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BRICS: Building Stronger Partnership - An Indian Perspective

BRICS is an acronym for Brazil, Russia, India, China and South Africa. The BRICS countries together account for more than a fifth of global GDP and has contributed to more than 50% of world economic growth in last 10 years[1]. It also accounts for nearly 43% of global population. Initially called BRIC, without South Africa, this group was dubbed so by Jim O'Neill of Goldman Sachs in 2001, in a paper titled 'Building Better Global Economic BRICs'. This paper concluded that over the next 10 years, the weight of the BRIC countries and especially China in world GDP will grow, raising important issues about the global economic impact of fiscal and monetary policy in the BRIC countries.

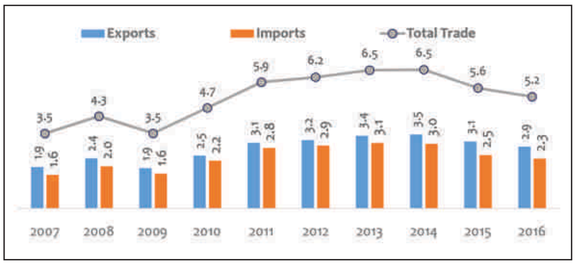
The first BRIC Foreign Ministers' Meeting was held in 2006 among China, Brazil, Russia and India on the margins of the general debate of the 61st session of the United Nations General Assembly, which drew the prelude for BRIC cooperation. In 2009, the first BRIC Summit was held in Yekaterinburg, Russia. Since then, the Summit has become an annual event. To date, 9 Summits have been held. In December 2010, China, as the Chair, invited South Africa to join BRIC and attend the Summit in Sanya, China. BRIC officially enlarged to include 5 countries and the acronym changed into BRICS. These five emerging global powers from the continents of Asia, Africa and Latin America – are incrementally increasing their global engagements and using their economic weight to redefine the international landscape in myriad areas.

BRICS Global Trade

As in the case of its rising share in global GDP, the BRICS economies have been at the forefront, even in terms of trade by providing a strong growth impetus to world trade. The share of BRICS in global trade (exports plus imports) has increased from 12.6% in 2007 to 16.4% in 2016. Similarly, the BRICS economies together accounted for 18.3% of global exports in 2016, up from 14.1% in 2007.

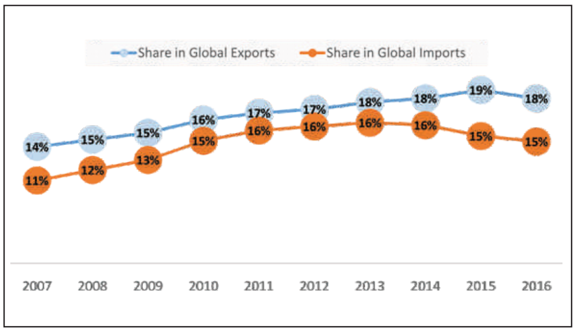
The total trade of BRICS has increased from US$ 3.5 trillion in 2007 to US$ 5.2 trillion in 2016. Over the past two years, total trade of BRICS has declined significantly. In 2015, the decline in exports was across all the countries. In 2016, only South Africa registered an increase in exports.

Chart 1: BRICS Countries Trade with Rest of the World (US$ trillion)



Source: Trademap, ITC Geneva

Chart 2: BRICS share in World Exports and Imports



Source: Trademap, ITC Geneva

India's Trade with BRICS

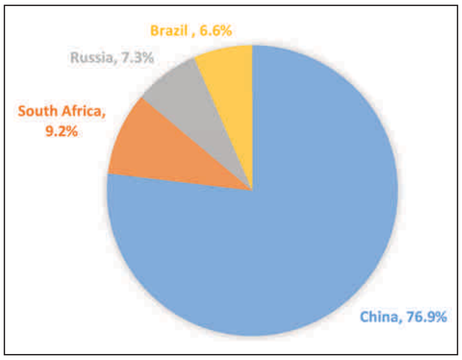
Over the past decade India's trade with BRICS has increased from US $ 45.8 billion to US $ 90.2 billion. While the share of Indian exports to BRICS to India's exports to the world fell from 9.9% in 2007 to 6.3% in 2016, the share of imports in the corresponding time period increased from 14.3% to 20.7%. Consequently, India's trade deficit with BRICS has deteriorated significantly from US $ 16.9 billion in 2007 to US $ 57.7 billion in 2016.

Some of India's top exporting items to BRICS in 2016 were mineral fuels and oils (9.3%); organic chemicals (8.3%); cotton (8%); ores, slag, ash (7.2%); and machinery and mechanical appliances (6.1%). On the other hand, top importing items in 2016 were electrical machinery and equipment (28.3%); machinery and mechanical appliances (14.9%); organic chemicals (7.8%); pearls and precious stones (5.8%); and iron and steel (5.8%).

[1] International Monetary Fund Data

Among the BRICS countries, China is the biggest trading partner of India with a share of almost 77%, followed by South Africa (9.1%), Russia (7.3%), and Brazil (6.6%)[2].

