

EXIMIUS: EXPORT ADVANTAGE

In this Issue

- Exploring Countertrade Strategy for Fostering Development Cooperation
- Digital Manufacturing in India
- India-Japan Trade Relations
- Indian Coal Sector and Current Global Trends in Coal Trade
- Enhancing India's Competitiveness amidst Global Value Chain Realignments
- Solar Sector of India
- Agriculture in Budget 2021-22

Exploring Countertrade Strategy for Fostering Development Cooperation

Global economic growth has suffered seismic changes since the start of 2019, as economies have been compelled to adapt to geopolitical challenges and associated uncertainties across value chains. With the COVID-19 pandemic, the global economy faces unprecedented pressure, leading to a potential recession in many countries. The pandemic has more acutely affected developing countries, especially the least developed countries that depend critically on primary commodity exports for foreign currency. Many of these economies were already facing severe pressure due to declining commodity prices, and the fall in global demand has further aggravated the impact on the revenues of such economies. As a result, several countries have had to realign their existing fiscal expenses to support their respective economies.

Given the present situation of depressed economic activity coupled with the uncertainty around recovery, servicing the external debt obligations is a challenge for several developing countries. According to a study by the IMF in February 2020, around half of low-income countries (36 of 70 countries) were at high risk of debt distress or already in debt distress.

In the post COVID-19 world, tepid demand and low commodity prices, coupled with budgetary support required to combat the economic impact of the COVID-19 crisis, would continue to affect the debt servicing ability of countries, and in turn affect the financiers of critical developmental projects in these countries. Furthermore, if this crisis prolongs and countries are further strained, there may also be a need for restructuring of the debt going forward.

Against this background, countertrade presents an effective way of mitigating risks associated with financing developmental projects in countries at risk of debt distress, and concomitantly providing the fiscally constrained countries with financial support for achieving their developmental goals. It can be an effective mechanism for recovery of dues or securing future repayments from resource-rich borrower countries, including those having significant strategic resources that could aid Indian businesses in their production processes. Furthermore, countertrade can also serve as an effective market diversification strategy as it can open opportunities for Indian companies in lesser explored geographies facing restrictions in outward remittances.

While in the past, India has used countertrade as an intermittent measure, the need to evolve a countertrade strategy would be worth considering both from the viewpoint

A Quarterly Publication by:



Centre One Building, Floor 21,
World Trade Centre Complex,
Cuffe Parade, Mumbai - 400 005.
Tel.: 022 2217 2600
Email: ccg@eximbankindia.in
www.eximbankindia.in
www.eximmitra.in



of recovery of dues under the Government of India (GoI) assisted Lines of Credit/ Concessional Financing/ Buyer's Credit Programmes, and easing the pressure of repayments on the debt-ridden countries affected by the pandemic. This mechanism could also help increase India's project exports to lesser explored / high risk markets.

Countertrade Arrangements

Countertrade refers to the exchange of goods and services in whole or part, with other goods and services as payment, rather than with money. It has time and again emerged as an important mode of international transactions for countries facing currency or payment challenges. Countertrade may take a variety of forms, but basically it is a barter or a quasi-barter arrangement that explicitly links import and export transactions. It involves trading arrangements between private firms and/or government entities, such as foreign trade organizations, by which the seller is obligated to accept, as a partial or total settlement for his exports of goods (or in some instances services, such as technology or industrial licenses), specified goods or services, from the buyer.

There are several distinct types of countertrade transactions, viz. Barter, Counter-purchase, Offset, Buyback (Compensation), Switch trading, Clearing Arrangements, and Debt-for-Goods. Of these, debt-for-goods model presents enormous scope for India's engagement with countries in need for developmental finance. Debt-for-goods is an arrangement whereby a debtor country offers its goods or services to avail funding or to cover full or partial repayment of an outstanding debt.

Rationale for Countertrade

Though countertrade arrangements currently account for a negligible share in the global trade, the mechanism is particularly advantageous in situations where there are challenges related to currency-based trading mechanism, especially when countries face issues of depleting foreign exchange reserves.

Lessons from the Past

India has had a mixed bag of experiences in countertrade arrangements, with a number of important lessons that emerge from both success stories as well as challenges faced by India in the past. India's countertrade arrangement with Iran including the rupee-rial trade mechanism can serve as a template for future arrangements. The information gap between the Indian and Iranian businesses was one of the impediments for bilateral trade under the arrangement, that was addressed through an online portal to enable information dissemination relevant to Indo-Iran Trade, and to provide an e-marketplace for the buyers and sellers of the

two countries. More of such initiatives need to be developed to promote and facilitate countertrade arrangements with other countries as well.

The sustenance of countertrade arrangement also requires concomitant demand for products from both partners. The Indian experience highlights the possible challenges that may arise due to dip in imports from either side. Countertrade mechanisms therefore may need to be altered in ways that ensures the continuity of countertrade transactions between partner countries. The imports of palm oil by India under a countertrade arrangement with Malaysia also faced severe criticism from domestic edible oil companies. Therefore, it is also essential to be mindful of the domestic industries' competitiveness while entering into such arrangements. Further, analysis also highlights the need to revisit the offsets policies of India and proactively engage in identifying opportunities for utilising offsets linked with defence acquisitions to organically enhance exports. The offset policy may also need to be tweaked for ensuring compliance and providing adequate bargaining power to the Indian government.

Countertrade Arrangement Strategy in the Indian Context

The vision of the countertrade strategy in India could be two-fold—(i) for extending development finance assistance to the needy developing countries, thereby ensuring sustained capacity to support developmental projects in other developing countries, especially during global downturns; and (ii) to tap lesser explored geographies having potential to trade with India but facing challenges in foreign exchange availability.

i. Debt-for-Goods: Trade Model

- **Key Products and Markets:** An initial step for the countertrade strategy would be focusing on countries with restrictions on outward remittances of foreign currency, and with countries who require development financing from India. However, a mutually beneficial long-term countertrade strategy will be one that also helps Indian industries to meet their critical resource needs and engender value chain linkages for India. Accordingly, a list of potential countertrade partner countries and potential items of import from these countries under a countertrade arrangement have been identified. These includes countries with high debt-burden, that are also rich in critical resources - particularly mineral fuels, or non-fuel primary commodities such as agricultural products and mineral resources that are critical for Indian industries.

- **Process Flow:** India Exim Bank, either through a separate division or a subsidiary, can bring together a multi-disciplinary team for undertaking countertrade related business in debt-for-goods. Public sector units, especially trading houses such as the MMTC and the STC could also explore opportunities through other countertrade models, especially in countries where it makes economic sense to engage in such arrangements. Further, the government could explore the prospect for countertrade arrangement with the interested borrowing governments that seek development assistance from India and identify the prospective list of products which could be traded under the arrangement. After the identification of products by the government of partner country, India Exim Bank could assess the demand for the products, and consult buyers of the product in India and abroad for engagement in the countertrade.

There may be a possibility that the goods identified for countertrade by the borrowing government may not have sufficient demand in India. In such a scenario, a hybrid of the switch trade model and debt-for-goods model can be adopted for countertrade. An international trading house can be engaged to serve as a switch trader, and the borrowing government could sell the negotiated value of goods to the switch trader. The payment for the goods can be credited to India Exim Bank by the switch trader, which would be utilized to service the debt of the borrowing country.

ii. Debt-for-Goods: Investment Model

- **Key Products and Markets:** Several sectors such as space industry, electronics, information technology and communications, energy sector, electric batteries, among others, are significantly dependent on various critical minerals and rare earths, which are in limited supply in India, leading to significant import dependence. Securing these mineral resources are important for India to meet some of its developmental objectives. In this regard, the countertrade strategy could support with India's quest for ensuring access to strategic minerals.
- **Process Flow:** Developing countries that need development assistance could share their unexplored mineral assets. In assets which are offered for exploration and mining by borrowing governments or government owned agencies,

prospective Indian companies can be approached by the Gol or India Exim Bank for considering the proposal. Based on analysis of the feasibility report, any Indian company can consider acquisition of the assets, and enter into a negotiation with the borrowing government. Upon negotiations, a tripartite agreement can be finalised for a debt-for-goods arrangement through the investment route. The license fee/cost of acquisition/loyalty/revenue share payable by the Indian entity to the host government could support the funding or could be used for repayment. The investment route can also be adopted for acquisition of industrial units that require technical or managerial expertise.

