

EXIMIUS: EXPORT ADVANTAGE

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Unleashing India's e-Commerce Export Potential

– Jahanwi Singh, *Chief Manager*
Neha Raman, *Manager*

e-Commerce refers to the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing orders. The global e-commerce sales witnessed a robust Compound Annual Growth Rate (CAGR) of 16.6% during 2017 to 2022 to reach a level of US\$ 24.3 trillion in 2022. The rapid growth in e-commerce over the recent years has been particularly driven by the increasing adoption of digital buying by consumers as also the adoption of remote selling models by businesses.

India's e-commerce market is the eighth largest and one of the fastest growing in the world. The value of Indian e-commerce market stood at US\$ 46.2 billion in 2020 and is estimated to have reached US\$ 63.2 billion in 2023, recording a CAGR of 11% during this period, as the momentum in sales growth was amplified during the Covid-19 pandemic.

Recent estimates by UNCTAD suggest that on an average, cross-border sales comprised 21% of e-commerce revenues. Based on this estimate, the value of cross-border e-commerce would be an estimated US\$ 5.1 trillion in 2022. As per latest available data published by the UNCTAD in 2021, cross-border Business-to-Consumer (B2C) e-commerce stood at US\$ 440 billion in 2019, recording a y-o-y growth of 8.9%. It is noteworthy that the top 10 countries exporting through e-commerce mode, accounted for nearly 75% of the total cross-border B2C e-commerce sales in 2019. China has the largest cross-border B2C e-commerce exports, with a share of 23.9% in the total cross-border B2C e-commerce in 2019 (as per latest data available), followed by the USA (share of 20.5%), the UK (8.6%), Hong Kong (8%), and Japan (5.2%) among others.

In India, as per a JP Morgan report, cross-border transactions account for nearly one-fourth of the total e-commerce sales. Accordingly, the value of cross-border e-commerce in India is estimated at US\$ 15.8 billion in 2022. This would be nearly 0.3% of the estimated value of global cross-border e-commerce and nearly 2% of India's total exports (merchandise and services combined). This is much lower when compared to countries like Malaysia and Thailand, which have a relatively higher share of e-commerce exports in total exports at 8% and 5%, respectively.

Select Strategies for Increasing India's e-Commerce Exports

Focus on GI Products for e-Commerce Exports

The Government of India could consider promoting Indian products with Geographical Indications (GI) through e-commerce by collaborating with leading e-commerce platforms. A similar approach is being adopted by the Government of Italy, which has signed a memorandum of understanding with the e-commerce platform Amazon, to promote Italian products that have a protected designation of origin (PDO) or protected geographical indication (PGI). The collaboration also aims to strengthen the protection of such products sold on the e-commerce platform, through identification and reporting of violations of intellectual property rights of products with PDO or PGI, as well as through checking unfair practices related to sharing of incorrect product information. The agreement also allows Amazon to promptly remove counterfeit products. Similar collaboration could be considered by the Government of India to help improve consumer confidence on quality and authenticity, and enhance sales and exports of GI tagged products through e-commerce mode.

Identifying Potential Markets

India Exim Bank analysis indicates that, among the identified markets, India features as the top import source for cross-border e-commerce only in the case of UAE. India does not feature among the top import sources in any of its other top merchandise export destinations in 2022, such as the USA, the Netherlands, China, Singapore, the UK, and Germany, among others. This indicates substantial potential for tapping these markets for e-commerce exports, as India already has substantial footprint under the traditional mode of exports in these markets.

Expanding the ITPS to Cover More Countries

The International Tracked Packet Service (ITPS) has been designed by India Post to meet the cross-border shipping requirements of e-commerce exporters including MSMEs, small businesses and merchants, and promote exports using local post offices. This service is currently available for 41 destinations. However, several of India's top export destinations are currently not covered under the ITPS. India could consider collaborating with key export destinations like Bangladesh, Saudi Arabia, the UK under the ITPS, which are currently not covered under the service. Besides, there is also a need to consider rationalising the postage fee charged under the ITPS, which stands at an average of nearly Rs 341 for the first 50gms and an average of ₹ 32.8 for every additional 50gms. This could be cost prohibitive for small

value exporters. As postal routes are used predominantly for small value exports by MSMEs, the government could consider rationalising/ waiving the postage fee for MSME exporters.

Promoting ONDC for International Trade

The Open Network for Digital Commerce (ONDC) in India offers a network to enable local digital commerce stores across industries to be discovered and engaged by any network-enabled applications. The ONDC architecture includes buyers, sellers and logistic providers. The ONDC network protocol operates without geographical restrictions, allowing any seller to offer products and services to buyers across any location, even internationally. Notably, the network has successfully conducted its first cross-border transaction in January 2024, with Singapore and is progressing towards scaling up this initiative. In order to scale up ONDC beyond the borders of India, a few key enablers would be crucial to put in place, including i) seamless cross-border payment settlements; ii) robust grievance redressal systems; iii) awareness about country-specific guidelines; and iv) collaboration with international e-commerce platforms.

Enhancing Access to Export Credit for e-Commerce Exporters

As per India Exim Bank's discussion with stakeholders, non-availability of pre-shipment and post-shipment export credit is noted to be a challenge for e-commerce exporters. Banks found it difficult to finance e-commerce players due to the unavailability of confirmed orders/Letters of Credit, as well as challenges in conducting due diligence of buyers. Further, tracking the realisation of export proceeds in e-commerce has also been challenging for banks. To address this, it would first be important to conduct a thorough assessment of the financing requirement of e-commerce exporter. This is because unlike the traditional mode of transaction, e-commerce exports typically allow upfront payments to sellers at the time of placing the order. Understanding the financing requirement would also help design tailored financing programmes for e-commerce exporters. Notably, the Export-Import Bank of Thailand (Exim Thailand) has introduced a separate financing programme viz. e-Commerce Financing Loan, under which, Exim Thailand extends short term revolving credit (including pre- and post-shipment) for up to 10 months for businesses that trade through select e-commerce platforms. On similar lines, a specific programme could also be designed to support e-commerce exporters in India by scheduled commercial banks.

Addressing Payment Reconciliation Related Challenges

As per India Exim Bank's discussions with stakeholders, payment realisation and reconciliation remain one of the

biggest roadblocks for third party e-commerce exporters. Issues related to payment reconciliation mainly stem from e-commerce exports being viewed from the same regulatory lens as traditional, bulk and B2B exports. Besides, the extant FEMA regulations make compliance unviable for B2C e-commerce exporters and need to be suitably modified to address these issues. The GoI could also consider creating a favourable policy environment for e-commerce exports from India through demarcation in responsibilities of the seller and exporter. Moreover, exporters have also highlighted that the bank charges faced on Electronic Bank Realisation Certificate (e-BRC) and Export Data Processing and Monitoring System (EDPMS) closure are high, ranging between ₹ 1,500 to 2,000. This amount is substantial given that a large portion of e-commerce exports from India comprises small value shipments. Several banks have already withdrawn e-BRC charges for customers. Similar relaxation on e-BRC charges may also be considered by other commercial banks.

Increasing RoDTEP Benefits for e-Commerce Exporters

In order to improve the cost competitiveness of the e-commerce exporters, the Government of India could also consider higher rates of benefits under the Remission of Duties or Taxes on Exported Products (RoDTEP) scheme for e-commerce exporters. e-Commerce exporters tend to incur additional costs associated with online transactions, such as currency conversion charges and service charges. As per exporters, the charges levied by payment gateways may be as high as 4% of the transaction value in some cases, which could be prohibitive for MSME exporters. Therefore, Government could consider increasing the rate of reimbursement for e-commerce exports under RoDTEP, taking into consideration the GST paid on currency conversion costs and service charges on payment gateways.

Promoting UPI as a Payment Gateway for e-Commerce Exports

e-Commerce players also face several challenges related to payment gateways, including freezing or suspension of user accounts without any explanation, which could lead to financial losses for exporters. To address these challenges, there is a need for India to promote the Unified Payments Interface (UPI) as a payment gateway for e-commerce exports, by enhancing UPI's interlinkages with payment systems in partner countries. There has already been some progress in the internationalisation of the UPI, with India launching its first cross-border realtime payments system with Singapore viz. the UPI-PayNow for cross-border payments between India and Singapore. There is a need to enhance the interlinkages in the payment systems with other key partner countries for enabling greater volume of cross-border transactions. The

NPCI could leverage its existing partnerships with countries like Japan, the USA, China and Bhutan, among others and also build new interlinkages for cross-border transactions in payment systems of other key partner countries, for facilitating payments for e-commerce exports from India. Such systems could reduce the cost of international transactions for Indian digital payment providers as there would be a reduction in the number of intermediaries.