Chart 3: Share in Total Trade with BRCS



Source: ITC Geneva

Ninth BRICS Summit at Xiamen, China

In the ten years since its inception, BRICS cooperation has continued to consolidate its foundation and has grown into an important platform for cooperation in development. In the year 2017, China officially took over the BRICS Chairmanship and organised the ninth BRICS Summit at Xiamen, China under the theme of *"BRICS: Stronger Partnership for Brighter Future."* The summit aimed for strengthening and building-

- **A partnership that upholds world peace.** BRICS countries should advocate common, comprehensive, cooperative and sustainable security, act in coordination and render each other support. It is important to uphold international fairness and justice and call for peaceful and political settlement of disputes through dialogue and negotiation.
- **A partnership that promotes common development.** BRICS countries should strengthen macroeconomic policy coordination, press ahead with structural reforms, adopt innovative growth models and foster an open world economy. Efforts should continue to be made to hold high the banner of development and facilitate market inter-linkages, financial integration and infrastructure connectivity among BRICS countries.
- **A partnership that carries forward diversity of civilizations.** BRICS countries should support all-dimensional friendly exchanges and people-to-people contacts carried out by all walks of life to bringing people closer, and enhance mutual understanding and traditional friendships between BRICS peoples to garner more popular support for BRICS cooperation.
- **A partnership dedicated to improved global economic governance.** BRICS countries should continue to push forward the reform of global economic governance so as to make it reflect the historical trend of the rise of emerging markets and developing countries and provide these countries with bigger voice and representation in international affairs.

Features of Xiamen Declaration

The Xiamen Declaration signed by the members during the summit emphasized that BRICS, as a forum, has "fostered the spirit of mutual respect and understanding, equality, solidarity, openness, inclusiveness and mutually beneficial cooperation," among the members and reiterated the shared desire for "peace, security, development and cooperation." The Summit concluded with leaders agreeing upon[4]-

- Striving towards broad partnership, BRICS Plus- BRICS countries agreed to strive towards broad partnerships with emerging markets and developing countries and pursue equal footed and flexible practices and initiatives for dialogue and cooperation with non-BRICS countries, including through BRICS Plus cooperation (It includes Thailand, Tajikistan, Egypt, Kenya and Mexico).
- BRICS Local Currency Bond Market- Member countries resolved to promote development of BRICS local currency bond market and agreed to jointly establish a BRICS local currency bond fund and facilitate financial market integration. They will also encourage explorations toward the establishment of the BRICS Institute of Future Networks.
- R&D and innovation in ITC- They agreed to enhance joint research, development and innovation in information and communications technology (ICT), including internet of things (IoT), big data, data analytics, cloud computing, nanotechnology artificial intelligence, 5G and their innovative applications.
- Cooperation in Energy- They agreed to strengthen BRICS cooperation on energy and work to foster open, flexible and transparent markets for energy commodities and technologies. They also agreed to work together promote most effective use of fossil fuels and wider use of gas, hydro and nuclear power to move towards low emission economy, better energy access and sustainable development.
- BRICS Agriculture Research Platform- It is proposed to be established in India which will serve as virtual network facilitating cooperation in priority areas.
- People to People Exchanges- It should be promoted for development and enhancing mutual understanding, friendship and cooperation among BRICS countries.

BRICS Economics Research Annual Award

In the context of India's Chairmanship of the BRICS Forum during 2016, and under Exim Bank's Presidency of the BRICS Interbank Cooperation Mechanism, Exim Bank instituted the BRICS Economic Research Award in March 2016. The objective of the Award is to stimulate and encourage advanced doctoral research on economics related topics of contemporary relevance to the member nations of BRICS. The Award comprises prize money of Indian Rupees 1.5 million (approximately USD 23,000), a medal and a citation.

During the 7th Annual BRICS Financial Forum hosted by the China Development Bank (CDB) in Beijing, Dr. Raquel Almeida Ramos was declared the winner of Export-Import Bank of

[2]Trademap, ITC Geneva
[3]https://www.brics2017.org/English/China2017/Theme/
[4]http://www.bricschn.org/English/2017-09/05/c_136583711.htm

India's (Exim Bank's) BRICS Economic Research Award 2017 for her doctoral thesis titled "Financialization and its Implications on the Determination of Exchange Rates of Emerging Market Economies". The Award was presented to the winner by Mr. Hu Huaibang, Chairman, China Development Bank (CDB), in the presence of the Heads of the member development banks from BRICS viz. Mr. Paulo Rabello de Castro, President, Brazilian National Bank for Economic and Social Development (BNDES); Mr. Nikolay Tsekhomskiy, First Deputy Chairman, Bank for Development and Foreign Economic Affairs of Russia, Vnesheconombank (VEB); Mr. David Rasuqinha, Managing Director of Export-Import Bank of India; and Mr. Jabu Moleketi, Chairman, Development Bank of Southern Africa (DBSA). The Exim Bank's occasional paper based on Dr. Ramos' Award winning thesis was also released on the occasion.

Dr. Raquel Almeida Ramos received her doctoral degree in 2016 from the Université Paris 13, Sorbonne Paris Cité, France and Universidade Estadual de Campinas, Brazil. She is currently working as a Research Fellow at the Centre d'Économie de Paris Nord, Université Paris 13, Sorbonne Paris Cité, France.

A Brief Overview of the Award Winning thesis

Financialization and its Implications on the Determination of Exchange Rates of Emerging Market Economies

The Study investigates the impacts of financialization on the dynamics of exchange rates in emerging market economies (EMEs). The early 2000s was marked with a new expansionary phase of the international liquidity cycle and capital flows to (EMEs). Since then, the newly floating exchange rates of some EMEs have been 'a constant upheaval', presenting large swings and extreme depreciations according to changes in international financial conditions.

Such exchange rate dynamics is not in line with mainstream exchange rate literature that fails to account for features such as fat tails and volatility clustering. Specifically, two main characteristics of emerging currencies explain why they are massively sold in case of turbulence. First, they are not used as reserve of value, and during crisis, the preference for the most liquid currency increases. Second, they are not used as denominator of financial liabilities, which are needed when crises emerge and financial obligations must be met.

