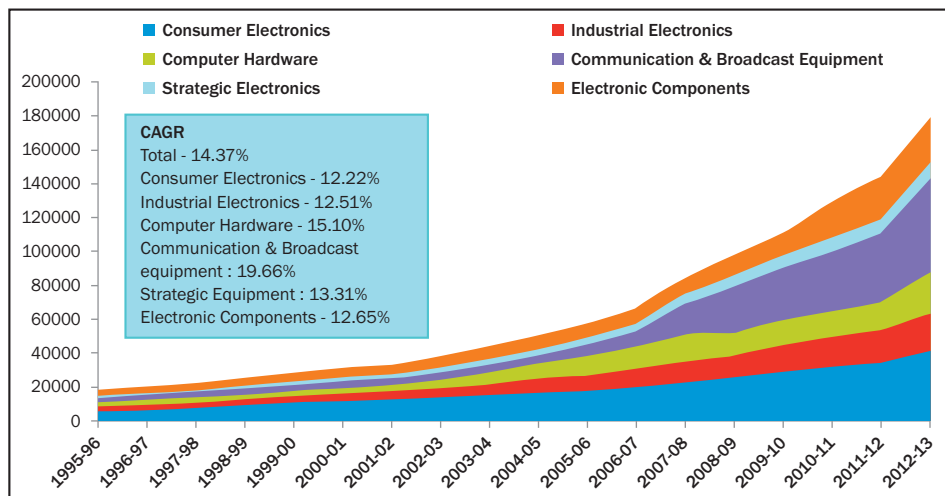
Government has responded to the needs of the industry in the form of National Electronics Policy 2012 which has been created with the vision to 'create a globally competitive electronics design and manufacturing industry to meet the country's needs and serve the international market'. Under this policy, many key initiatives have been taken in the form of M-SIPS (a subsidy program on investments in ESDM), Electronic Manufacturing Clusters, preferential market access, semiconductor wafer fab development,

Electronic Development Fund, mandatory safety standards and human resource development.

Looking Ahead - Role of China in Capacity Building

In the context of India's electronics industry, perhaps the quote "China is a threat, China is a customer, and China is an opportunity", suits perfectly well. China is a threat for the trade deficit with India in the electronics segment has been burgeoning. India's rising trade deficit with China makes it imperative to think on the lines of improving production facilities in the electronics segment and also get access to latest technologies for production. China is a customer for it is a large economy with an enormous appetite. It has a large and growing demand for medical devices. Moreover, as it moves towards the higher-end of the ladder in electronics, India can strive to serve the lower yet significant value-added end of the ladder. China is an opportunity as FDI outflows from the country has been growing in the electronics industry. Foreign Direct Investment from China can help develop the final electronics segment of the industry in India. FDI also needs to be attracted in the electronic components segment where India received only 1.2 per cent of the total FDI outflows from China during Jan'03-Dec'13.

Chart : Production of Electronics in India (₹ Crore)



Source : IndiaStat, Deity

The news items and information published herein have been collected from various sources, which are considered to be reliable. While every care has been taken for authenticity of the material published, Exim Bank accepts no responsibility for authenticity or accuracy of such items.

Note : Indian Rupees are referred in crore and lakh

1 crore : 10 million

1 lakh : 100 thousand

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Trade and Investment Opportunities

Trade Opportunities

Tribal Painting

Gond Paintings has kept alive the tribal art form by 'painting stories' on canvas. Painted on handmade paper & canvas, the folk and tribal art of Gond draws inspiration from myths and legends to images of daily life, mythical beasts, and flora & fauna.



Snacks & Nuts

An ISO certified manufacturer exporter of exotic chips, nuts and spices offers specialities like Kerala's traditional Banana & Cassava chips. Fried in rice bran oil, these chips are free of acryl amide, pesticide, artificial flavours, and colours.



Farm & Construction Equipments

Manufacturer of wide variety of industrial products and farm equipments from India. The company's core competencies are in diesel/petrol engines, Gensets, Pumpsets and Construction equipments.



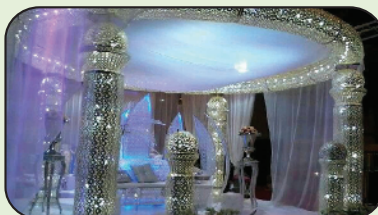
Organic Honey

Indian Honey producer offers all natural organic honey which has unique flavors influenced by flora nectar gathered by bees. The products come in following flavours (litchi, eucalyptus, and sweet clover) or a specific region (Desert Bloom, and Wild Forest)



Wedding Accessories

A manufacturer of Indian Wedding stage and accessories, interested in exploring overseas market through marketing partner or event management company. The product ranges are stage, backdrop & decorative artefacts.



Raisins

An Indian company acting as aggregators, processors, packers, suppliers and traders of quality Indian raisins (dried grapes, kishmish, and sultana), is interested in identifying buyers from EU, USA and Middle East.



Investment Opportunities

Acquisition / Joint Venture for Indian companies

A Latin American manufacturer of poly propylene bags is in the process of identifying a partner for equity participation to increase capital of two companies by 20 per cent. The aggregate net worth of both companies is approx US\$ 31.5 million as per the latest audited financials. The equity participation will help raise the capital of US\$ 6.3 million with an additional goodwill amount of minimum 10 per cent to cover registered brand names, market positioning and other intangibles. This would bring the required investment to US\$ 7 million. The company also considers other variables such as preferred stock ideas, redeemable shares or convertible to common shares. The company plans to go public in Indian stock market or in select Latin American stock markets.

Investment Merits: Access to Latin American market.

Interested parties may like to reach out to Marketing Advisory Services Group on contact details mentioned below.

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