To address the borrowing countries' concerns associated with unequal bargaining strengths, rent-sharing, transfer pricing practices, and environmental and social costs, the process of repayments through the investment route, as in the case of trade route, should be based on a mutually consultative process. Further, for the arrangement to be viewed more favourably, the terms of the acquisition should ensure long-term and sustainable development gains for the local community from the extractive activities.

iii. Regulations for Countertrade

As per RBI Master Circular on Exports of Goods and Services, notified vide Notification No. FEMA 23/2000-RB dated May 3, 2000, amended from time to time, countertrade proposals involving adjustment of value of goods imported into India against value of goods exported from India are considered by the RBI subject to certain conditions.

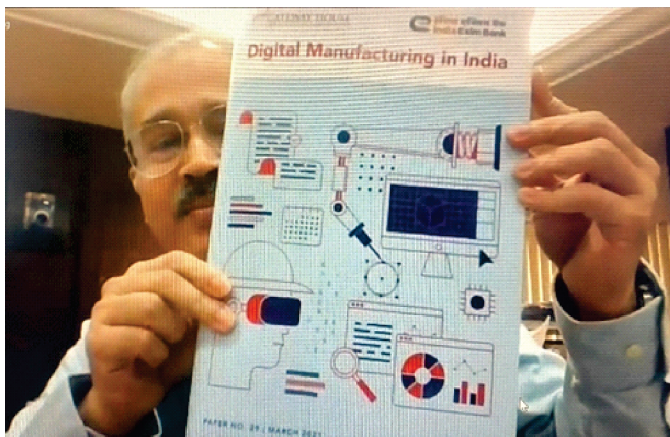
Way Forward

Countertrade is a specialized area requiring across-the-board engagement with several stakeholders. For conceptualisation and operationalisation of a Countertrade Strategy, a Task Force can be set up with representation from Ministry of Finance, Ministry of External Affairs, Ministry of Commerce and Industry, Directorate General of Foreign Trade, Reserve Bank of India, Commercial banks such as SBI and UCO Bank, Development Financial Institutions such as India Exim Bank, and Public Sector Trading Companies such as MMTC. Based on the recommendations of the Task Force, a roadmap could be worked out, and a few countries could be identified to start with, to explore the Countertrade option. India Exim Bank can act as an Empowered Institution for operationalising Countertrade, subject to the approval of Gol and RBI. ■

Digital Manufacturing in India

Industry 4.0 promises to create new jobs and products while boosting productivity. The complex array of processes that make this possible – including 3D printing, computer-aided design, data analytics, artificial intelligence, simulation, virtual reality, sophisticated process management and more – are collectively known as Digital Manufacturing.

A research study by Gateway House in partnership with India Exim Bank titled ‘Digital Manufacturing in India’ examines how India has the potential to become a global manufacturing hub if it speeds up the adoption of digital manufacturing.



The research study was launched by Mr. David Rasquinha, Managing Director, India Exim Bank in the presence of prominent representatives from the Government of India and India Inc. at an online Roundtable organised on March 10, 2021.

Since the 1990s, when the U.S. started outsourcing much of its manufacturing to China, Silicon Valley created and developed an unrivalled technology sector whose products and services are now embedded in economies and societies globally. India too has built a world class IT-services industry with an international and domestic clientele. Over the past five years, India too has digitized its governance and bureaucratic processes, using open-source, public-private platforms to enable millions of citizens to have easy access to government services, and creating the world’s second largest population of digitized citizens after China.

In India, digital manufacturing has begun in parallel with global efforts. Its most obvious mode of entry has been through multinational companies that are transferring updated technology to their operations in India. Indian multinationals such as Tata Steel in Kalinganagar, Odisha, became the first Indian facility to be given the World Economic Forum’s prestigious Global Lighthouse designation in 2019. This designation is accorded to those companies which have effectively integrated digital technologies to enhance manufacturing processes. Recently, two more

Indian facilities have joined the World Economic Forum Lighthouse Network – Tata Steel Jamshedpur and ReNew Power in Hubli. This only further reflects the country’s ambition, and of the capacity of the private sector to embrace digital technologies.

For digital manufacturing to be truly successful in India, it must be adopted by essentially small and medium enterprises (SMEs), which comprise over 90% of India’s industry. Most of India’s SMEs continue to depend on low-cost labour, and fear that technology is too expensive to adopt and monitor.

The COVID-19 pandemic has changed this perception and has accelerated the process of digitisation and digital manufacturing across the world, and India has been a key participant in this pursuit. Companies that saw it as an option, now understand it as a business imperative. The pandemic has been instrumental in compressing long drawn digitization plans from two years to just under a month during the pandemic – with immediate results visible.

The possible realignment of supply chains away from China, offers a significant opportunity for India to modernise its manufacturing with digitisation. India, with its size, market and tech capability, is seen as an alternative site – although it has not been an immediate beneficiary.

The key recommendations of the India Exim Bank-Gateway House research study are as follows:

- Creation of a manufacturing excellence programme to recognize Indian MSMEs for digital adoption akin to the World Economic Forum’s Light House Network.
- Publication of a pan-nation centralized directory of Industry 4.0 start-ups mapping their capabilities on government portal to facilitate wider market access for start-ups that run on thin marketing budgets.
- Synergizing efforts of academic institutions and industry to create an affordable ecosystem for upskilling of manufacturing workforce and inhouse faculty.
- Accelerated end-to-end digital adoption by Indian manufacturing MNCs in order to benefit from the global shifts in supply chains and establish India firmly as an Industry 4.0 enabled manufacturing hub.

The ecosystem for digital manufacturing in India, is now visible. It’s not deep, as it is in the West or China, but is developing breadth and depth. Four elements of this ecosystem are in place: the digital infrastructure, government schemes, academic learning, and a burst of start-ups. ■

India-Japan Trade Relations

Asian heavyweights India and Japan are strategic partners with a common interest of promoting peace, security, stability, and prosperity in the world and especially in the Indo-Pacific region. India and Japan share essential values such as political liberalism, the market economy, the rule of law and democracy.

Over the years, Japan has been one of the most important economic partners for India's development. It has been extending bilateral loan and grant assistance to India since 1958 and is the largest bilateral donor for India. Japan's Official Development Assistance (ODA) supports India's efforts for accelerated economic development particularly in priority areas like power, transportation, environmental projects, and projects related to basic human needs. The Delhi Metro is a shining example of successful India-Japan cooperation through the utilization of Japan's ODA. More recent illustrations of this cooperation are - the Mumbai-Ahmedabad High Speed Rail, the Western Dedicated Freight Corridor (DFC), the Delhi-Mumbai Industrial Corridor with twelve industrial townships, the Chennai-Bengaluru Industrial Corridor (CBIC) etc. All these mega projects on the anvil are poised to transform India in the next decade. Japan's ODA commitment in FY 2018-19 was at historic high of JPY 537.4 billion.

India- Japan Trade

The India-Japan Comprehensive Economic Partnership Agreement (CEPA) signed on February 16, 2011, aimed at eliminating tariffs on 90% of Japanese exports to India, such as auto parts and electric appliances, and 97% of imports from India, including agricultural and fisheries products, until 2021. The CEPA with Japan is among the most comprehensive trade agreements that India has entered with any country. However, post the signing of CEPA, even as trade between India and Japan grew from US\$ 13.1 billion in 2010 to US\$ 17.6 billion in 2019, India's exports to Japan have remained at the same level in 2019, as they were in 2010. In fact, India's exports which witnessed growth during the period 2011-13, and peaked at US\$ 7.3 billion in 2013, have since then declined to the pre-CEPA levels. India's major exports to Japan comprise petroleum products, followed by organic chemicals, fish and aquatic invertebrates, natural or cultured pearls, precious or semi-precious stones and machinery and mechanical appliances. Imports, on the other hand, have increased by around 53% from US\$ 8.3 billion in 2010 to US\$ 12.7 billion in 2019. India's top import

items from Japan are machinery and mechanical appliances, followed by electronics, iron and steel, plastics, and copper and its articles.

Consequently, India has been persistently running trade deficit with Japan, which has worsened by more than two-fold from US\$ 3.5 billion in 2009 to US\$ 7.9 billion in 2019. Reflecting sharp rise in imports from Japan, sectors which present the largest trade deficit for India in 2019 are machinery (deficit of over US\$ 3 billion), electrical and electronic equipment (deficit of around US\$ 1.2 billion), iron and steel, plastics, copper and its products etc.