From a focus on the international level, the study suggested a definition of financialization as the patrimonial and increasingly speculative logic of finance at the international level – as revealed from the innovations of usages and products and the amounts traded. As analyzed, the major volumes traded internationally relative to the underlying productive economy led authors to argue that finance was no longer attached to its prior functions of financing trade and production, following its own logic. The 'excess' increase of finance was related to financial integration, that grew considerably with liberalization and materialized in important increases in the volumes traded on the financial account vis-a-vis the current account. The study refers to this phenomenon as the (re)emergence of a patrimonial logic of finance at the international level.

Policy Implications

Emerging currencies are subordinated to international financial conditions because of their type of insertion and because their demand depends on international liquidity preference – ultimately due to their currencies' low liquidity premium vis-a-vis of the central ones. In this context, two main policy alternatives emerge.

The first is a reform of the IMFS similar to Keynesian suggestion of an 'International Clearing Union', a central bank of central banks that would issue an international currency, as the 'bancor', and liquidate countries' central banks position. An international currency to denominate contracts and that allow countries to trade in their own currencies would decrease the asymmetries of the international monetary system where the U.S. dollar is the only currency that exercises the three functions of money, thus reducing the subordination of every other currency, including the ones from EMEs.

The second alternative includes country-level policies focused on decreasing fragility given the structural asymmetry. In this sense, the main options are: capital inflow controls, reserves of foreign assets and 'derivatives management techniques'. As argued, these policies decrease the impact of money managers' innovative strategies in building the fragility of emerging currencies. Accordingly, they could attenuate the deleterious impacts from the hierarchical nature of the IMFS, and are a crucial step in favouring long-term investments, trade, and growth through more stable exchange rates and monetary policy autonomy.

4 Indian Automobile & Auto Component Industry: Recent Trends and Outlook

The automotive industry, comprising automobiles and auto components, has witnessed a continuous evolution ever since the development of the first few prototypes back in the late nineteenth century. The industry has today emerged as a dynamic one, accounting for approximately one in ten jobs in industrialized countries. Even for developing countries, the automotive sector has emerged as a catalyst for growth opportunities, especially because of the vast linkages that the auto industry has with other sectors.

Production and Trade

The Indian automobile industry has grown at a fairly healthy pace, aided by robust economic activity and infrastructure development; growing middle class population with disposable income and availability of easy consumer finance facilities. The industry manufactures almost all major transport vehicles such as cars, multi-utility vehicles, light commercial vehicles, buses, trucks, tractors, motorcycles, scooters, mopeds and three-wheelers. India is currently the largest manufacturer of tractors, second largest manufacturer of two wheelers and buses, fifth largest heavy truck manufacturer, sixth largest car manufacturer and eighth largest commercial vehicle manufacturer in the world.

The volume production of Indian Automobiles has registered a CAGR of over 4.43% during 2011-12 to 2016-17. The two wheeler segment constituted a major share of the total production of automobiles in the country which accounted 79% of the production in 2016-17, followed by passenger vehicles with a share of 15%, and three wheelers and commercial vehicles each at 3%. By 2026, India is expected to be the third largest automotive market by volume in the world. Exports as a percentage of production has increased from 12.97% in 2010-11 to 13.74% in 2016-17, indicating the growing capability of the Indian Automobile industry to meet the international standards and increasing acceptance of automobiles manufactured from India in the global market.

During the period April-September 2017, the total production of vehicles registered a growth of 9.18 percent. The domestic sales of passenger vehicles registered a growth of 9.16 in April-September 2017, commercial vehicles grew by 5.96 percent and two-wheelers grew by 10.14 percent over the corresponding period of the last year. Three Wheelers sales declined by (-) 9.89 percent in April-September 2017 over the same period last year. Overall automobile exports grew by 10.71 percent in April-September 2017. Two and three-wheeler segments registered an export growth of 15.22 percent, and 19.42 percent respectively, while passenger vehicles and commercial vehicles declined by (-) 1.34 percent and (-) 28.53 percent, respectively in April-September 2017.

The Indian auto-components industry has also experienced a healthy growth over the last few years. A buoyant end-user market, improved consumer sentiment and return of adequate liquidity in the financial system are some of the factors attributable to this growth. The turnover of the Indian auto component industry has grown from USD 42.2 bn in 2011-12 to USD 43.5 bn in 2016-17. The exports of Auto components from India have grown at a CAGR of 4.37% from USD 8.8 bn in 2011-12 to USD 10.9 bn in 2016-17.

Government Initiatives

The Government of India encourages foreign investment in the automobile sector and allows 100 per cent FDI under the automatic route. Some of the major initiatives taken by the Government of India are:

- Plans to introduce biofuel vehicles for road and water transportation. India needs to cut fossil fuel imports and look for alternative and cheaper fuels like methanol.
- Aims to make automobiles manufacturing the main driver of 'Make in India' initiative, as it expects passenger vehicles market to triple to 9.4 million units by 2026, as highlighted in the Auto Mission Plan (AMP) 2016-26.
- The government has formulated a Scheme for Faster Adoption and Manufacturing of Electric and Hybrid Vehicles in India, under the National Electric Mobility Mission 2020 to encourage the progressive induction of reliable, affordable and efficient electric and hybrid vehicles in the country.

Outlook

According to the AMP 2016–26, vehicle sales are expected to touch 66 million units by FY26. The Indian automotive aftermarket is estimated to grow at around 10-15 per cent to reach US$ 16.5 billion by 2021 from around US$ 7 billion in 2016. The Indian auto sector has the potential to generate up to US$ 300 billion in annual revenue by 2026, create 65 million additional jobs and contribute over 12 per cent to India's Gross Domestic Product[5].