Renegotiating RTAs/FTAs to Include e-Commerce

Over the recent years, provisions pertaining to e-commerce/digital trade in free trade agreements (FTAs)/regional trade agreements (RTAs) have been growing. However, in case of India, there are only 7 agreements that have some provisions related to e-commerce trade, and only 2 trade agreements viz. the Comprehensive Economic Cooperation Agreement with Singapore and the Comprehensive Economic Partnership Agreement with the UAE have a dedicated chapter on e-commerce/digital trade. There is a need for India to include e-commerce provisions in by renegotiating its existing trade agreements and including e-commerce in the ongoing negotiations. India could focus on customs simplification and the use of procedures such as pre-clearance, allowance of self-certification of origin or a waiver of certification for products valued below a certain amount, which could be particularly suitable for e-commerce exports that are characterised by low value, high frequency shipments. Besides, India could also enter into digital economy agreements with its FTA/ RTA partner countries. Such an agreement has been entered into between New Zealand, Singapore and Chile. These agreements extend across several areas including cooperation on artificial intelligence, digital identity, open government data, among other areas.

Creating Awareness

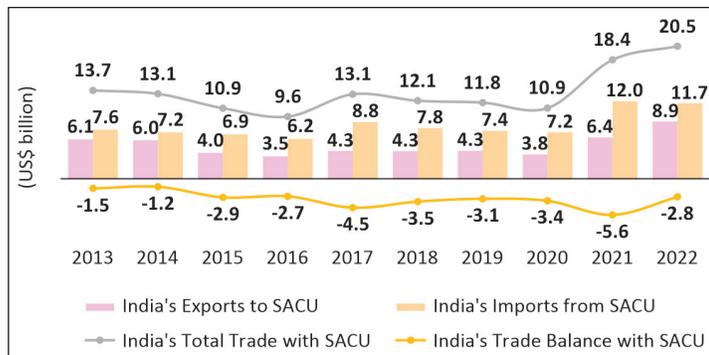
An important reason for the low share of e-commerce exports in total exports from the country is the lack of awareness about e-commerce potential and export procedures. To create awareness, the Trade Connect portal announced recently by the GoI could focus on providing all the required information pertaining to e-commerce exports. Apart from this, the government could also encourage exporters to leverage trade and trade finance related information from other dedicated portals, including 'Exim Mitra' portal developed by India Exim Bank, which offers diverse range of information, advisory and support services, which could be useful for e-commerce exporters. There is also a need to organise sensitisation workshops for banking professionals to effectively address issues related to timely issuance of Authorized Dealer (AD) code letter and submission of documents to banks for e-commerce exporters. ■

India-SACU Trade Relations

– Sara Joy, Chief Manager
Kanishk Choudhary, Officer

Historically, India has close ties with Southern Africa, and it has shown a steadfast commitment to further deepen economic engagement with this region. A key testament to this fact is the bilateral trade relations between India and Southern African Customs Union (SACU), comprising Botswana, Lesotho, Namibia, South Africa, and Eswatini. The economic and trade linkages between India and SACU have witnessed a notable expansion, demonstrating the intensified interaction between the two regions. Over the past decade, there has been a notable rise in trade volumes, with India emerging as a key trading partner for SACU. During the last ten years, India's total trade with the SACU countries has increased from US\$ 13.7 billion in 2013 to US\$ 20.5 billion in 2022. Furthermore, in 2022, India accounted for 4.6% of SACU's total exports and supplied 6.9% of its total imports, underlining the impact created by India in the region's trade dynamics.

Chart 1: India's Merchandise Trade with SACU



Source: ITC Trade Map and India Exim Bank Research

Diversified Exports and Key Sectors

India's exports to SACU are characterized by diversification, encompassing refined petroleum, motor vehicles, medicaments, unmounted diamonds, smartphones, and off-highway use dumpers. Notably, mineral fuels and oils constitute a substantial portion of India's export basket to SACU, accounting for 42.7% in 2022, witnessing a sharp jump in 2022 (US\$ 3.8 billion) as compared to 2020 (US\$ 0.6 billion). Apart from mineral fuels, vehicles other than railway or tramway and pharmaceutical products constitute as key items in the export basket accounting for over 25% of the total exports. While vehicles other than railway or tramway has seen a rise in 2022 (US\$ 1.6 billion) compared to 2020 (US\$ 0.6 billion); pharmaceutical products have seen a marginal decline (from

US\$ 0.8 billion in 2020 to US\$ 0.7 billion in 2022). Other major items of India's exports to SACU include machinery and mechanical appliances, electrical machinery and equipment, precious metals and stones and plastics and articles. Despite being the 3rd largest product in the export basket and seeing a minimal decline (22.2% of SACU's global imports of pharmaceutical products in 2022) the significance for pharmaceutical products has witnessed a remarkable surge, with medicaments playing a pivotal role in India's export portfolio. Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic use (HS-3004) have emerged as the major product in India's export basket of pharmaceuticals to SACU.

South Africa is India's largest export destination in SACU, accounting for 93.4% of India's total exports to the region in 2022. It is among the leading markets in Africa and SACU for India's exports of mineral fuels, oils and its products, vehicles, ships, boats and floating structures. Namibia is the second largest export destination for India within SACU, with a 3.7% share in the total exports to SACU. The exports to the country have been marginally increasing as compared to pre-pandemic levels. India's exports to Namibia mainly include mineral fuels and oils, pharmaceutical products, aluminium and its articles and cereals. Botswana is India's third-largest export market in SACU, with a share of 2.5% in India's total exports to SACU in 2022, with major exports being precious pearls and stones and pharmaceutical products.

Import Dynamics and Key Commodities

India's imports from SACU primarily consist of raw primary or semi-processed commodities. Notable imports include pearls, precious stones, metals and mineral fuels, oils, both of which collectively accounted for over 75% of India's imports from the region in 2022. Within the pearls, precious stones and metals category, the major imports by India were gold (HS-7108) at US\$ 3.3 billion, followed by diamonds (HS-7102) at US\$ 1.5 billion. While within the mineral fuels, oil and products of distillation category, highest imports were of coal (HS-2701) at US\$ 3.9 billion during 2022, followed by crude petroleum (HS-2709) amounting to US\$ 17.7 million and petroleum jelly (HS-2712) of US\$ 12.3 million. Copper and its articles are the third-largest items in India's import basket from the region. SACU accounted for 55% of India's global copper imports, and 35.5% of India's imports of pulp of wood or of other fibrous cellulosic material in 2022. The region is also a major source

for India's imports of unwrought gold (HS-7108) and diamonds (HS-7102).

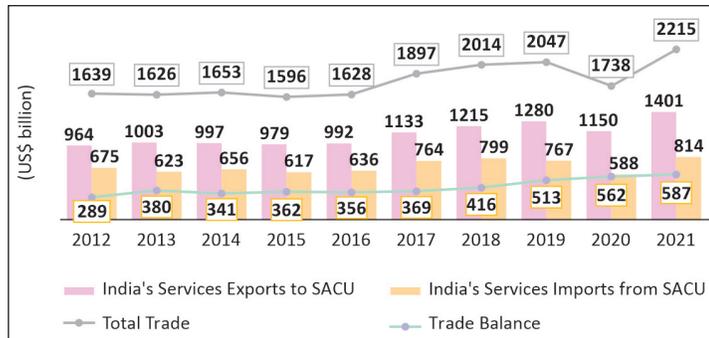
South Africa stands as the largest source for India's imports, supplying commodities such as coal, unwrought gold, non-industrial diamonds, copper, manganese ores, and concentrates. South Africa is also the largest source for India's imports of pearls and precious stones from SACU as well as Africa.

Trade Deficit Challenges

Despite the robust growth in trade volumes, India faced a trade deficit of US\$ 2.8 billion in 2022 with SACU. Contributing factors include commodities such as pearls, precious stones and metals, copper and its articles, ores, slag and ash, pulp of wood, ships, boats and floating structures, mineral fuels and oils. The trade deficit was particularly notable with South Africa (US\$ 2.9 billion) and Botswana (US\$ 250 million) in 2022. As mentioned before, South Africa becomes a key partner in SACU as 93.4% of India's exports to SACU is destined to South Africa, while 95.7% of India's imports from the region originated from South Africa.