India's Export Potential

It is important to note that, among the major items in Japan's import basket, India has achieved a relatively healthy share (of more than 3%) in Japan's global imports of only three product categories *viz* organic chemicals, natural or cultured pearls, precious or semi-precious stones, and fish and other aquatic invertebrates. However, in the case of the other leading items in Japan's import basket, India's share is still marginal. India has an untapped export potential of US\$ 3.2 billion with Japan. There is significant potential for India's exports in categories such as mineral fuels and oils, electrical machinery and equipment, machinery and mechanical appliances, optical, photographic equipment, pharmaceutical products, articles of apparel and clothing, etc, according to an India Exim Bank research.

Indian exports to Japan are presently affected by a number of issues, which include both tariff, and non-tariff barriers like Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS). An India Exim Bank study titled 'Study on Non-Tariff Measures' points out that in Japan, the average tariff on products of export interest to India are 7%, which is higher than the simple average (4%) of tariff of the country as a whole.

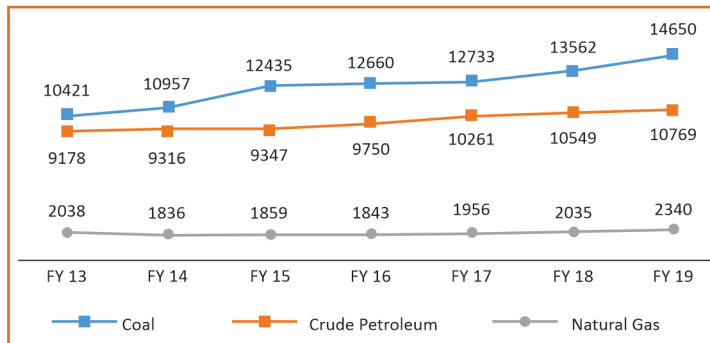
Tariffs on products of Indian interest for exports to Japan like dairy products, cereals and preparations, rice, leather and footwear, clothing and some food products are very high. Thus, in the subsequent CEPA review negotiations, India could seek for tariffs reduction in these product categories. In order to achieve a target of US\$ 5 trillion economy, India should aim to increasing its exports to US\$ 1 trillion. In this direction, it is imperative for India to utilize its trade agreements to its maximum advantage. ■

Indian Coal Sector and Current Global Trends in Coal Trade

Indian Scenario

Coal is one of the most important sources of energy, contributing to about 27% of the global primary energy need in 2019. There are different types of coal, based on their heating value, ash-melting temperature, sulphur and other impurities, mechanical strength and other chemical and physical properties. India is the third largest energy consumer in the world after China and the US, and coal is the dominant source of energy in Indian consumption basket. Coal accounted for around 53.6% of the country's total energy needs in the fiscal year 2020. Primary energy consumption in India increased at a CAGR of 4.7% from 25,755 (in peta joules) in fiscal year 2014 to 32,453 in fiscal year 2019, while coal consumption posted a CAGR of 5.7% over the same period.

Figure 1: Trends in Primary Energy Consumption from Key Sources (in peta joules)



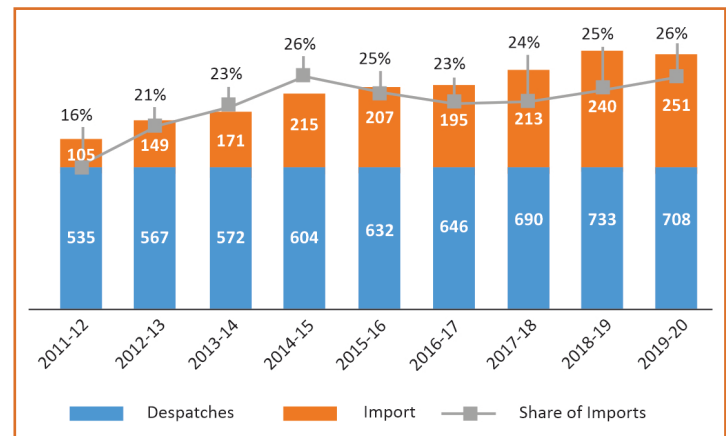
Source: CRISIL Research

The production of coal in India was estimated at 729.1 million tonnes (MT) (provisional) in 2019-20. The estimated production was 728.7 MT in 2018-19. Coal production witnessed a CAGR of 3.9% during 2012-13 to 2019-20. India was the second largest coal producing country in 2019. During 2020-21(Apr-Oct), the production of coal witnessed a y-o-y decrease of 3.4%. The monthly production in 2020 in the months of April-June (stringent lockdown period) was lower than the monthly production in 2019, during the same period. However, the production started picking up with relaxation in the lockdown. During September 2020, the production of coal increased by 20.8% as compared to the corresponding period last year.

Despite an increase in the domestic production of coal, the import of coal has been witnessing steady increases. Share of imports in the total domestic consumption has been increasing since 2017-18. The share of import in the

domestic consumption was 23% in 2016-17, which was estimated at 26% in 2019-20.

Figure 2: Domestic Supply and Import of Coal (in million tonnes)



Source: CMIE Industry Outlook, CRISIL Research

The export of coal during 2020-21(Apr-Oct) witnessed a y-o-y decline of 45.7%. The fall in the level of export was more than 70% in the first two months of the current fiscal year. The export, however, witnessed an increase of 2.8% in August 2020 as compared to the corresponding period last year. The coal export witnessed an increase of 102.6% during October 2020, as compared to October 2019.

Global Trends and Impact of China-Australia Standoff on Coal

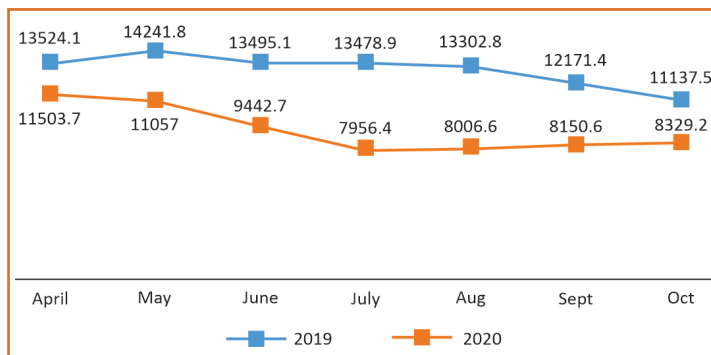
Globally, Australia is the largest exporter of coal with estimated export of US\$ 44.4 billion in 2019, China, with a share of 21.6% was the second largest export destination (after Japan) for Australia. The recent import ban by China on Australian coal is projected to impact Australian trade flows substantially, which is already seen with the Australian exporters looking for alternative markets for revenues. Around 22% of Australian metallurgical (met) coal exports now have an uncertain future as the Australian exporters look for new markets.

With the curb on Australian coal, Chinese utilities have also suffered the consequences of more expensive coal. The prices of high-caloric coal in China, which has higher energy output when burned (that is exported from Australia) has been soaring. While China's coal-based sectors are considerably challenged by the ongoing ban and subsequent rise in prices of coking and thermal coal, India's steelmakers are expected to gain as prices of the alloy produced in

China are expected to rise resultant to the ban. Reports suggests that the indefinite Chinese ban on Australian coal is projected to keep import prices of coking coal for India volatile over the near term.

The import price (unit realisation) of coking coal by India from Australia during 2020-21(Apr-Oct) has been lower than the import price (unit realisation) witnessed during the corresponding period of previous year, which is likely due to the easing of price of global coking coal following the ban. This in turn may help in smoothening of coking coal import bill of India and work in favour of the Indian steel industry.

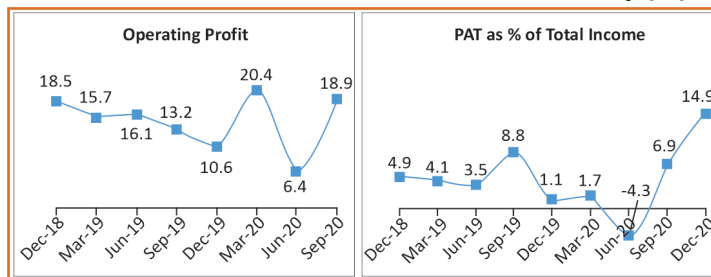
Figure 3: India's Unit Realisation of Coking Coal Import from Australia (₹/tonne)



Source: CMIE Industry Outlook

The impact of the ban on Indian steel manufacturers is also seen in their earnings in the recent months. The operating margin for steel industry, which was estimated at 6.4% for the first quarter of 2020-21, was estimated at 18.9% for the quarter ending September 2020, this was the second highest quarterly operating margin witnessed by the steel industry since December 2018 quarter. The Profit After Tax (PAT) as a percent of total income for steel industry for the quarter ending September 2020 was estimated at 6.9%, after growing at -4.3% for the June 2020 quarter. Softer global coking coal prices are likely to directly support EBITDA per ton accretion in fiscal year 2021 for the Indian steel companies using the blast furnace route.