A stable policy framework, growing purchasing power, large domestic market, and an ever-increasing development in infrastructure have made India a favourable destination for investment in the automotive sector.

[5]As per the Automotive Mission Plan 2016-26 prepared jointly by the Society of Indian Automobile Manufacturers (SIAM) and government

Crude Oil and Petroleum Products: Recent Trends and Outlook

Oil, one of the most important sources of energy, accounted for a third of global primary energy consumption in 2016. As per BP Statistical Review of Energy (2017), global oil production and consumption in 2016 stood at 4382.4 million tonnes and 4418.2 million tonnes respectively, 0.3% and 1.5% higher than in 2015. Oil is a finite resource and is not going to last forever. At the end of 2016, oil reserve to production ratio[6] stood at 50.6, meaning at current production rate, oil would last for about 51 years.

Production and Trade

Production of Petroleum Products by Refineries and Fractionators in India has been on a steady rise. From a total production of 68.4 million metric tonnes (MMT) in 1998-99, India has come a long way to producing 242.7 MMT in 2016-17. Crude oil processed by refineries was 245.4 MMT in 2016-17 as compared to 68.5 MMT in 1998-99.

The production of petroleum products in India registered a CAGR of 7.29 percent from 1998-99 to 2016-17. On the other hand, crude oil processed grew at a CAGR of 7.34 percent during the same period. The figure below shows the trend in production of petroleum products by refineries and fractionators and also the crude oil processed by refineries.

During 2016-17, India imported US$ 16.2 billion worth of Petroleum Products and exported US$ 31.7 billion worth of the same. The largest export destination of Petroleum products from India was Singapore with a share of 15.0 percent, followed by UAE (12.1 percent), the USA (5.9 percent) and the Netherlands (4.5 percent). On the other hand, Qatar was the largest import source of Petroleum products for India with a share of 31.5 percent, followed by UAE (16.1 percent), Saudi Arabia (11.62 percent) and the USA (7.2 percent).

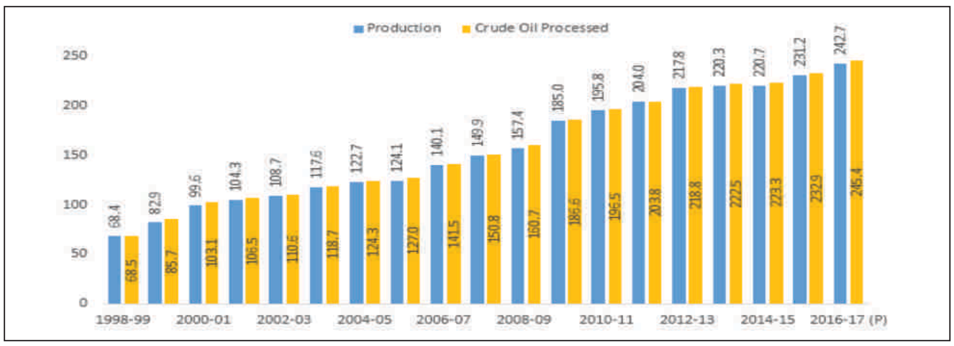
India's import bill for Crude amounted to US$ 70.7 billion in 2016-17. Saudi Arabia, with a share of 19.3 percent, was the largest import source, followed by Iraq (16.4 percent), Iran (12.6 percent), and UAE (9.6 percent).

The total imports for Petroleum (crude and products combined) amounted to US$ 86.9 billion in 2016-17. Saudi Arabia was the largest import source with a share of 17.9 percent, followed by Iraq (13.4 percent), UAE (10.8 percent) and Iran (10.4 percent).

Government Initiatives

Some of the major initiatives taken by the Government of India to promote oil and gas sector are:

Chart: Production of Petroleum Products & Crude Oil Processed in India



Source: Petroleum Planning and Analysis Cell, EXIM Bank Research

- State-run oil firms are planning investments worth Rs 723 crore (US$ 111.30 million)[7] in Uttar Pradesh to improve the liquefied petroleum gas (LPG) infrastructure in a bid to promote clean energy and generate employment.
- Plans to introduce a new policy to encourage the use of biofuels in transport fuel and is looking at an investment of Rs 1 lakh crore (US$ 15.64 billion) in the entire value chain.
- Plans to build a nine million tonne (MT) refinery in Rajasthan as well as a 60 MT refinery in Maharashtra, auction oil and gas fields, increase use of liquefied natural gas (LNG), and is in discussions with Saudi Arabian Oil Co (Saudi Aramco) regarding investments in India.
- The Cabinet Committee on Economic Affairs, Government of India, has approved the awarding of contracts on 23 onshore and 8 offshore contract areas of discovered small oil and gas fields that earlier belonged to Oil and Natural Gas Corporation (ONGC) and Oil India Limited (OIL).

Outlook

India's oil demand is expected to grow at a CAGR of 3.6 per cent to 458 Million Tonnes of Oil Equivalent (MTOE) by 2040, while demand for energy will more than double by 2040 as economy is expected to grow to more than five times its current size[8].

The initiatives taken by the Government, coupled with the positive impacts of low oil prices in the recent past, like improvement in the current account balances, have made India a favourable destination for investment – both domestically and globally.