Services Sector Contributions

Chart 2: India's Bilateral Service Trade with SACU



Source: WTO - OECD Balanced International Trade in Services EBOPS 2010

Beyond the trade of goods, the services sector plays a crucial role in India-SACU relations. In 2021, India's services exports to SACU reached US\$ 1.4 billion, reflecting a compound annual growth rate (CAGR) of 4.6% since 2012. South Africa emerged as the dominant recipient, accounting for 88.4% of India's services exports to SACU in 2021. India's services exports to South Africa stood at US\$ 1.2 billion and was mainly composed of telecommunication, computer and information services (65.7%), other business services (18.5%) and transport services (9.6%), among others.

India's services imports from SACU increased from US\$ 675 million in 2012 to US\$ 814 million by 2021, growing by an AAGR of 2.3%, with South Africa accounting for 92.4% of India's services imports

from SACU in 2021. India's services imports from South Africa stood at US\$ 752 million in 2021 and was mainly composed of transport and travel services (29.7% each), telecommunication, computer and information services (8.4%) and other business services (19.8%), among others.

Apart from South Africa, Botswana and Namibia stand out as key partners for services. India's services exports to Botswana stood at US\$ 48 million and was mainly composed of transport services (68.8%), followed by telecommunication, computer and information services (18.8%). India's services imports from Botswana on the other hand stood at US\$ 15 million in 2021 and composed mainly of travel services. With Namibia, India's services exports stood at US\$ 54 million and was mainly composed of telecommunication, computer and information services (37%), other business services (38.9%). While India's services imports from Namibia stood at US\$ 30 million in 2021 and was mainly composed of travel services (60%) and transport services (16.7%), among others.

Breaking down the services sector contributions to specific SACU countries, India's services exports, and imports to and from South Africa, Namibia, Lesotho, Eswatini, and Botswana underscore the diverse nature of collaboration. However, telecommunication, computer and information services, business services, transport services, and travel services play significant roles in all the nations, contributing to the overall economic partnership.

Conclusion and Future Collaboration

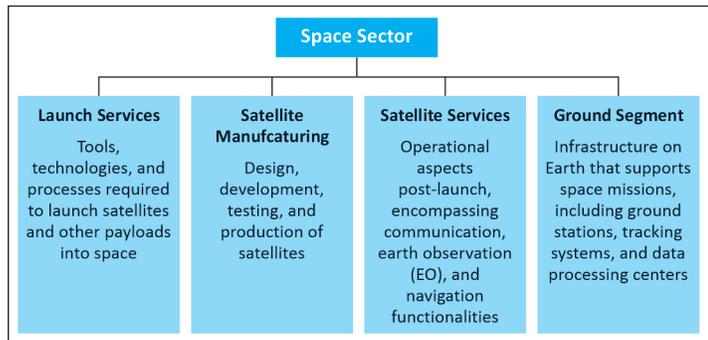
India's trade relations with SACU represent a dynamic and evolving partnership, marked by increasing trade volumes, diversified exports, and a commitment to overcome challenges. Recent developments indicate a renewed effort to establish a Preferential Trade Agreement (PTA) between India and SACU member countries, showcasing a shared determination to foster economic growth in the region. Amidst the global economic challenges, both sides have actively participated in virtual meetings, signalling a strategic intent to enhance trade and commercial links.

There are immense potential benefits of enhanced trade and commercial links between India and SACU. In particular, economies in the Southern African region, stand to gain significantly from increased collaboration with India. India has also expressed its full commitment to supporting manufacturing and industry across various sectors, including agriculture, irrigation, renewables, ICT, pharmaceuticals, and medical supplies. As India continues to explore opportunities for collaboration and investment in key sectors, the future holds the promise of a more integrated and mutually beneficial India-SACU economic partnership. ■

India's Rising Space Economy

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

The global space market has grown to approximately US\$ 447 billion in 2022 from US\$ 280 billion in 2010. It is further expected to grow to US\$ 1 trillion by 2030. Countries with space agencies are expected to cross 100 from 70, space start-ups are expected to expand to over 1000 from 600 and satellite launches are expected to cross 200 from 145 during 2022-2030¹.



Globally, the space industry is experiencing a wave of innovative technologies, cross-border collaboration and new business models. The shift is being driven by technological advancements such as reusable technologies, miniaturisation of avionics and growing demand for satellite services, leading to the deployment of large numbers of small satellites, transforming the communication, navigation and other information gathering processes from space.

India's space program stands out as one of the most cost-effective in the world, and is currently valued at approximately US\$ 8.4 billion, accounting for about 2% of the global space economy. India has earned worldwide recognition for launching lunar probes, building satellites, ferrying foreign satellites up, among others. According to the decadal vision and strategy prepared by Indian National Space Promotion and Authorisation Center (IN-SPACE) in collaboration with ISRO and other stakeholders, India's space industry is expected to grow to US\$ 44 billion by 2033, around 8% of global share.

The downstream segments in the value chain which include data and satellite services, earth observation (EO) & data products and user equipment such as Global Navigation Satellite System (GNSS) devices and chipsets, TV dishes, radio receivers, etc. are expected to account for the highest market size of US\$ 32.1 billion in 2030. From television to mobile connectivity and remote sensing for agriculture and disaster management, expanding space assets provides a variety of socially beneficial and revenue-generating applications, increasing the demand for additional space assets.

Activities related to the design, manufacture, test and operation of satellites and launch vehicles constitute the upstream segment. Organisations working on realization of propulsion systems, guidance, navigation, payloads, avionics, control systems, power & thermal systems and structural elements, are all part of this upstream sub-segment. The upstream segment is expected to reach a market size of US\$ 9.4 billion and the midstream segment, comprising ground operations is expected to grow to a market size of US\$ 2.5 billion in India by 2033.

In the downstream market in India, private sector is a major contributor while in the upstream sector, government has the major presence. Regardless of the application and purpose, so far, monetisation and revenue generation for the sector has largely been driven by downstream applications. With miniaturisation of satellites, lowering of launch costs and advancements in enabling technologies, viz., cloud computing, AI/ML, 3-D printing, etc., downstream applications offer increased possibilities to service user demands. Simultaneously, competition from terrestrial alternates for remote sensing, communications and navigation is expected to impact the overall offerings and business models.

Table 1: Estimated Growth in Space Sector Segments in India

Segments	Market Size (US\$ bn)	2033 Target (US\$ Bn)	CAGR (2022-33)
Satellite Communication (SATCOM)	4.19	14.8	12
Navigation	2.28	9.3	14
Earth Observation (EO)	0.52	8.0	28
Satellite Manufacturing	0.42	4.6	24
Launch Segment	0.72	3.5	15
Ground Network	0.14	2.5	30
In-orbit Economy & Space Exploration	0.13	1.0	20
Space situational awareness	0.001	0.3	68

Source: IN-SPACE

SATCOM: India's communication market has matured greatly. A handful of major private entities are launching their own constellation of satellites to serve land, sea and air. Conventional Geosynchronous Equatorial Orbits (GEO) are giving way to Medium Earth Orbits (MEO) and Low Earth Orbits (LEO) for the commercial use-cases to help reduce latency. Trends emerging in the segment include satellite IoT, satellites enabling the 5G ecosystem, very high throughput satellites, and the prominence of LEO satellites.

¹ McKinsey & Company

EO: India's EO capabilities have grown, over the years, to enable the use of remote sensing data and applications in critical sectors such as agriculture and fisheries development, disaster management, biodiversity conservation and extraction and exploration of natural resources. As a member of the International Charter: Space & Major Disasters, ISRO also shares satellite imagery related to critical use-cases viz., disaster management, weather monitoring etc. to other space agencies and competent bodies.

Positioning, navigation and timing services (PNT): PNT services, originating from GPS and now including regional systems like India's NavIC, are considered strategically critical assets with applications spanning, inter alia, transportation, communication, and defence. The market for satellite-based PNT services in India is expected to boom, with value creation in commercial navigation, emerging use-cases like drone guidance and toll collection, and potential applications in shipping, financial transactions, airport operations, and supply chain management.

Segment-wise Identified Areas for Boosting India's Exports in Space Sector

Earth Observation	Agriculture, Forestry and Ocean, Disaster and Emergency Management, Insurance and Finance, Transport, Infrastructure, Consumer Solutions, Energy and Mining, Climate Service and Env. Monitoring
Position Navigation Timing	Agriculture, Forestry and Fisheries, Disaster and Emergency Management, Transport, Infrastructure, Health, Consumer Solutions, Energy and Mining
Communication	Disaster and Emergency, Banking & finance, Media and Entertainment, Transport, Consumer Solutions, Energy and Mining
Ground Networks	Solutions for EO, PNT and Communication Ground Networks
Domestic Satellite Manufacturing Demand	Global Hub for Small Satellite Manufacturing
Launch Services for Domestic Demand	Global Hub for Small Launch Vehicles and Launch Services
Space Situational Awareness	Global Mission Support Services and Surveillance

Source: IN-SPACE

The space industry in India is currently catering to domestic market majorly, with exports at US\$ 0.3 billion. By 2033, exports are envisaged to strengthen to US\$ 11 billion, an expected CAGR of 38% during 2022-2033. India's vision is to enhance presence in Indo-Pacific region across vertical value chains.