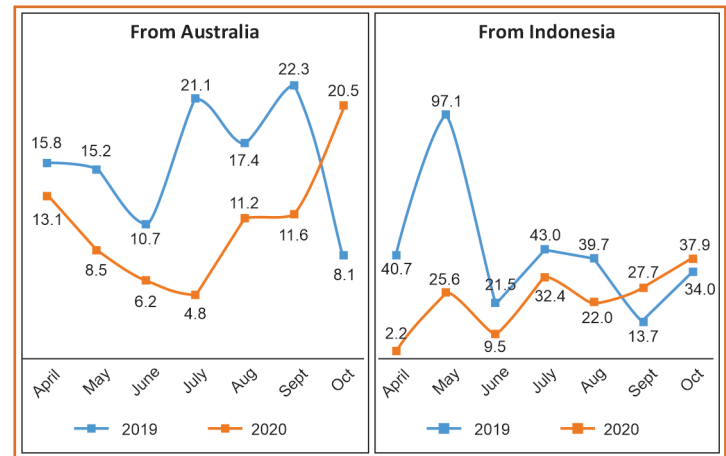
Figure 4: Quarterly Operating Profit Margin and PAT as % of Total Income for Indian Steel Industry (%)



Note: The PAT for December 2020 is based on a short sample
Source: CMIE Industry Outlook

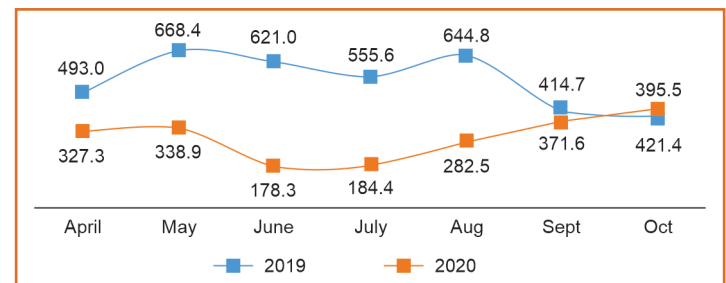
India's import of coking coal from Australia has been increasing since June 2020 (easing of the lockdown), and for the month of October 2020, the import has been 6.6% higher as compared to the corresponding period of the previous year. The majority of Australia's coal exports to India are coking coal, but the data suggest increasing volumes of thermal coal as well, perhaps as a result of Australian miners seeking new markets to replace lost shipments to China.

Figure 5: India's Import of Thermal Coal (in US\$ million)



Source: Ministry of Commerce and Industry

Figure 6: India's Import of Coking Coal from Australia (in US\$ Million)



Source: Ministry of Commerce and Industry

The quarterly profit margin of the coal industry in India has been fluctuating and it was estimated 56.5% for June 2020 quarter while it was estimated at 5.8% for September 2020 quarter. The FDI inflow in the coal production sector in India is estimated at US\$ 27.7 million during April 2000 to September 2020. In March 2018, the government allowed 100% FDI in the sector. As per the Government of India, 19 mines have successfully been auctioned, which is the highest number of successfully auctioned mines in any tranche of coal auctions. The country's first-ever commercial mining auction is expected to create a total revenue of ₹6,656 crore (US\$ 900.6 million) annually from mines spread over the following five states—Madhya Pradesh, Chhattisgarh, Odisha, Jharkhand and Maharashtra. ■

Enhancing India's Competitiveness amidst Global Value Chain Realignment

The onset of the COVID-19 pandemic has jolted the global supply chains and resulted in unprecedented surge in uncertainty. It further exacerbated the already dampened global trade sentiments on account of the US-China trade wars. Due to the pandemic related disruptions, many companies are now striving for resilience in their supply chains and are developing mechanisms to reduce reliance on a single large supplier in their production value chain. Transnational companies are looking at alternative investment locations to reduce their risks. This has created newer avenues for countries like India to leverage the emerging changes in value chains.

Policy Environment for Attracting Investments

Several economies such as Malaysia and Vietnam are part of global value chains (GVCs) on account of the favourable investment incentives offered by these countries. But with the pandemic-associated lockdowns and supply chain disruptions, investors have also started looking at other factors such as local market size while taking their investment decisions.

India's competitive strength derives from its large domestic market, which is attractive for both domestic and foreign investments. The competitiveness of India's exports is due to the abundance of low-cost labour, availability of abundant natural resources in sectors such as textile, skill advantages in services sector, among others. Alongside, the government has also been taking various steps to boost India's export competitiveness through investor-friendly policies, greater focus on infrastructure projects, and improvement in ease of doing business. On account of the major reforms by the Government of India across various areas of doing business, the country's ranking in the World Bank's Ease of Doing Business Report has also improved from 142nd in 2014 to 63rd in 2019.

Until recently, there was lack of competitive investment incentives offered by India which had hurt the country's prospects as a destination for value chain investments. With the new sector specific schemes viz. the Production Linked Incentive (PLI) Scheme, India is expected to emerge as one of the important destinations for manufacturing investments. The scheme is expected to engender large scale foreign investments in key focus areas, deepen India's position in the global value chains, as also cut down India's import dependence by enhancing overall competitiveness of India's manufacturing sector. India is, therefore, positioned well now to serve as an alternative destination for relocation of business operations as compared to many East Asian economies.

The introduction of the PLI scheme is also timely for boosting exports, considering that the Merchandise Exports from India Scheme (MEIS), which was one of the key export incentive

scheme, has been withdrawn w.e.f. December 31, 2020. The PLI, along with the new scheme for Remission of Duties and Taxes on Exported Products (RoDTEP), would move the country towards a more comprehensive, production-oriented and WTO-compliant incentive system for exports.

PLI for Organic Growth in Manufacturing

Nearly 70% of international trade today involves GVCs, as services, raw materials, parts, and components cross borders – often numerous times. Therefore, promotion of exports through linkages with GVCs would necessarily entail imports of certain components and intermediates. Recognizing this characteristic of international trade, the PLI scheme focuses on localizing the higher value-added activities in the country and engendering organic growth in the manufacturing sector, and is not simply an import substitution strategy. The PLI is set to benefit Indian manufacturers in their globalization efforts in the long run, bolster the manufacturing sector's competitiveness, and thereby help in global value chain integration.

Virtual Discussion 'India's Export Preparedness and Competitiveness in the re-configuring Global Value Chains'



State Bank Institute of Leadership & India Exim Bank's
Virtual session

India's export preparedness and competitiveness
in the reconfiguring Global Value Chains

Distinguished Guests



Mr. C Venkat Nageswar
Dy. Managing Director, IBG
State Bank of India



Prof. K Rangarajan
Prof. & Head, Indian
Institute of Foreign Trade,
Kolkata Campus



Mr. Ajay Shrivastava
Addl. DGFT, Ministry of
Commerce & Industry
Govt. of India



Mr. N Ramesh
Dy. Managing Director
India Exim Bank

Welcome Address By



Mr. Saroj Kumar Pattnaik
General Manager & Director
SBIL, Kolkata

Moderator



Prof. (Dr.) N Krishna Kumar
Dean
SBIL, Kolkata

Date: 17th March, 2021 | Time: 3.30pm to 5pm IST

State Bank Institute of Leadership (SBIL), Kolkata, in association with India Exim Bank had organised a virtual panel discussion on 'India's Export Preparedness and Competitiveness in the reconfiguring Global Value Chains' on March 17, 2020, in the presence of esteemed panellists from State Bank of India; Institute of Foreign Trade; Ministry of Commerce and Industry, Government of India; and India Exim Bank. ■

Solar Sector of India

India is endowed with solar energy and has a vast untapped potential. Most parts of the country have about 300 sunny days. As a result, India gets approximately 5000 trillion kWh/year equivalent of solar energy which is much more than India's total energy consumption.