[6]Reserves-to-production (R/P) ratio – If the reserves remaining at the end of any year are divided by the production in that year, the result is the length of time that those remaining reserves would last if the production were to continue at that rate

[7]Exchange Rate Used: INR 1 = US$ 0.015 as on November 16, 2017

[8]Ministry of Petroleum and Natural Gas

India's Bilateral Trade with BIMSTEC Countries

A Background on BIMSTEC

BIMSTEC, which was initially called BIST-EC (Bangladesh, India, Sri Lanka, Thailand - Economic Cooperation), was formed in June 1997 through the Bangkok Declaration. Following the inclusion of Myanmar in December 1997, the organization was renamed as BIMST-EC. With the inclusion of Nepal and Bhutan in February 2004 at the 6th Ministerial Meeting in Thailand, the name was changed to BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation)[9].

On June 6, 2017, BIMSTEC completed 20 years of its establishment. The BIMSTEC, comprising of Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand has a combined population of 1.65 billion[10] – 22.3% of the world population, and a combined GDP of over US$ 3.1 trillion, which represents 4.1% of Global GDP in 2016 (US$ 75.3 trillion)[11]. BIMSTEC has the advantage of covering both South Asia (India, Bangladesh, Nepal, Bhutan and Sri Lanka) and South East Asia (Myanmar and Thailand) and also serves as a common platform for intra-regional trade and cooperation among the SAARC and ASEAN members.

India's Bilateral Trade Relations with the BIMSTEC

India's trade with BIMSTEC countries has witnessed a steady growth over the recent years, from US$ 23.3 billion in 2011-12 to US$ 29.5 billion in 2016-17. While India's imports from BIMSTEC have remained relatively unchanged during the period, the exports to BIMSTEC have witnessed a sharp rise, from US$ 14.6 billion 2011-12 to US$ 20.9 billion in 2016-17. Consequently, India's trade surplus with BIMSTEC, has increased over the period, from US$ 6 billion in 2011-12 to US$ 12.4 billion in 2016-17.

India-BIMSTEC trade accounted for 4.5 per cent of India's total international trade in the year 2016-17. While India's exports to BIMSTEC accounted for 7.6 per cent of India's total exports, India's imports from BIMSTEC accounted for only 2.2 per cent of India's total imports. Among the BIMSTEC countries, Thailand is India's largest trading partner, accounting for 29 per cent of India's total trade with BIMSTEC, followed by Bangladesh, which accounted for 25.5 per cent of India's trade with BIMSTEC during the year 2016-17.

The BIMSTEC Free Trade Area Framework Agreement was signed in 2004 but it was not made operational due to lack of consensus in areas such as modalities of tariff reduction and elimination, size of the negative list, criteria for rules of origin, mechanism of dispute settlement, safeguard measures, customs operations and negotiations on the agreements on service and investment. The Framework Agreement is expected to cover trade in goods and services, investment, economic cooperation, as well as trade facilitations and also technical assistance for LDCs in BIMSTEC.

India's Investments in BIMSTEC Countries

In the investment front, India's focus towards the BIMSTEC region has been increasing over the past decade. India's cumulative outward FDI to the region stood at US$ 2.2 billion between 2006 and 2016, and the size of OFDI has been growing steadily over the period.

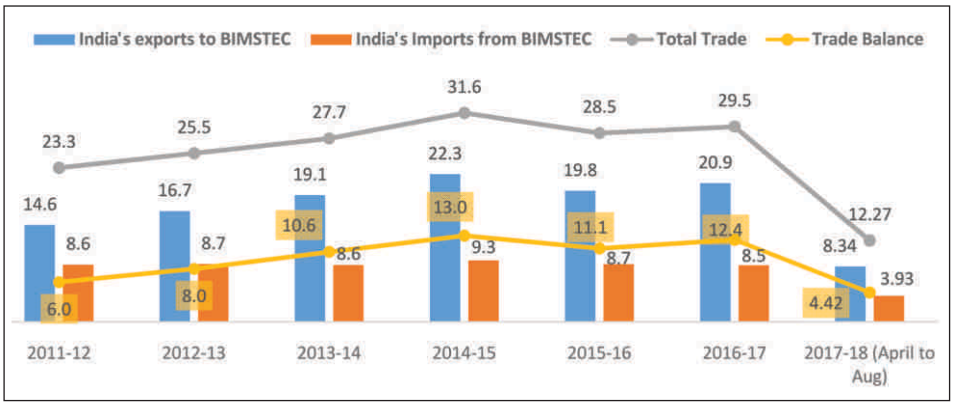
India's OFDI is mostly concentrated in three countries namely Bangladesh, Thailand and Sri Lanka[12]. Bangladesh has received Indian investment in sectors like energy, textiles, pharmaceuticals, automotive, consumer goods and telecommunication. On the other hand, Thailand has received investment in sectors such as agricultural products, minerals & ceramics, metal products and machinery, electrical and electronic products, chemicals and textiles. India is among the top four investors in Sri Lanka, wherein India's investments are in diverse areas including petroleum retail, IT, financial services, real estate, telecommunication, hospitality & tourism, banking and food processing (tea & fruit juices), metal industries, tires, cement, glass manufacturing, and infrastructure development (railway, power, water supply)[13].

India is one of the biggest investors in Nepal and Myanmar, accounting for about 40% of the total approved FDI in Nepal, majorly in sectors such as manufacturing, services (banking, insurance, dry port, education and telecom), power sector and tourism industries, and being the tenth largest investor in Myanmar with majorly in oil & gas and banking sector.

India-BIMSTEC Relations: Recent Initiatives

The Fifteenth BIMSTEC Ministerial Meeting was convened in Kathmandu, Nepal on 10-11 August 2017. The statement by India's External Affairs Minister in the meeting highlighted a wide range of initiative that India is undertaking, which involves high level multi-sectoral conferences; trade and tourism expo; Start-up Summit to boost innovation by bringing start-ups from the region together; and business conclave to showcase ready-to invest projects, among others. These initiatives would not only promote trade, investments, innovation and people-to-people contacts, but would also enhance the visibility of "Brand BIMSTEC".