Opening the Space Sector

To facilitate private sector participation, the Government has created the Indian National Space Promotion and Authorization Centre (IN-Space), as a single window, independent, nodal agency under Department of Space. Its main mandate is to promote and enhance the role of non-governmental entities in the space sector through hand holding support and by providing them with a level playing field. It authorises the use of ISRO facilities by private companies, development of Indian satellite systems, and launch of rockets or vehicles developed by the private sector.

Besides, the Indian Space Policy, 2023 has been launched with the aim of establishing a symbiotic relationship between private and public sectors by creating new government entities to perform specific roles for the Indian space technology sector, making ISRO's role more focussed towards research and development in advanced technologies and development for long-term projects.

Furthermore, in February 2024, the Government of India relaxed the FDI regulations for the space sector. Accordingly-

- Up to 100% FDI is permitted under automatic route in- Manufacturing of components and systems/ sub-systems for satellites, ground segment and user segment.
- Up to 74% FDI is permitted under automatic route in- Satellites-manufacturing & operation, satellite data products and ground segment & user segment.
- Up to 49% FDI is permitted under automatic route in- Launch Vehicles and associated systems or subsystems, creation of spaceports for launching and receiving spacecraft.

An investment of US\$ 22 billion is envisioned in the space sector in India by 2033. With the gates being opened wide for private sector participation, a conducive environment is being fostered. In the coming decades, growth is expected to skyrocket in the Indian space sector. ■

Growth Drivers for India's Space Sector

Launch capability and lower launch cost	Low cost missions	Relaxed FDI norms	Increasing demand for satellite services	Emerging areas in the global sector	Indian Space Policy 2023
<ul style="list-style-type: none"> • Launch services by ISRO are provided at a relatively lower price 	<ul style="list-style-type: none"> • India has a track record of developing and launching spacecraft at significantly lower costs 	<ul style="list-style-type: none"> • Up to 100% FDI has been allowed in space sector. This would enable foreign companies to set up manufacturing facilities 	<ul style="list-style-type: none"> • With innovations in satellite communication and other areas of application, there is an increased demand for space-based services 	<ul style="list-style-type: none"> • Growing opportunities in areas like space tourism and commercial recovery of space resources 	<ul style="list-style-type: none"> • Enables end-to-end participation of private entities in all domain of space activities.

India – Eurasian Economic Union Trade and Investment Relations

– Sara Joy, *Chief Manager*
Srejita Nandy, *Deputy Manager*

To promote economic integration, the Eurasian Economic Community (EurAsEC) was founded in the year 2000 with the aim of establishing an economic zone comprising Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan. In 2014, an agreement on the termination of the EurAsEC was signed and subsequently, the Eurasian Economic Union (EAEU) was launched on January 1, 2015. The current members of the EAEU include Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. The EAEU covers an area of 20,229,248 km² and has an estimated cumulative population of 182.2 million. Russia accounts for 84% of surface area of the region. According to the World Economic Outlook April 2023 of the International Monetary Fund (IMF), the EAEU region is estimated to have registered a nominal GDP of US\$ 2.5 trillion in 2022, accounting for 2.4% of the world GDP. Russia, being the largest economy in the region, accounted for 87.7% of the region's nominal GDP and 79.1% of the total population in 2022.

Foreign Trade of Eurasian Economic Union

Total merchandise trade of the EAEU has moderated from US\$ 1.1 trillion in 2013 to US\$ 963.6 billion in 2022, mainly due to decline in imports. Among the EAEU countries, Russia is the leading trading nation, accounting for 81% of total trade of the region in 2022, followed by Kazakhstan which accounted for 14.0% of the total trade and Belarus (2.5%). Armenia and Kyrgyzstan accounted for marginal shares of 1.4% and 1.2% of total trade, respectively, in 2022.

The EAEU's merchandise exports stood at US\$ 683.2 billion in 2022 increasing from US\$ 597.1 billion in 2021, on the back of increasing exports of crude oil. The EAEU's exports remains heavily skewed towards primary goods and natural resource-based manufactures. The EAEU specializes in mineral fuels and oil production; consequently, 65% of its overall exports in 2022 are mineral fuels. Other major exports include iron and steel (semifinished products in particular) accounting for 4.5% of total exports, followed by precious metals (gold, platinum, unmounted diamonds and silver), fertilisers and aluminium, among others.

EAEU's imports in 2022 stood at US\$ 402.8 billion as compared to US\$ 387.6 billion in 2021. The region's import remains capital intensive as reflected by the composition of the import basket with machinery and mechanical appliances like automatic data-processing machines, machinery for plants or laboratories, appliances for pipes; electrical machinery and equipment such as

telephones, electric heaters, panels, and monitors and vehicles, vehicular parts and accessories accounting for the maximum imports.

On account of the region's geographical location and landlocked nature of majority countries, the EAEU's major traditional trading partner has been the neighbouring country, China. Russia, being the largest country in the region, is another major trading partner for the rest of the four EAEU countries. The EAEU's exports to the EU accounted for 36% of the EAEU's total exports in 2022. European countries such as Turkey, Italy, Germany, Netherlands and France are among the leading trade partners for the EAEU countries. Among individual countries, China accounted for 19% of the EAEU's total exports in 2022. China was followed by Turkey (9.4% of total exports in 2022) and Italy (6.5%). India was the 4th largest export destination in 2022, with a share of 6.3% in total exports of the EAEU in 2022 (improving from 15th position and 1.8% share in 2021).

Similarly, the EAEU's imports from the EU accounted for 26.2% of its imports in 2022, compared to 29.8% in 2019. As in the case of exports, China remained the major import source of the EAEU countries, accounting for 34.2% of imports in 2022, followed by Russia, Germany and Turkey. Although the share of Russia in the region's total imports has witnessed a decline, the country still remains the major supplier of energy and manufactured products. India was the 16th largest import supplier, with a share of 1.4% in total imports of the EAEU in 2022.

India - EAEU Bilateral Merchandise Trade Relations

The EAEU represents a region of considerable strategic interest for India due to its strategic geographical location, mineral and hydrocarbon wealth and prospects for the development of multiple trade corridors through land and sea routes. The region, being a part of India's "extended neighbourhood", is pivotal in India's foreign policy. However, India's exports to the EAEU accounted for a modest share in India's global exports at 0.8% whereas India's imports from these countries accounted for a share of 4.8% of India's global imports in 2022. On an average, exports from India have been modest and stood at US\$ 3.5 billion in 2022 declining from US\$ 3.7 billion in 2021. India's imports on the other hand, have increased to US\$ 34.5 billion in 2022 as compared to US\$ 9.3 billion in 2021. India's imports have particularly increased in 2022 due to higher imports of crude

Table 2: India's Merchandise Trade with EAEU

Country	Exports (US\$ million)				Imports (US\$ million)				Trade Balance (US\$ million)			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Armenia	38.2	45.2	55.3	50.2	1.8	75.3	121.8	100.0	36.3	-30.1	-66.5	-49.9
Belarus	56.1	58.8	71.0	42.9	207.6	206.3	365.9	180.8	-151.5	-147.5	-294.9	-137.9
Kazakhstan	193.7	225.8	207.2	435.2	1593.6	1294.9	530.4	246.8	-1399.9	-1069.1	-323.2	188.3
Kyrgyzstan	29.1	36.8	31.7	47.6	2.1	5.3	1.5	3.6	27.4	34.7	26.4	46.1
Russia	2975.0	2560.4	3326.8	2912.3	6238.2	5936.6	8252.2	34003.6	-3263.2	-3376.3	-4925.3	-31091.3
EAEU	3292.1	2908.3	3710.7	3488.1	8043.3	7518.4	9271.7	34534.9	-4751.2	-4591.4	-5579.6	-31046.7

Source: ITC Trademap

oil from Russia, resulting in widening of the trade deficit to US\$ 31 billion as compared to US\$ 5.6 billion in 2021. Among the EAEU countries, India had a trade surplus with Kazakhstan and Kyrgyzstan whereas trade deficit with Armenia and Belarus have narrowed in 2022. However, with Russia, India's imports have grown by more than 312%, resulting in massive trade deficit during the same period.