India's installed capacity of solar photovoltaic reached 35.0 GW in 2019, substantially higher from a meagre 0.1 GW in 2010. In terms of share, in the total installed capacity of the renewable energy sources, installed capacity of solar photovoltaic increased from 1% in 2010 to 27.3% in 2019. The electricity generated by solar photovoltaic in India was recorded at 30,707 GWh in 2019, up from 65 GWh in 2010.

But, India has been a net importer of PV cells during 2011 to 2019, with trade deficit increasing from US\$ 1.0 billion to US\$ 2.2 billion. During this time, while India's exports of PV cells have exhibited an erratic trend, growing at an AAGR of 12.9% to reach US\$ 277.2 million in 2019. Imports, on the other hand, grew at a higher AAGR of 21.5% to reach US\$ 2.4 billion in 2019.

Strategies to Boost Solar Sector of India

Reducing Import Dependence of China

India's dependency on China for sourcing PV cells has increased significantly over the years. To reduce this import dependence on China, as the domestic manufacturers expand the manufacturing capacity, an extension of the safeguard duty on solar cells and modules is required. Thus in addition, a proposed Basic Customs Duty (BCD) on imports of solar cells and modules from China is further expected to supplement the imposition of safeguard duty.

Incentivizing Domestic Manufacturers

There are various components used in the manufacturing of solar PV cells. Two of the most critical components are silicon wafers and ingots that go into manufacturing solar cells and modules. However, India does not have manufacturing facilities for these components which are largely imported from China.

The Government of India can explore the possibility of providing the viability gap funding (VGF) to projects setting up solar wafer and ingot manufacturing facilities. VGF, which is usually a grant, one-time or deferred, provided to support infrastructure projects that are economically justified but fall short of financial viability, would be helpful to promote manufacturing of solar wafers and ingots.

Mobilizing Investments

Investment in renewables needs to gain impetus if the targets are to be met and their great potential is to be

tapped. The total envisaged capex in India's solar electricity space during the period 2010 to 2019 was recorded at US\$ 21.4 billion. However, achieving the central government's ambitious target of 500 GW of renewable energy by 2030 requires capacity installation of 36 GW annually. This, in turn, requires further capital flow from both Indian and international investors.

It is crucial to mobilize investments to scale up both the existing equipment manufacturing capacities as well as to encourage new entrants in the market. Going ahead, it is also important to acknowledge that the solar industry will ride on new research, artificial intelligence, and Industry 4.0 led manufacturing, uptake of which will require investments in research and development as well. India, on similar lines of China, can attempt to come up with a financial package which has a targeted and focused approach for the creation of solar PV cell capacities in India and not just the solar power projects.

Targeting Global Importers to Make in India

India imports around 4% of the global PV cells imports. However, there are various nations which have a huge and a higher demand of these cells. Some of the nations that can be targeted are the USA, the Netherlands, and Japan.

The USA imports almost 14.3% of the global PV cells trade. Almost 33% of US imports are from Malaysia, followed by Vietnam (20%), and South Korea (9.2%). The case of the Netherlands and Japan is even stronger. The Netherlands imports around 7% of the global trade of PV cells while Japan imports around 6%. It may be noted that 63% of Netherlands' imports are from China while 61% of Japan's imports are from China.

India has been the flag bearer of International Solar Alliance (ISA) and can possibly explore its diplomatic relations with these countries and enter into economic agreements to set up their plants in India and manufacture PV cells in India. This can lead to diversification of the imports of these countries rather than significantly being dependent on a single or two sources. At the same time, India will be able to benefit from an increased domestic capacity of PV cells and in the long run, can even emerge as a PV cell hub for the global players.

Given that make in India should also be made for the world, India would need manufacturing base and technology which is globally competitive. In this regard, technology sharing pacts can also be entered into with these nations other than providing them incentives such as tax holidays for setting up their plants in India. ■

Agriculture in Budget 2021-22

In the Union Budget 2021-22, total allocation to Department of Agriculture, Cooperation and Farmers welfare stands at ₹ 1,23,017.57 crore, registering a decrease of 8.5% from the previous year's budgetary allocations of ₹ 1,34,399.77 crore, however, there is an increase of 5.4% over the revised estimates of ₹ 1,16,757.92 crore for the fiscal 2020-21. The allocation for MGNREGA has been increased to ₹ 73,000 crore, up from budgetary estimate of ₹ 61,500 crore for 2020-21. The budgetary allocation for PM Kisan has been reduced to ₹ 65,000 crore from ₹ 75,000 crore during 2020-21. The allocation was reduced primarily due to implementation hurdles in some States and lack of availability of requisite data on coverage.

Agriculture infrastructure has been the focus in the current budget. Towards that there has been an increase in allocation towards Rural Infrastructure Development Fund (RIDF) from ₹ 30,000 crore to ₹ 40,000 crore, along with increased layout for National Infrastructure Pipeline (NIP) projects, which is envisaged to mitigate the trade risk in agriculture emerging due to bottlenecks in rural infrastructure. In addition, an enhancement in allocation to road transport is also anticipated to facilitate the agricultural trade including the trade of perishables. The Micro Irrigation Fund, with a corpus of ₹ 5,000 crores has been created under NABARD, which is proposed to be doubled by augmenting it by another ₹ 5,000 crores in the Budget 2021-22. A budget allocation of ₹ 900 crore has also been made towards Agriculture Infrastructure Fund.

An Agriculture Infrastructure and Development Cess (AIDC) is levied on a small number of items. These are listed below:

Table 1: Proposed AIDC on Select Items

Items	Proposed Cess (Customs)
Gold, Silver and dore bars	2.5%
Alcoholic beverages (falling under chapter 22)	100%
Crude palm oil	17.5%
Crude soyabean and sunflower oil	20%
Apples	35%
Coal, lignite and peat	1.5%
Specified fertilizers (Urea etc)	5%
Peas	40%
Kabuli Chana	30%
Bengal Gram/Chick peas	50%
Lentil (Mosur)	20%
Cotton (not carded or combed)	5%

Keeping in view the transparency and competitiveness that e-NAM has brought into the agricultural market, 1,000 more mandis are proposed to be integrated with e-NAM. This is envisaged to help more and more farmers benefit from reduced transaction costs, receive competitive prices for their produce, and enhance farm income. To encourage value addition in agriculture and allied products and their exports, the scope of 'Operation Green Scheme' that is presently applicable to few perishables, such as tomatoes, onions, and potatoes, is proposed to be enlarged to include 22 additional perishable products. The scheme is anticipated to benefit the farmers in two ways, viz., price stabilization (in short term) and integrated value chain development (in long term). The inclusion of more perishable products, will enable bringing in more farmers and commodities under the coverage and benefit of the scheme.

The Budget also proposes to give a fillip to the country's fisheries sector by developing inland fishing harbours and fish-landing centres along the banks of rivers and waterways. With India being the second largest country among inland capture production and sixth largest among the marine capture production, these steps could help in enhancing the fish production further and boost India's marine products export, which constitutes a share of 19.1% in India's agriculture and allied exports. Production Linked Incentive (PLI) scheme for food product manufacturing with an outlay of ₹ 10,900 crore spread over 5 years has also been announced, which is expected to boost agricultural production and processing, reduce wastage, generate employment and enhance trade.

There has been an enhancement in almost all sections/schemes in the sector in Budget 2021-22. However, a close analysis of the individual heads reveals that there have been significant increases in allocations in the central schemes, which are in alignment with the Government's recent initiatives viz., Agriculture Export Policy, Agriculture Infrastructure Fund (AIF), and the Farm Laws. For instance, scheme governing formation and promotion of farmer's producer organisations (FPOs), have seen an increase in allocation by 180% over previous budget, which supports the objective of encouraging formation of FPOs to address issues pertaining to small holding agriculture in the recent Farm Laws. Similarly, the allocation on AIF has seen an increase by 333% over the previous budget. The fund is also proposed to be also used to strengthen the APMC mandis. Allocation on the scheme governing MSP has also been enhanced by 50.7% over the previous year, indicating continuation of the scheme for the current fiscal year. The emphasis of new export policy is on enhancing horticultural exports, accordingly, allocations on National Horticultural Mission has seen a raise by 48.2%. ■

India Exim Bank's Lines of Credit

India Exim Bank extends Lines of Credit (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 LOCs extended with the support of Government of India (GoI), India Exim Bank reimburses 100% of contract value to the Indian exporters, upfront upon the shipment of goods and at least 75% of goods and services of total contract value should be sourced from India. LOCs have enabled India to demonstrate project execution capabilities in the emerging markets. LOCs have helped to gather considerable momentum in the recent years, especially in the developing countries of Africa, Asia, Latin America, Oceania and the CIS. The Bank as on March 22, 2021 has 272 LOCs, covering over 62 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of over US\$ 26.76 billion, available for financing exports from India. LOCs are thus, an effective instrument for promoting and facilitating India's exports of projects, goods and services.