Chart: India's Trade with BIMSTEC Countries (US$ bn)



Source: Ministry of Commerce and Industry, Government of India

[9]www.bimstec.org/overview
[10]World Development Indicators, World Bank
[11]WEO April 2017 Database, IMF
[12]BIMSTEC The Road Ahead, RIS Report 2016
[13]Briefs on India's Bilateral Relations, MOCI

Overview

The world today is becoming increasingly conscious of the adverse impact caused due to the vagaries of an ever changing climate. In such a situation, one of the many strategies that could be undertaken is to facilitate wider usage of goods which would prevent, reduce, and eliminate environmental degradation. In this context, identification of what may be called "environmental goods" becomes important which would facilitate in reduction of factors causing climate change.

Discussions on environmental related goods began in November 2001 initially at the Doha Ministerial Conference of the WTO, wherein it was agreed to launch negotiations on certain issues related to trade and environment. The mandate of this negotiation in Paragraph 31 (iii) of the Doha Agenda called for "the reduction or as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services". Consequently, the process of listing of environmental goods began under special session convened by Committee on Trade and Environment (CTESS), which works under the ambit of the WTO.

The negotiations took an interesting turn twice in its course.

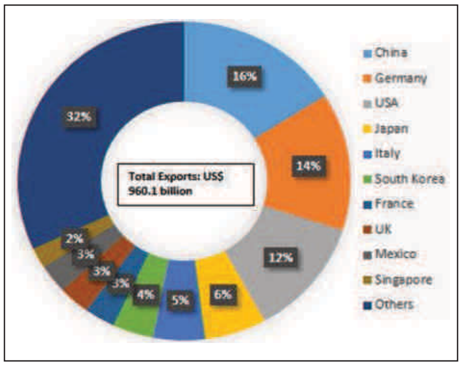
- First, when a well aligned comprehensive list of 153 items was submitted jointly by the 'Friends of Environmental Goods' group[14], in 2009, also known as Friends' List; and
- Second, when the WTO agreed to transform the environmental goods (EGs) from a multilateral to plurilateral negotiating initiative. This stated that the countries would build off the APEC list of 54 environmental goods as a starting point for their negotiations. It is interesting to note that out of 54 EGs in the APEC List, which served as a starting point for EG Agreement, 48 goods were those that were a part of 153 proposed goods under the 'Friends' List'.

Analysis of the 153 identified EGs under Friends' List

Global exports of items identified in the Friends' List of 153 EGs stood at US$ 960.1 billion in 2015, as against India's exports of US$ 9.8 billion, implying that the country had a share of around 1% in global exports of such items. Globally, the top exporters for 153 EGs in 2015 were China (16%), Germany (14%), the US (12%), Japan (6%), and Italy (5%) (Exhibit 1).

India's exports of EGs, as prescribed by the Friends' List (153 goods under HS codes), exhibited an AAGR of 4.3% during 2011 and 2015, increasing from US$ 8.3 billion to US$ 9.7 billion. However, imports showed a marginal decline from US$ 17.7 billion to US$ 16.8 billion, recording an AAGR of (-) 1%, during the same period.

Exhibit 1: Major Global Exporters of 153 EGs under the Friends' List (2015)



Source: Data derived from UN Comtrade; Exim Bank Research

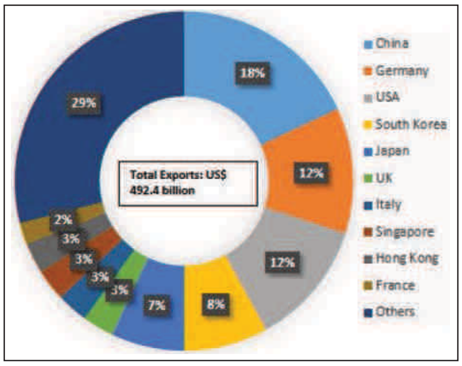
The major export markets for India for the EGs from the Friends' List of 153 goods in 2015 included the US (17%), UAE (7%), the UK (5%), Saudi Arabia (4%) and Germany (4%). The top 10 destinations together accounted for 52% of total exports of 153 EGs from India. Also, the major sources from where India imported these 153 goods, in 2015, were China (31%), Germany (13%), the USA (11%), Japan (7%) and South Korea (5%). The top 10 sources comprised 81% of total 153 EGs imported by India during 2015.

Analysis of the 54 identified EGs under APEC List

World exports of items identified as EGs in the APEC list stood at US$ 492.4 billion in 2015, as compared to India's exports of US$ 3.1 billion, implying a share of 0.64% for the country in global exports of such identified items. Globally, the top exporters for APEC list of 54 EGs in 2015 were China (18%), Germany (12%), the US (12%), South Korea (8%), and Japan (7%) (Exhibit 2).

India's trade deficit in 54 EGs stood at US$ 6.4 billion in 2015. While imports of EGs stood at US$ 9.6 billion in 2015, the exports stood at US$ 3.1 billion. During 2011 to 2015, the exports of EGs from India, registered an AAGR of 1.4%, better than the AAGR for imports of EGs, which witnessed a decline of (-) 0.2%.

Exhibit 2: Major Global Exporters of EGs under the APEC List (2015)



Source: Data derived from UN Comtrade; Exim Bank Research

Possible Initiatives to promote EGs in India

There are multiple options that are available for India to promote the growth of environmental goods in the country - from incentivising technology transfer, administering duty drawbacks based on end use, attracting and facilitating investments, and eventually supporting gradual reduction in tariffs.