India's major exports to the EAEU in 2022 were pharmaceutical products (15.3%), followed by electrical machinery (12.7%), organic chemicals (8.6%), machinery (8.5%), iron and steel (4.6%) and coffee, tea, maté and spices (4%), among others. India's major imports from the EAEU in 2022 were mineral fuels and oils (82.8%), fertilisers (7.1%), pearls and precious stones (3.6%), animal and vegetable fats (2.2%) and iron and steel (0.8%), among others.

Foreign Direct Investment in the EAEU and Bilateral Investment with India

FDI inflows to the EAEU moderated to (-) US\$ 9.7 billion in 2022 from US\$ 66.9 billion in 2013. According to the World Investment Report 2023 by the UNCTAD, the direct effects of the Russia-Ukraine conflict on investment flows to and from Russia include the halting of existing investment projects and the cancellation of announced projects. Russia was the 9th largest FDI recipient globally in 2021, with FDI inflows of US\$ 38.2 billion. However, as a result of the conflict, FDI flows fell to (-) US\$ 19 billion in 2022 as large companies divested. On the other hand, FDI inflows to Kazakhstan almost doubled to US\$ 6.1 billion, with increases in the extractive industries, mainly from MNEs in the Netherlands and the United States. These were mainly reinvested earnings boosted by high profits in the extractive industries. FDI outflows from the EAEU decreased to US\$ 8.4 billion in 2022 from US\$ 73.2 billion in 2013, with majority of outflows from Russia. Kazakhstan and Belarus are preferred investment destinations for many Russian companies.

According to the fDi Markets database, during 2013-2022, coal, oil and gas sector was the major recipient of capital investment into the EAEU, accounting for 28% of total investment received of US\$ 224.7 billion, followed by food and beverages (13%) and chemicals (6%), respectively. The US was the largest investor in the EAEU during the period 2013-2022, contributing 24.3% of total FDI into the EAEU. The other major investors were China (20.9% of total inward FDI received by the EAEU), followed by France (5.5%), Germany (5.1%) and Netherlands (3.4%). In terms of investment destinations, Russia received the highest capital investment during 2013-2022 with 62.4% share among the EAEU countries, followed by Kazakhstan (31.7%), Belarus (3%), Armenia (2.1%) and Kyrgyzstan (0.8%). During January 2013 to December 2022, total envisaged capital investment of India in the EAEU stood at a cumulative amount of US\$ 1.9 billion, making India the 24th largest investing country. India has majorly invested in coal, oil and gas, pharmaceuticals and food and beverage industries in the EAEU. The maximum envisaged investment from India to the EAEU took place in 2015, when India invested US\$ 1 billion in Kazakhstan. Russia received US\$ 753 million from the India during 2013-2022, while Belarus received US\$ 1 million from India.

During 2013 to 2022, Egypt emerged as the largest destination for the EAEU's capital investment, accounting for a share of 27.5% of the total investment received of US\$ 112 billion, followed by Iraq (10.1%), Jordan (9%), Uzbekistan (8.3%), Vietnam (5.6%) and China (4.3%), among others. Total capital investment made by the EAEU in India stood at US\$ 1.7 billion, accounting for 1.5% of total investment made by the EAEU between 2013 to 2022. India was 10th largest investment recipient for the EAEU, with source countries being only Russia and Belarus, and Russia accounting for 97.8% of all investments. Major sectors attracting investments from Russia and Belarus into India during 2013 to 2022 were coal, oil and gas (51% of total investment received), followed by aerospace (10%) and metals (7%). ■

Promoting India-Oman Relations

– Sara Joy, *Chief Manager*
Alfiya Ansari, *Deputy Manager*

India and Oman have witnessed a new dynamism in their relationship in the recent times, with both the economies eager to sign a comprehensive agreement to further promote economic partnership. It could be an opportune time for India and Oman to build on solid bilateral trade and investment ties and take this relationship to newer heights. Following policy catalysts could help further boost bilateral cooperation in areas of mutual interest to both India and Oman.

Promoting Medical Tourism

India has become a top destination for medical tourism, especially among Omanis, due to its affordable, high-quality healthcare. India's advanced medical infrastructure and expertise in specialties like cardiology and oncology attract patients seeking specialized treatments. The affordability of medical procedures, compared to Western countries, is a key factor driving this trend. India's emphasis on holistic care, including traditional therapies like Ayurveda and yoga, also appeals to Omani patients. To further promote this trend, both governments could encourage cooperation in healthcare, streamline visa procedures, and ensure cultural sensitivity. Collaborations between institutions could enhance services and offer comprehensive packages, making India an ideal choice for Omani medical tourists. Strengthening these ties could not only benefit the healthcare industry but also foster cultural exchange and economic growth between the two nations.

Collaboration in Green Hydrogen

Oman is leading the promotion of green hydrogen as a sustainable fuel, aiming for carbon neutrality by 2050. Its abundant renewable resources and commitment to clean energy make it a key player in the global shift to low-emission fuels. India, with its expertise in green hydrogen technologies, could collaborate with Oman to develop its renewable energy potential. This partnership could diversify Oman's economy, reduce carbon emissions, and drive technological innovation. Joint initiatives can extend beyond production to include infrastructure development for green hydrogen storage and utilization, positioning both countries as leaders in the green hydrogen market. Collaborative efforts could address environmental concerns, foster economic growth, and promote sustainable energy solutions in line with global initiatives.

Collaboration in Food & Agritech

India and Oman can collaborate in the food and fisheries sector to promote economic growth. India's agritech sector, valued at US\$24 billion, presents an opportunity for technology transfer and training in Oman's agricultural sector. Joint research projects and partnerships could focus on sustainable practices and disease management. Oman's fisheries sector, a significant contributor to the economy, offers opportunities for collaboration in fish processing and aquaculture. Oman's Fisheries and Aquaculture Vision 2040 aims to

transform the sector into a sustainable industry. Collaboration with India could enhance Oman's competitiveness in international markets and provide India with diversified seafood sources. Collaborative efforts can benefit both nations economically and promote innovation in the sector.

Learning from Oman's Circular Economy

Oman is transitioning towards a circular economy to minimize waste and promote sustainability. Sustainable development is a key component of Oman Vision 2040, positively impacting GDP growth, employment, FDI, and energy consumption. Oman focuses on efficient waste management and recycling, with 67 recycling facilities responsible for recycling 31% of waste. The country also explores renewable energy integration to reduce environmental impact. India has introduced regulations to support a circular economy, including rules for plastic and e-waste management. Collaborating with Oman can provide India with valuable insights and technology transfer in waste management, recycling, and renewable energy. This partnership can enhance sustainability efforts, foster innovation, and create economic opportunities aligned with circular economy principles.

Collaboration in Digital Technology

India and Oman can collaborate in digital technology to facilitate cross-border data movement and enhance fintech partnerships. Aligning data protection regimes is crucial, allowing for the exchange of non-personal and anonymized personal data while safeguarding sensitive information. An India-Oman Data Adequacy Agreement could enable this data flow, ensuring mutual adequacy and protecting citizens' privacy. Additionally, replicating the success of linking India's UPI with Singapore's PayNow, linking India's payment systems with Oman's can streamline cross-border transactions, making them faster and more cost-effective. This collaboration can promote innovation, investments, and the easy flow of remittances and payments between the two countries.

Supportive Logistical Infrastructure

Enhancing logistical infrastructure can significantly boost India's exports to Oman. Both countries are prioritizing sectors like tourism and logistics for economic growth. Oman's strategic location and deep-water ports along vital trade routes make it an attractive partner. Collaborative efforts could reduce transaction costs and improve connectivity, benefiting both economies. For instance, the Port of Duqm and Special Economic Zone Authority for Duqm are seeking foreign investments for infrastructure development. India, with its rapidly advancing economy, is also focusing on infrastructure growth, creating opportunities for collaboration. Strengthening logistical ties can streamline trade processes, diversify trade routes, and facilitate smoother trade, ultimately fostering economic growth and strengthening bilateral relations. ■

India Exim Bank Lines of Credit

Contributed by: **Lines of Credit Group**

The Government of India (GoI), with a view, inter-alia, to promote India's trade and economic relations with developing countries in particular, launched the India Development Initiative (IDI), later renamed as the Indian Development and Economic Assistance Scheme (IDEAS), through General Budget for fiscal year 2003-04. The scheme attempts to promote India's strategic, political and economic interest abroad by positioning it as an emerging economic power, investor country and partner for developing countries, with sharing India's development experience through - capacity building and skills transfer, trade, and infrastructure development. The Bank, as a policy institution, serves as the financing instrumentality for the LOCs extended to overseas countries under the IDEA scheme.