India Exim Bank, with the support of GoI, has signed 6 LOCs as given below during the period Jan-Mar 2021:

- i. A LOC of US\$ 448 million was extended to the Government of Republic of Uzbekistan, for the purpose of financing 'social infrastructure and other development' project. With the signing of the above LOC, India Exim Bank, till date, has extended 1 LOC to the Government of Republic of Uzbekistan, with the support of the GoI.
- ii. A LOC of US\$ 10.4 million was extended to the Government of the Eswatini (Swaziland), for the purpose of financing 'construction of a disaster recovery site' project. With the signing of the above LOC, India Exim Bank, till date, has extended 3 LOCs to the Government of the Eswatini (Swaziland), with the support of the GoI, taking the total value of LOCs extended to US\$ 68.3 million. Other projects covered under the LOCs extended includes information technology park, agricultural development and mechanization of agriculture in Swaziland.
- iii. A LOC of US\$ 100 million was extended to the Government of Mauritius, for the purpose of financing 'Defence related procurement'. With the signing of the above LOC, India Exim Bank, till date, has extended 6 LOCs to the Government of Mauritius, with the support of the GoI, taking the total value of LOCs extended to US\$ 764.8 million. Other projects covered under the LOCs extended includes offshore patrol vessel, purchase, upgradation, servicing and maintenance of defence related equipment and vehicles for the Mauritius Police Force (MPF) and equity participation for financing various infrastructure projects among others.
- iv. A LOC of US\$ 15 million was extended to the Government of Sierra Leone, for the purpose of financing 'expansion of the ongoing projects for rehabilitation of existing potable water facilities in four communities in Sierra Leone'. With the signing of the above LOC, India Exim Bank, till date, has extended 5 LOCs to the Government of the Sierra Leone, with the support of the GoI, taking the total value of LOCs extended to US\$ 168 million. Other projects covered under the LOCs extended includes transmission line and substation in Sierra Leone, land and infrastructure development including hydarulics, water management system (irrigation) and provision of tractors among others.
- v. A LOC of US\$ 50 million was extended to the Government of the Republic of Maldives, for the purpose of financing 'defence related procurement'. With the signing of the above LOC, India Exim Bank, till date, has extended 4 LOCs to the Government of the Republic of Maldives, with the support of the GoI, taking the total value of LOCs extended to US\$ 1,290 million. Projects covered under the LOCs extended includes construction of 485 housing units and road development project and Greater Male connectivity project among others.
- vi. A LOC of US\$ 7.35 million was extended to the Government of the Republic of Nicaragua, for the purpose of financing replacement and equipment of the high technology centre of the hospital Antonio Lenin Fonseca in Managua. With the signing of the above LOC, India Exim Bank, till date, has extended 5 LOC to the Government of the Republic of Nicaragua, with the support of the GoI, taking the total value of LOCs extended to US\$ 94.98 million. Other projects covered under the LOCs extended includes 95 km transmission lines and expansion of three substations and reconstruction of Aldo Chavarria hospital among others.

For further information, please contact:

Mr. Saroj Khuntia

General Manager

Export-Import Bank of India

Office Block, Tower 1, 7th Floor, Adjacent Ring Road

Kidwai Nagar (East), New Delhi-110023

Telephone: (011) 24607700

E-mail: eximloc@eximbankindia.in ■

The Quarter That Was

India Exim Bank Raises US\$ 1 Billion for 10-year Tenor at 2.25% p.a.

India Exim Bank opened the year in style by successfully launching a US\$ 1 billion 10-year Bond. The coupon of 2.25% is a record low for any 10-year bond issuance out of India. The Bank, whose balance sheet is substantially dollarized, is one of the largest Indian issuers of long-term debt in the international debt capital markets and its paper is treated as quasi-sovereign. The funds thus raised will be used by the Bank to support Indian project exports, overseas investment by way of long-term credit and its export Lines of Credit portfolio.

India has an Untapped Export Potential of more than US\$ 110 million in Sports Goods

Exports of sports goods from India were valued at US\$ 278.9 million in 2019-20, and have an untapped potential of more than US\$ 110 million, as per a presentation by the India Exim Bank on the 'Export Potential of Sports Goods Industry'. Some of the key strategies highlighted for unleashing this growth potential include improvement in the standards, quality and certification regime in the country for meeting regulatory requirements in major markets, reduction of the import dependence on China for both raw materials and finished products, setting up of a research and development institute for investment in up-stream research in material sciences and sports sciences, strategies for increasing market access in relatively untapped geographies, financial and infrastructural support for development of more sports goods clusters, greater awareness through regular seminars and workshops regarding the various developments in the industry, and greater involvement of states for encouraging investments in the sector.

India Exim Bank to Provide Funding of US\$ 130 million to Finance 2000 Housing Units in Maldives

India Exim Bank on February 20, 2021 exchanged a Letter of Intent (LoI) with Fahi Dhiriulhan Corporation Ltd., Government of Maldives for the design and construction of 2000 Social Housing Units in Hulhumale, Maldives valued at US\$ 130 million. This funding is proposed to be provided under the Buyer's Credit programme under National Export Insurance Account Scheme. The project is expected to improve the socio-economic well-being of Maldivian citizens and is in line with the Government of India policy of 'Neighbourhood First'. The LoI was exchanged in Male' city, as part of India's External Affairs Minister, Dr. Subrahmanyam Jaishankar's visit to Maldives. The project is proposed to be executed by NBCC (India) Ltd.

India Exim Bank Felicitates Mumbai Policewomen under its 'Protect the Protectors' Initiative

The COVID-19 pandemic has posed unprecedented problems. Despite the challenges of daily life in the metropolis of Mumbai, police personnel continue to work as Corona warriors tirelessly and selflessly. In a novel way to celebrate International Women's Day on March 08, India Exim Bank felicitated nearly 900 policewomen of Mumbai in two events by gifting them organic honey under its initiative 'Protect the Protectors.' The honey was procured from Under The Mango Tree Pvt. Ltd. (UTMT), a social enterprise which is supported by the Bank under its grassroots initiatives for development.

Digital Manufacturing: The New Goal for Digital India, Make in India and Start-up India

The COVID-19 pandemic has accelerated digitisation across the world, and India has been a key participant in this pursuit. The possible realignment of supply chains away from China, offers a significant opportunity for India to modernise its manufacturing with digitisation. A breakthrough research study by Gateway House conducted in partnership with India Exim Bank along with the guidance of Progressive Policy Institute, Washington D.C. titled 'Digital Manufacturing in India' examines how India has the potential to become a global manufacturing hub if it speeds up the adoption of digital manufacturing.

India Must Return to a more Liberal Trade Policy Regime: Prof. Arvind Panagariya

A discerning audience from across the globe, interested in topics of international trade and economics, participated in an engaging discourse held on March 19, 2021, as one of the leading global thinkers on trade policy delivered India Exim Bank's 36th Commencement Day Annual Lecture. Prof. Arvind Panagariya, Professor of Economics and the Jagdish Bhagwati Professor of Indian Political Economy at Columbia University spoke on the topic 'India's Trade Policy: Past, Present and Future'. Presenting a historical perspective, Prof. Panagariya said that at independence, India chose a policy of self-sufficiency whereby it set the objective of independence from world markets for the sale of what it produced and purchase of what it needed. Pursuit of this objective alongside that of building a socialistic pattern of society in which the state would play progressively greater role in the production activity and the allocation of private investments would be determined by priorities set by the national government instead of being guided by profit opportunities led to economic inefficiencies. ■

Country Scan

Turkey



Turkey's economy grew by 0.4% in 2020. The economy contracted in the first two quarters of 2020, but swift monetary loosening and rapid credit expansion led to an economic recovery of 19.1% in the third quarter. Inflation moderated to 12.3% in 2020 from 15.2% in 2019 but continued to remain high, because of the depreciation of Lira against the US dollar and the Euro. The economy is expected to grow by 4% during 2021 due to the stronger global macroeconomic environment leading to increase in export growth and export demand. The inflationary pressure is expected to further ease in 2021, with the rate declining to 11.1%, but will remain well above the Central Bank's official target of 5%, mainly due to rising global food and commodity prices. In 2021, the Lira is expected to weaken slightly in nominal terms, to an average of about TL 7.3 : US\$ 1. The current-account deficit is estimated at 5.5% of GDP in 2020 and projected to narrow sharply to 1.9% of GDP in 2021 as the economy begins to rebalance.