In order to increase share of Indian EGs exports, a response could be to broaden the export capability of environmental goods through appropriate policies, which would help in attracting greater investments in this sector. If the basket of environmental products based on end-use includes products that show actual or potential export-growth for developing countries, those could be promoted to generate meaningful export earnings.

Another way to devise measures which would facilitate investments in the EGs space, would be to learn from some of the policy initiatives undertaken in other sectors, which could then be replicated or suitably adapted for the EGs sector. One such approach could be the policy framework adopted for the development of the automotive sector in India, which is considered to have achieved significant success.

The ongoing deliberations under the Environmental Goods Agreement faces issues like dual or multiple usage of identified EGs and hence the demand to have EGs products that are well-defined with its objectives. One possible solution could be wherein the Government or any other institution as defined by the Government, can refund the duties paid on imports of EGs for specific projects which would ameliorate climate change or environmental degradation.

The measures if implemented, would facilitate in increasing its export share in the Environmental Goods space.

[14]List of countries include Canada, the European Union, Japan, Korea, New-Zealand, Norway, Chinese Taipei, Switzerland and the United States

An Overview of India-Myanmar Trade

India and Myanmar share a long border of over 1600 kms as well as a maritime boundary in the Bay of Bengal. Four north-eastern states viz. Arunachal Pradesh, Nagaland, Manipur and Mizoram share boundary with Myanmar. Both countries share a heritage of religious, linguistic and ethnic ties. Further, Myanmar is the only ASEAN country adjoining India and, therefore is the gateway to South East Asia. This acts as an impetus for a greater economic integration through India's 'Look East' and now 'Act East' Policy.

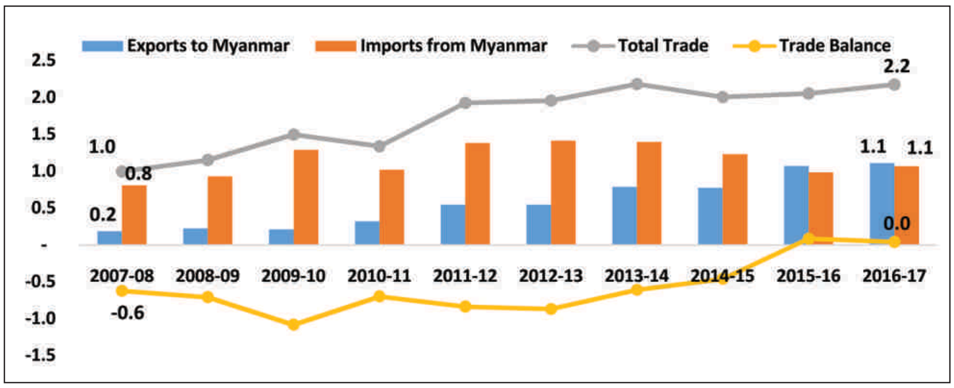
A bilateral trade agreement was signed between India and Myanmar in 1970. India's total trade with Myanmar increased steadily to reach US$ 2.2 billion in 2016-17 from US$ 1 billion in 2007-08. India's exports to Myanmar increased at a CAGR of 19.5 per cent to US$ 1.1 billion in 2016-17 from US$ 0.2 million in 2007-08. India's imports from Myanmar have also increased by a CAGR of 2.8 per cent to US$ 1.1 billion in 2016-17 from US$ 0.8 billion in 2007-08. Accordingly, India's trade balance with Myanmar changed to a surplus of US$ 40.7 million in 2016-17 from a deficit of US$ 0.6 billion in 2007-08.

Major items exported by India to Myanmar in 2016-17 were sugar and sugar confectionery (38.1 per cent of total exports), pharmaceutical products (16.6 per cent), transport vehicles other than railway or tramway (5.8 per cent), electrical machinery and equipment (4.9 per cent), machinery and mechanical appliances (4.2 per cent), and cotton (3.7 per cent).

Major imports of India from Myanmar during 2016-17 were edible vegetable and roots (75.8 per cent of total imports), wood and its articles (14.6 per cent), aircraft, spacecraft and parts (4.6 per cent), edible fruits and nuts (1.7 per cent), and coffee, tea and spices (0.9 per cent).

India is the fifth-largest trading partner of Myanmar but trade remains below potential as informal trade exists between the two countries. India-Myanmar border trade is currently below its potential, as a result of lack of several banking and related services that are crucial for formal trade at the border. Markets of North Easter Region (NER) states are generally flooded with foreign consumer goods that are traded even outside the legal channel[15]. A field survey conducted across nine Land Custom Stations (LCSs) in the NER shows the LCSs suffer from tremendous 'infrastructure deficit'. Unavailability of electricity, bad road, and manual handling of goods, unfriendly exchange rate and many such barriers are making the trade at border a costly affair[16]. As a result, unofficial (informal) trade is very much rampant. The high transaction cost at border can be mitigated through implementation of trade facilitation measures and policies, which should focus on reducing the number of agencies providing clearances.

Chart: Bilateral Trade between India and Myanmar (US$ bn)



Source: MOCI, GoI

Cooperation in the banking sector is crucial for investment and trade. United Bank of India signed banking agreements with banks of Myanmar (MFTB, MICB, MEB, and 9 private banks) to facilitate bilateral trade. United Bank of India, Indian Overseas Bank, EXIM Bank and State Bank of India have representative offices in Yangon.