The latest IDEAS guidelines have been revised and effective from March 31, 2022. Under the revised IDEAS guidelines, the Concessional Financing Scheme (CFS) of GoI, has been subsumed under the scheme; wherein GoI may provide concessional financing to any Borrowing Government or an entity owned or controlled by the Borrowing Government to support Indian Entities bidding for strategically important overseas infrastructure projects, if the said Indian entity succeeds in getting contract for the execution of a project tendered by such foreign entity. The strategic importance of a project to be eligible for this financing will be decided by GoI, on a case-to-case basis.

Since 2003-04, the LOCs extended to sovereign governments or their nominated agencies are being routed by the GoI, through Export-Import Bank of India (India Exim Bank). India Exim Bank extends LOCs to sovereign governments, overseas financial institutions, regional development banks and government nominated entities overseas, to enable buyers in those countries to import developmental and infrastructural projects, equipment, goods and services from India. While the GoI decides about the recipient of the LOC, the amount and terms of the LOC and the purpose thereof; the LOCs are funded, operated and monitored by India Exim Bank as the operating vehicle of the GoI.

Under the LOCs, India Exim Bank reimburses up to 100% value of contract on FOB/CFR/CIF/CIP basis to the Indian exporters. Goods and services (including consultancy services) for minimum 75% of the value of the contracts covered under these loans must be sourced from India (relaxation of 10% may be considered on a case-to-case basis). LOCs have enabled India to demonstrate its project execution capabilities in the emerging markets and have helped to gather considerable momentum in the recent years, especially in the developing countries of Africa, Asia, Latin America, Oceania and the CIS. LOCs also help to create the requisite political goodwill for India in the beneficiary countries besides promoting India's political, strategic and commercial interests while projecting India's growing economic strength as well as its willingness to contribute to infrastructure development and capacity building in the recipient developing countries. The Indian exporters obtain payment of eligible value from India Exim Bank, without being exposed to risk on the buyer or the buyer's country, against negotiation of shipping documents / provision of services (as per approved payment terms).

As on March 21, 2024, the Bank has extended 293 LOCs, covering over 68 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of over US\$ 27.30 billion, available for financing exports from India. LOCs are thus an effective instrument for promoting and facilitating India's exports of projects, goods and services.

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Success Story

First Solar PV Panel Plant in Mozambique - A Giant Leap Forward in Charging and Changing the Country



India Exim Bank has extended a Government of India supported LOC of US\$ 13 million to the Government of Mozambique for setting up of solar photo voltaic modules manufacturing plant of 5 MW p.a. capacity on turnkey basis in Mozambique.

With the LOC from the Indian government through India Exim Bank, Mozambique's Energy Fund - FUNAE - owned factory has made solar photo-voltaic (PV) panels more affordable and easily available. From the days of spending more on import, the country is now earning foreign exchange by supplying the PV panels to neighbouring nations. Air quality has improved significantly, with fine particulate matter (PM 2.5) decreasing from 23.56 microns per cubic metre in 2010 to 21.30 microns per cubic metre by 2017. ■

The Quarter That Was

Contributed by: Corporate Communications Group

India Exim Bank and Ministry of MSME collaborate for Development of Exim Mitra 2.0 - a Trade Facilitation and Information Portal



The Export-Import Bank of India (India Exim Bank) and the Ministry of Micro, Small and Medium Enterprises (MSME) signed an MoU for the development and launch of Exim Mitra 2.0 - a trade facilitation and information portal to empower Indian exporters, particularly those in the MSME sector. The MoU was signed by Dr. Rajneesh, Additional Secretary & Development Commissioner, Ministry of MSME and Ms. Harsha Bangari, Managing Director, India Exim Bank, in the presence of Shri Narayan Rane, Hon'ble Union Minister for MSME, Govt. of India and Shri Rakesh Sachan, Hon'ble Minister of MSME, Khadi and Village Industries, Sericulture Industries, Handloom and textiles, Govt. of Uttar Pradesh, during the inauguration ceremony of technology centres on February 14, 2024 at Greater Noida.

This collaboration builds upon Exim Bank's trade facilitation and information portal, 'Exim Mitra', which is an effective, single point of access for a wide range of trade-related information, handholding, and support services for Indian companies seeking to tap the export markets. India Exim Bank is in the process of developing a new and improved Exim Mitra 2.0 portal and mobile application. Alongside, the Ministry of MSME is also conceptualising a Global Market Intelligence System (GMIS) to act as a Central Knowledge Repository of export related data on foreign markets to enhance the participation of Indian MSMEs in the global value chain. Recognising the complementarities between Exim Mitra 2.0 and the GMIS, the Ministry of MSME

and India Exim Bank are collaborating for a unified portal. The MoU paves the way for India Exim Bank to access and utilise the Udyam Registration data from the Ministry of MSME, for personalising the content and resources on the Exim Mitra 2.0 portal and mobile app for registered Udyam users. Leveraging the synergies from the partnership, Exim Mitra 2.0 will offer improved functionality, greater resources, and curated content for existing and aspiring exporters.

Exim Mitra 2.0 will provide trade related information and data in a user-friendly format, ensuring enhanced accessibility and seamless experience for users. Further, multimedia content such as podcasts, blogs, and educational videos, including a video series on "Indicative Steps to Export", will cater to diverse learning preferences and enhance user engagement. The portal will also feature a chatbot to provide instant answers to frequently asked questions, empowering users to access information swiftly and conveniently. To broaden its reach and cater to a more diverse audience, the portal will also have multilingual capabilities.

India Exim Bank's In-House Export Leading Index

India Exim Bank forecasted India's total merchandise exports to amount to US\$ 118.2 bn, witnessing an y-o-y growth of 2.96%, while non-oil exports were forecast to amount US\$ 95 bn, witnessing an y-o-y growth of 4.55%, during Q4 (January-March) of FY2024. These positive growth rates are expected to be witnessed against the backdrop of negative growth seen during the first two quarters of the year. Positive growth in India's exports could be as a result of India's strong GDP growth fundamentals and outlook and expected global easing of monetary tightening spurring global demand. The outlook is, however, subject to risks of uncertain prospects for advanced economies, geopolitical shocks, the middle east crisis leading to the intensification of the Red Sea crisis and deepening geoeconomic fragmentation, among other factors.

With these forecasts, India's total merchandise exports for the full year for FY2024 are expected to be at US\$ 435.3 billion, while non-oil exports figures are likely to be maintained at the previous year's level. However, oil exports are expected to remain subdued during the year, contracting by US\$ 12.5 billion, compared to FY2023. ■

Country Scan

Contributed by: **Research & Analysis Group**

Canada



The Canadian economy is the 10th largest in the world and the smallest in the G7. It is highly integrated with USA, which is its biggest trading partner. Canada's economy is services based but is also among the world's largest oil exporters. Economic activity in Canada has been affected in 2023 with the estimated growth rate of 1.1%, owing to monetary policy tightening by the Bank of Canada (BoC). Despite subdued projections of growth in 2024 (1.2%), Canada's economy is expected to benefit from increases in government spending on inflation relief, aiding recovery. Despite pockets of inflationary pressures around housing and its subsectors, the inflation is estimated to return to the BoC's target of 2% by end-2024 with consumer prices moderating slowly, assisted by the high base of 2023. The Canadian dollar lost ground during the second half of the 2010s, but the country's excellent access to international debt markets is expected to enable recovery in the next 2 years, with the local currency estimated to average C\$1.26:US\$1 in 2025-28, with limited volatility. The current account is likely to remain in deficit throughout 2025-28, with stronger demand for goods imports and weakening oil prices.

Switzerland



The Swiss economy is highly open, developed and services-oriented, with exports comprising more than two-thirds of GDP. The economic activity is expected to remain muted in 2024, with real GDP growing by just 0.9% (after a tepid 0.8% in 2023). Domestic demand and fixed investment is likely to continue to be constrained by high interest rates in the short term, while the weak external environment could dampen demand for exports and lead to continued weakness in Switzerland's export-orientated industries. The average consumer price inflation is expected to slow to 1.4% in 2024, reflecting weaker imported inflationary pressures. The Swiss franc remains strong by recent historical standards, supported by its safe-haven status and an expectation that the Swiss National Bank will hold rates at their current level over the short term. Switzerland's current-account surpluses are typically large in a global context, underpinned by substantial trade surpluses due to a strong manufacturing sector that is valued for high-quality products. After an estimated current-account surplus of 10% of GDP in 2023, it is expected to moderate over 2024-25 as the trade surplus shrinks, reflecting a firm import growth.