Japan



The GDP is expected to grow by 2.3% in 2021 (after a contraction of 4.8% in 2020) as the COVID-19 pandemic recedes and a pickup in private consumption and external sector leads to economic recovery. However, the consumption levels are expected to not return to the pre-pandemic levels until 2025, as subdued inflation implies a low wage growth. Inflation is expected to average at 0.2% in 2021. Producer price inflation, however, could accelerate on the back of a rise in global oil prices as well as costs for industrial commodities and shipping. As global trade recovers in 2021, external demand for Japan's goods and services is expected to rebound sharply. Japan has established machinery, robotics and semiconductor industries; demand for these products will increase amid a renewed global drive for industrial automation and the restructuring of technological supply chains. The Japanese yen is expected to appreciate to an annual average of ¥ 105.6 : US\$ 1 in 2021, on the back of its position as a top creditor country and persistent surplus in its current account. The country is expected to continue posting current account surplus in the period 2021-25, equivalent to 3.3% of GDP, on average.

Qatar



Real GDP growth of Qatar contracted by an estimated 3% in 2020, compared to a modest growth of 0.8% in 2019 due to the COVID-19 pandemic and the fall in energy prices. It is the sharpest contraction in real GDP witnessed by Qatar. Consumer price deflation is estimated at 2.6% in 2020 as compared to 0.9% in 2019 due to declining economic activity and lower oil prices. The lifting of the boycott is expected to add impetus to economic activity in 2021, although growth will remain relatively subdued, given only a modest rise in oil and gas prices. Real GDP growth is expected to resume in 2021 by 2.5%, as the economy benefits from a recovery in Chinese and global LNG demand. Modest inflation is expected to resume in 2021, averaging at 0.6% because of pick-up in private consumption. The riyal is pegged to the US dollar at a rate of QR 3.64 : US\$ 1. Reflecting the underlying strength of its fiscal and external balances, Qatar is likely to remain among the GCC states better positioned to withstand the intermittent spells of capital outflows and currency pressure that typically affect emerging markets.


Brazil



The Brazilian economy, which contracted by an estimated 4.3% in 2020 is set to witness a partial recovery, by registering a growth rate of 3.2% in 2021, as the vaccines roll out and the COVID-19 pandemic recedes. However, the economy is not expected to return to pre-pandemic levels before 2022. Pressure on prices is expected to remain low, with average inflation fluctuating around the lower mid-point targets for 2021 (3.8%), 2022 (3.5%) and 2023 (3.3%). However, if the Government's commitment to fiscal consolidation wavers, inflation could move out of comfort zone. In 2020, the Real lost about 22% of its value and closed at R 5.2 : US\$ 1. It faces renewed depreciation pressures this year amid deteriorating economic expectations and market jitters over fiscal risk. However, the Real is expected to strengthen to R 4.85 : US\$ 1 by 2025, fluctuating in line with Brazil's terms of trade, interest-rate differentials, and global risk sentiment. After narrowing in 2020, the current-account deficit is expected to widen gradually in 2021-25, as imports recover in line with the economy, and is projected to reach 3.4% of GDP in 2025. However, inflows of foreign direct investment is likely to match this, averaging 3.6% of GDP in 2021-25. ■

Currency Currents


Euro

 The Euro has remained strong against US dollar and hit an annual high of 1.2349 on January 06, 2021. The Euro has remained strong against US dollar during January and February 2021 but has started declining since February end. Euro and US dollar have historically been negatively correlated.

The negative correlation was pronounced in March 2021 wherein the surge in US dollar in the background of increased prospects of economic recovery coupled with a rise in yields coincided with a weak Euro. The US dollar has since rebounded from its recent lows and has continued to rally.

At the end of February, EUR/US\$ touched a high of 1.2242, but has since plunged. On March 19, 2021, EUR/US\$ closed at 1.1903.

Canadian Dollar


 Canada's economy is showing surprising strength as businesses stock up on inventories in anticipation of a super-charged recovery this year. Gross domestic product expanded at a 9.6% annualized growth rate in the fourth quarter, according to a preliminary estimate released by Statistics Canada in Ottawa. That's much faster than the 7.3% median forecast in a Bloomberg survey.

The numbers highlight how well the nation's economy handled the latest wave of lockdowns, resilience that's stoking expectations for a strong rebound in 2021 after the nation suffered its sharpest downturn in the post-World War II era. The US\$/CAD closed at 1.2777 and 1.2497 on January 04, 2021 and March 19, 2021 respectively.

The biggest contribution came from businesses rebuilding inventory levels after two successive quarters of drawing down stocks, a sign companies are bracing for a pick-up in demand. That helped offset a very weak end of the year for consumer spending, which recorded an unexpected drop amid a wave of COVID-19 restrictions.

Other major contributors to growth at the end of last year included government consumption and housing investment, driven by a hot real-estate market.


South African Rand

 South Africa's economy probably contracted the most in a century last year as restrictions to curb the spread of the coronavirus pandemic ravaged output. The economy contracted 7% in the 2020 calendar year compared to 0.2% growth in 2019. This was the biggest drop in annual GDP since 1946. GDP contracted by 4.1% in the last quarter of 2020 on a year-on-year basis, compared to a revised 6.2% contraction in the prior quarter.

ZAR/US\$, which has been on a declining trend since the outbreak of the COVID-19 pandemic. ZAR/US\$ began from 14.7149 levels as on January 04, 2021 but was impacted again on due to identification of a new coronavirus strain in South Africa.

By the first week of March, however, the US dollar and ZAR currency pair headed for its longest streak of losses in two months, as developing nation assets continued to take cue from investor sentiment concerning the pace of the global economic recovery. ZAR/US\$ has since recovered some lost ground and closed at 14.7002 on March 19, 2021.

South Korean Won

 The US\$/KRW closed at 1,129.12 on March 19, 2021 against 1,086.48 on January 04, 2021. At first glance, the weakness in South Korea's won seems an anomaly. Risk appetite is picking up but the currency is heading south.

The won, which is susceptible to swings in global sentiment, has dropped almost 5% versus the US dollar since the start of the year. It is underperforming all its emerging Asian peers just as global growth bets are gaining traction.

Fund flows shed some light on the reason. Domestic investors bought a net US\$ 6.2 billion of overseas bonds and stocks in January, a record in data from the Korea Securities Depository dating back to 2011. Foreign money managers also offloaded a net US\$ 5.3 billion of local stocks in the last week of January, the biggest outflow for the period since 1999.

Abundant liquidity and a reduction in domestic investment options due to tighter real estate regulations are driving the money to be invested out of the country. Still, the currency's weakness may be transitory as Global funds seem to be returning to the nation's equity market. ■

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, 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:

Procedure for E-Commerce Exports through Post

In order to facilitate exports and specifically give a fillip to the global outreach of India's exporters via e-commerce (more so for the small and medium enterprises), all IEC holders have been permitted to export goods through Foreign Post Office (FPOs). Any IEC holder exporting goods through the FPO, are eligible for zero rating of exports, by way of refund of Integrated Goods and Service Tax (IGST) or discharge of Letter of Undertaking (LUT). In order to cater to e-commerce exports through post, the Central Board of Indirect Taxes & Customs (CBIC) has prescribed the declaration forms under 'Exports by Post Regulations, 2018'. Exporters can file a Postal Bill of Exports (PBE) and present it along with the goods to the Customs at the FPO. Custom Brokers (CBs) have also been permitted at all FPOs for the ease of operations of exporters. In order to ensure transparency and visibility, CBs/ Exporters (filing PBE on their own) will be required to onboard any third-party web application before commencing operations at the FPO. The application will be essentially used between the exporter and CBs to facilitate communication, enable shipment visibility and printing of PBE or any other value-added services for B2B use.