Bolivia



The Bolivian economy is expected to experience a degrowth from 2.2% in 2023 to 1.9% in 2024 as private consumption growth softens and exports contract. As a net goods importer, Bolivia is exposed to global inflationary pressure. The average inflation is expected to accelerate to 3.5% in 2024 as against 2.6% in 2023. The current-account deficit is likely to widen from an estimated 3.1% of GDP in 2023 to 4.3% of GDP in 2024 and to 4.5% of GDP in 2025 as Argentina slashes imports of natural gas. Bolivia's Central Bank is unlikely to change the exchange rate (Boliviano 6.91:US\$1) in 2024 due to upcoming general elections in 2025. Higher current account deficits followed by limited foreign exchange reserves which covered only 1.5 months of imports in 2023, net outflow of FDI and lack of access to external capital markets have worsened the government's creditworthiness. Political stalemate has impeded the government's ability to secure timely access to official external funding and has exacerbated the weakening economic conditions. Overall, Bolivia's economic future remains precarious in the medium term.

China



China is expected to remain under downward pressure with a forecasted growth of 4.7% in 2024 vis-à-vis 5.2% in 2023. The slump in the Chinese real estate market following the Covid-19 crisis and regulatory crackdown by the government on financing methods after the failure of Evergrande, the largest real estate firm in the State has shaken investors' confidence. In addition to that, deflationary pressure overshadows the Chinese economy. The inflation rate for 2024 is expected at 1% driven by expected rises in commodity prices, especially of pork. The renminbi exchange rate may stabilize in 2024 to CN¥7.1:US\$1 after a bout of weakness in 2022-23 given the end of the monetary-tightening cycle in the US. Demand for Chinese goods is rising as global stockpiles dwindle, making China a key supplier again with a projected current account surplus of 1.5% of GDP in 2024. Private consumption, public investments and retrieval of exports are likely to help sustain the recovery of the economy in 2024. Demographic issues like shrinking working-age population and mixed productivity outlook pose a challenge in the medium run. ■

Currency Currents

Contributed by: Treasury & Accounts Group

US Dollar



The dollar fell nearly 3% last year after consumer prices finally began easing after the aggressive rate hikes by the Federal Reserve. In addition, concerns about recession risks, the end of Japan's negative rate regime, as well as rising Bitcoin and commodity prices also weighed on the greenback.

The dollar is on track and is trading on a positive note, supported by the growing speculation that the Federal Reserve is likely to maintain its high-for-longer interest rate narrative as inflation in the US remains elevated. Demand for safe-haven assets may persist this year, given the ongoing wars in Ukraine and Gaza, slowing growth from Europe to China, and a slew of elections that will determine the leadership of over 40% of the world's population. Further, the likelihood that central banks are about to embark upon the most synchronized reduction of interest rates since 2008 would support the dollar in its current rebound.

US\$/INR pair remained narrow range and has been trading between 83.35 and 82.64 in the current quarter and the pair closed at 83.1675 as of March 20, 2024.

Indonesia Rupiah



Indonesia's annual inflation rate has stayed within the central bank's target range since mid-2023, following Bank Indonesia (BI)'s decision to hike interest rates, a total of 250 basis points between August 2022 and October 2023. In the recent policy meeting, Indonesia's central bank kept borrowing costs unchanged at five-year high of 6%, to support the rupiah, as policymakers opted to ease access to credit to spur the economy without the need to cut the benchmark interest rate. The extended rate pause should help support the rupiah, which has slipped about 2% against the dollar so far this year. Uncertainty surrounding the US Federal Reserve's interest-rate trajectory continues to overshadow emerging market currencies, most of which have weakened against the US dollar. However, the rupiah has performed better than many of its regional peers.

Early this month, the Reserve Bank of India (RBI) and the Bank Indonesia (BI) has signed a Memorandum of Understanding (MoU) in Mumbai for establishing a framework to promote the use of local currencies viz., the Indian Rupee (INR) and the Indonesian Rupiah (IDR) for cross-border transactions. After the West imposed sanctions on Russia for invading Ukraine in February 2022, many other countries sought to reduce their dependence on the US dollar for trade settlement.

The closing rate of US\$/IDR as on March 20, 2024, stood at 15,710.

Cuban Peso



Cuba is mired in an energy and economic crisis that has worsened since the Covid-19. The energy shortage in the Communist – run country leading to the switch-off of public lighting during peak hours is indeed a significant issue that has been ongoing for several years and have worsened in recent months due to lack of fuel.

Cuba implemented a dual currency system in 1994 with the introduction of the Cuban Convertible Peso (CUC), alongside the existing Cuban Peso (CUP). After almost three decades of operating with a dual currency, Cuba's national peso (CUP) and its convertible peso (CUC) were unified which abolished the Cuban convertible peso as well as the 1 CUP/US\$ rate for state enterprises. Henceforth, the Cuban Peso became the only legal tender in Cuba. The Peso is pegged to the US dollar, with the CUP fixed at 24 pesos to US dollar. Despite the official unification, the existence of an informal exchange rate persists, reflecting ongoing challenges and distortions within Cuba's economy. The informal rate, currently trading above 300 pesos to US dollar, is often seen as a better reflection of the true value of the Cuban peso, compared to the official exchange rates.

Egyptian Pound



Egypt is currently enduring its most severe economic crisis since the 2011 revolution. The combination of a weak currency, high inflation, capital flight, and a growing debt burden is putting immense pressure on the country's economy. This situation has been worsened by ongoing unrest in the Red Sea region and declining revenues from the Suez Canal, further straining Egypt's foreign currency reserves.

Egypt's recent agreement with the International Monetary Fund (IMF) marks a significant step in its efforts to stabilize its economy amidst the ongoing challenges it faces. The US\$ 8 billion deal with the IMF, along with an additional US\$ 1.2 billion loan for environmental sustainability, provides much-needed financial support to Egypt.

The decision by the Central Bank of Egypt to raise interest rates significantly, with the overnight lending rate reaching 28.25% and the overnight deposit rate at 27.25%, has led to a record low for Egypt's pound, hovering around 50 against the US dollar. Prior to the de-facto devaluation and the steep interest rate hike, the central bank had maintained the currency at a level just under 31 pounds to the dollar for about a year.

The closing rate of US\$/EGP as on March 20, 2024, stood at 46.96. ■

Exim Mitra

Contributed by: **Exim Mitra Group**

In an endeavour to enhance India's International trade and to reduce the asymmetry in availability of information on trade finance, credit insurance facilities and other trade related intelligence amongst Indian entrepreneurs, India Exim Bank launched a portal which aims to make concerted efforts towards fulfilling the twin objectives, namely providing information on credit availability for exports, and delivering trade related information. Exim Mitra, attempts to demystify queries related to international trade received from Indian entrepreneurs, some of which are listed below:

Information on Market Development Assistance (MDA) Programme for Indian exports

The Market Development Assistance (MDA) Programme is a financial assistance scheme offered by the Ministry of Commerce, Government of India, to help Indian exporters promote their products and services in international markets. The objective of this Programme is assisting Indian exporters in exploring and developing new markets overseas, supporting Export Promotion Councils (EPCs) in undertaking export promotion activities for specific products and commodities, helping approved organizations and trade bodies conduct innovative export promotion initiatives for their members and providing financial assistance for focus export promotion programs in specific regions like Latin America and the Caribbean (LAC), Africa, CIS (Commonwealth of Independent States), and ASEAN+2 (Association of Southeast Asian Nations + 2).

Exporting companies with an f.o.b. (free on board) value of exports up to Rs. 15 crores in the preceding year can avail benefits for participation in trade fairs, exhibitions, and trade delegations. EPCs and trade bodies can apply for grants to undertake promotional activities for their members' products and services. The Market Development Assistance Programme is an active and ongoing initiative by the Ministry of Commerce. One can find the latest information and application guidelines on the official website of the Ministry of Commerce <https://commerce.gov.in/about-us/divisions/export-services-division/export-and-arket-development-assistance-emma/>.

What is Bill of Entry (BoE) and who takes responsibility of Bill of Entry (BoE) in high seas sales?

A Bill of Entry (BoE) is a crucial document used in customs clearance procedures for importing goods into a country. It essentially declares the imported goods to the customs authorities, providing details of description of the goods, quantity, value, country of origin.

In a high sea sale, the ownership of the goods is transferred on the high seas, outside the territorial waters of any country. However, when the final buyer (importer) brings the goods into their home country, a Bill of Entry needs to be submitted. In most cases, the final buyer who intends to clear the goods through customs is responsible for submitting the Bill of Entry. They will also be liable for paying any applicable customs duties and taxes (like GST - Goods and Services Tax in India). There can be exceptions to this responsibility depending on the specific agreement between the seller and the buyer: In some cases, the initial seller might agree to handle the customs clearance process on behalf of the final buyer. This could be done to keep the final selling price between the seller and the first high sea buyer confidential from the final importer. In this scenario, the seller would act as an agent for the final buyer and file the Bill of Entry with the necessary documents.