Procedure on Sale of Goods at Overseas Exhibitions/ Trade Fairs

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

Procedure to Apply for Registration-cum-Membership Certificate (RCMC)

Registration-Cum-Membership Certificate (RCMC) is issued for five years by Export Promotional Councils or Commodity Board in India. It is issued as a proof that an exporter is registered with the Council/Board. Any person applying for an authorization to import/export restricted items or any person applying for any benefit or concession under Foreign Trade Policy like duty drawback, duty credit scrips etc. is required to furnish or upload the RCMC on DGFT's website in the Importer Exporter Profile. To obtain an RCMC, the exporter has to file an application with the concerned EPC/ Commodity Board using the form ANF 2C. To get information on EPC/ Commodity Board for your product, exporters can visit the section on Export Promotion Bodies, under the Export Import Intelligence section of the Exim Mitra portal.

Information on Sending Remittances from India to Offices Abroad

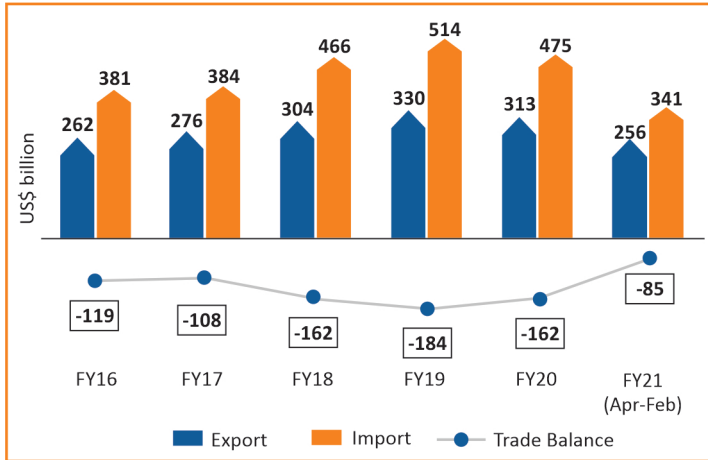
For recurring expenses, remittances up to 10% of the average annual sales/ income or turnover during the last two financial years may be sent for the purpose of normal business operations of the office (trading/ non-trading)/ branch or representative office outside India subject to terms and conditions. For this purposes, request may be made to the AD Bank for release of the payment to the Foreign Office.

Information on Export of Meat from India

As per DGFT Schedule – 2 Export Policy, export of chilled and frozen meat is allowed subject to the exporter furnishing a declaration, attached with copies of valid APEDA Plant Registration Certificate(s) to the customs at the time of export that the above items have been obtained / sourced from an APEDA registered integrated abattoir or from APEDA registered meat processing plant which sources raw materials exclusively from APEDA registered integrated abattoir/abattoir. ■

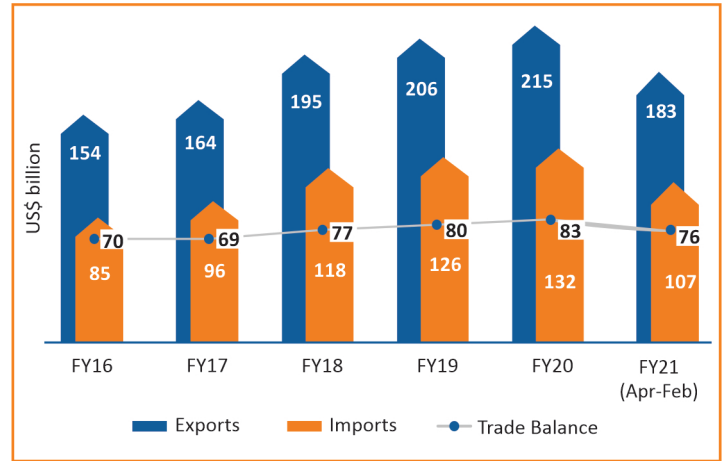
Snippets on Indian Economy

Merchandise Trade



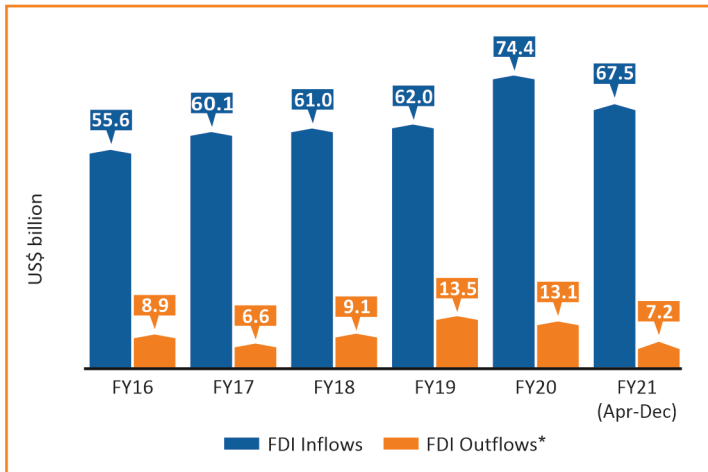
Source: Ministry of Commerce and Industry, GoI

Services Trade



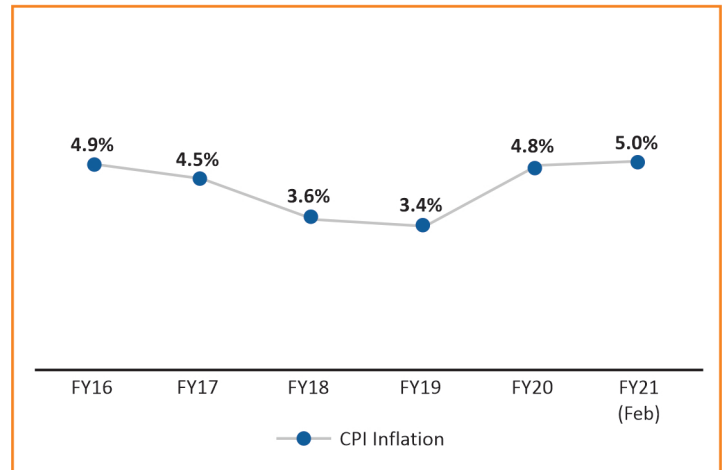
Source: Ministry of Commerce and Industry, GoI

Foreign Direct Investment Flows



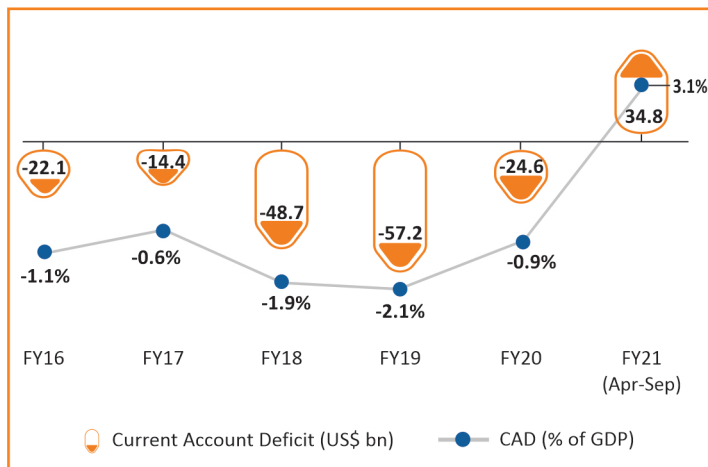
Note: * - FDI Outflows include equity, loans and guarantees invoked
Source: RBI and Ministry of Finance, GoI

Consumer Price Inflation



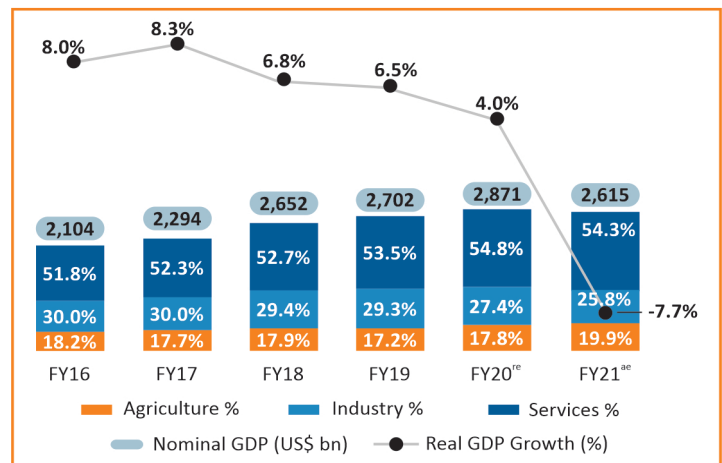
Source: Ministry of Statistics and Programme Implementation, GoI

Current Account Deficit



Source: RBI

Sectoral Output



Note: ^{re} - Revised Estimates; ^{ae} - Advance Estimates
Source: MOSPI, GoI & RBI