The Bill of Entry should be accurate and reflect the true value and description of the goods. Customs authorities may require additional documentation besides the BoE for high sea sale transactions, so it's crucial to consult with customs regulations or a customs broker for specific requirements.

Information on recovering customs duty and reversing MEIS debit in case of lost container.

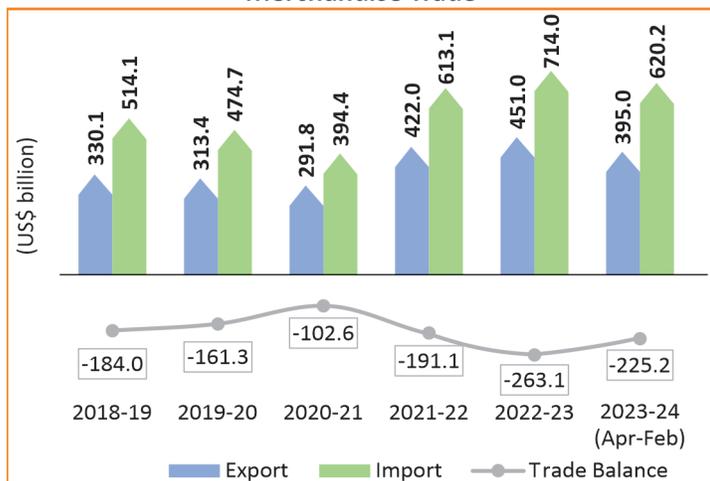
When a container is declared as "once good" and is lost during export, retrieving customs duty paid and reversing the debit to your MEIS (Merchandise Exports from India Scheme) reward scrip becomes crucial. The Customs Act, 1962, offers provisions for claiming drawback of customs duty paid on exported goods that have not physically landed at the intended destination port. One will need comprehensive documentation proving the container's loss like Bill of Lading (BoL) with a declaration of loss from the shipping line, insurance claim documents confirming the loss, police complaint (if applicable). One has six months from the expected date of arrival at the destination port to file a drawback claim.

The process for reversing the debit to your MEIS reward scrip depends on the specific guidelines of the DGFT (Directorate General of Foreign Trade). One needs to file an application with the DGFT, explaining the container loss and attaching proof of drawback claim submission to customs. After scrutiny and approval by DGFT, the process to reverse the debit to one's MEIS scrip will be initiated. ■

Snippets on Indian Economy

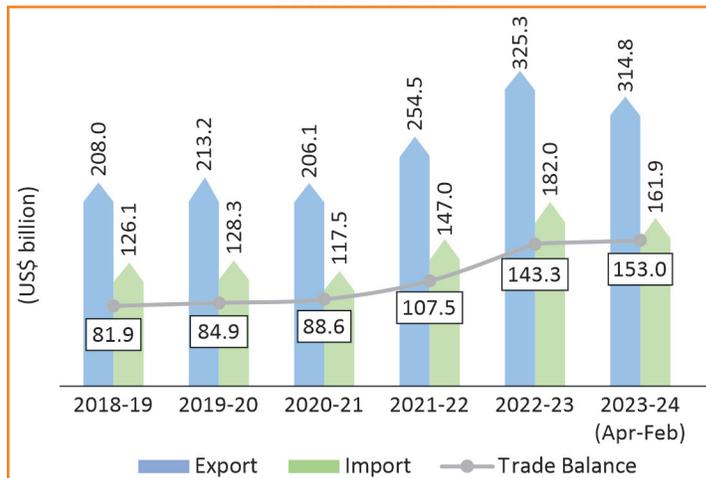
Contributed by: Research & Analysis Group

Merchandise Trade



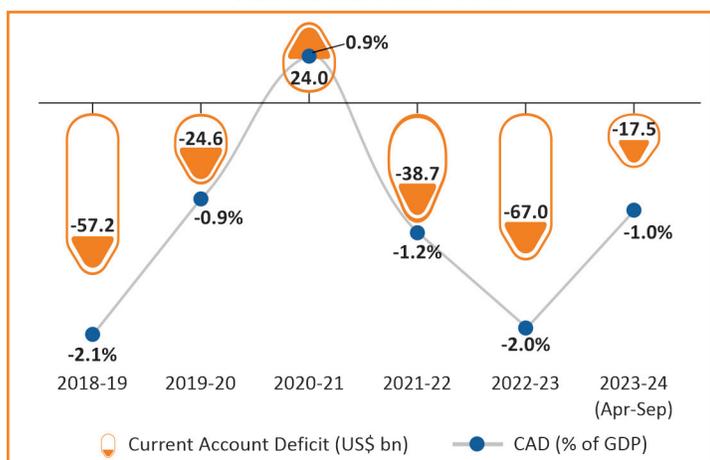
Source: Ministry of Commerce and Industry, GoI

Services Trade



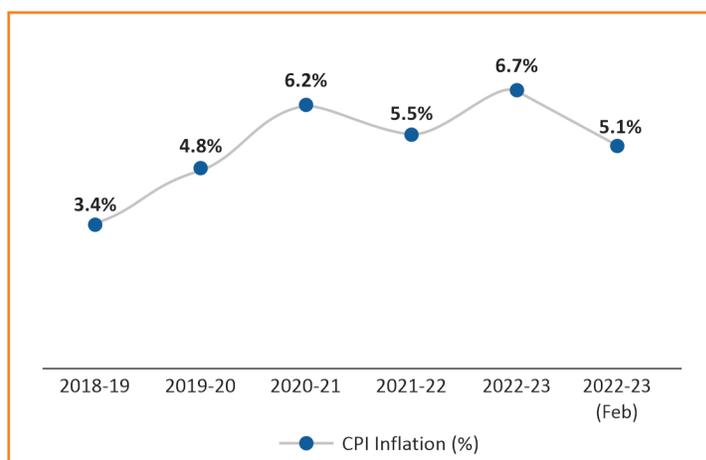
Source: RBI

Current Account Deficit



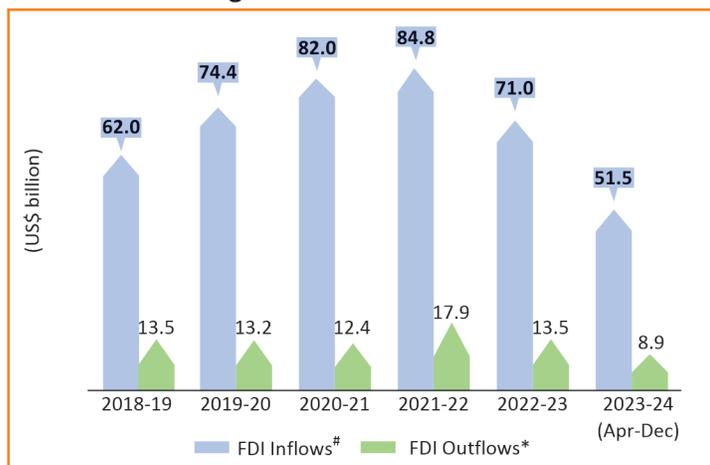
Source: RBI

Consumer Price Inflation



Source: Ministry of Statistics and Programme Implementation, GoI

Foreign Direct Investment Flows

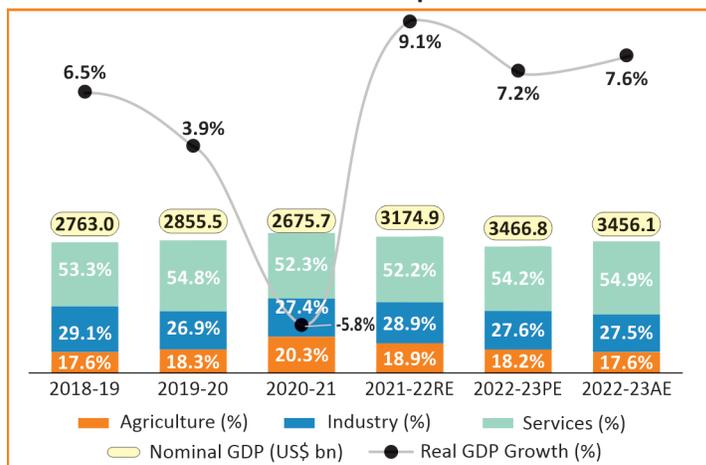


Note: * - FDI Outflows reflect actual figures and include equity, loans and guarantees invoked

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

Source: RBI and Ministry of Finance, GoI

Sectoral Output



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

Source: Institute of International Finance & MOSPI, GoI