Following are the regional agreements of which India and Myanmar are part of and therefore has an impact on the bilateral trade between both the nations:

- **Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC):** is an international organisation involving Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal. Myanmar is a signatory to the BIMSTEC Free Trade Agreement, and trades mostly with Thailand and India in the region.
- **Mekong Ganga Cooperation** (MGC): is an initiative by six countries – India and five ASEAN countries namely, Cambodia, Laos, Myanmar, Thailand and Vietnam – for cooperation in the fields of tourism, education, culture, transport and communication.
- **South Asian Association for Regional Cooperation** (SAARC): is an organisation of 8 South Asian nations (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka). Myanmar was given the status of observer in SAARC in August 2008.
- **Association of Southeast Asian Nations** (ASEAN): Myanmar is the only ASEAN country which shares a land border with India, and is a bridge between India and Southeast Asian markets.

[15] Enhancing India-Myanmar Border Trade : Policy and Implementation Measures, Ram Upendra Das, 2016

[16] Expansion of North East India's Trade and Investment with Bangladesh and Myanmar, RIS, 2011

1. Exim Bank of India (Exim Bank) has placed special emphasis on extension of Lines of Credit (LOCs) as an effective market entry mechanism with particular focus on small and medium enterprises. Exim Bank's LOCs provides a risk-free, non-recourse export financing option to the Indian exporting community, which helps them penetrate new markets and enhance their export volumes in the existing markets overseas. Exim Bank extends LOCs to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructural projects, equipment, goods and services from India, on deferred credit terms. Exim Bank also extends LOCs with the support of Government of India. Under the Lines of Credit extended with the support of Government of India, Exim Bank reimburses 100 per cent of contract value to the Indian exporters, upfront upon the shipment of goods and at least 75 per cent of goods and services of total contract value should be sourced from India. LOCs have also 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 has now in place 223 Lines of Credit, covering over 63 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of over USD 16.86 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 to developing countries.

2. Exim Bank, with the support of Government of India, has signed one LOC as given below during the period July-September 2017:

An LOC of USD 17.50 million was extended to the Government of Guyana for Up-gradation of three Primary Health Centres in Guyana. With the above LOC, Exim Bank, till date, has extended eight LOCs to Guyana, with the support of the Government of India (GOI), taking the total value of LOCs extended to USD 109.88 million. The earlier LOCs were extended to Government of Guyana for Construction of a cricket stadium, Traffic signaling system project, Fixed and movable irrigation pumps, Multi-Specialty Hospital, East Bank-East Coast Road linkage project, procurement of Ocean Passenger-Cargo Vessel and supply of high capacity fixed & mobile drainage pumps & associated structures.

Success Story

Mauritania- Milk Processing Plant

- Exim Bank has extended a GOI-supported LOC of USD 21.80 mn to the Government of Mauritania for a Milk Processing Plant.
- The Milk Processing Plant has a capacity of 30,000 Litres Milk/Day.
- The Plant was inaugurated on May 3, 2016.
- It is the only Milk Processing Plant in Mauritania.

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Mr. David Rasquinha appointed as Managing Director of Exim Bank

Mr. David Rasquinha has taken over as the Managing Director of Export-Import Bank of India (Exim Bank). Prior to this appointment, Mr. Rasquinha was the Deputy Managing Director of the Bank, holding additional charge of Managing Director. A first class graduate in Economics from Mumbai University and a post graduate in Business Management from XLRI Jamshedpur, Mr. Rasquinha joined Exim Bank in 1985 and since then has had a wide ranging exposure to the broad field of export credit, having worked in the diverse groups of the Bank, inter alia, Treasury, Multilateral Agency Funded Projects, Planning & Research, Risk Management, Lines of Credit, Trade Finance, Project Exports, Human Resources, Information Technology and Corporate Communications. Mr. Rasquinha was a key member of an Exim Bank team that conducted a feasibility study for setting up an export credit agency for the Gulf Co-operation Council countries. He has also served as a member on Working Groups set up by the Reserve Bank of India on issues of relevance to software exports and export credit. From 1999-2004, he was posted as Resident Representative at the Bank's office in Washington DC where he focused on building up Indian companies procurement-led participation in World Bank assisted projects, as also setting in place export lines of credit to banks and regionals in Latin America/Caribbean. As the first Chief Risk Officer of the Bank in 2005, he set in place systems and procedures for risk management including a comprehensive Credit Risk Model with the assistance of CRISIL. An excellent communicator, Mr. Rasquinha has had articles published in Indian and overseas newspapers.

Exim Bank Extends First Buyer's Credit of USD 8.64 mn under National Export Insurance Account [NEIA] in Latin America region to the Government of Republic of Suriname

Exim Bank has extended its first Buyer's Credit under National Export Insurance Account of USD 8.64 mn in Latin America Region to the Government of Republic of Suriname for financing the contract for supply of three pumps with allied accessories and services for Wageningen Pumping Station in Suriname to be executed by Kirloskar Brothers Ltd., India. The BC-NEIA Agreement to this effect was signed in Paramaribo, Suriname, on August 18, 2017, by H.E. Mr. Gillmore Hoefdraad, the Minister of Finance, Government of the Republic of Suriname and Mr. Sailesh Prasad, Resident Representative, Washington DC Representative Office, on behalf of Exim Bank, in the presence of H.E. Mr. Satendar Kumar, Ambassador of India to Suriname. The first BC-NEIA in the Latin America region would not only help increasing exports from India to LAC region but also provide opportunities for Indian exporters to explore the region further.

Exim Bank Raises US$ 400 MN 5 Year Tenor Floating Rate Formosa Bond at 3M$L+100 BPS

Export-Import Bank of India, successfully launched a 5 year Reg S floating rate Formosa bond issue of benchmark size on August 07, 2017. The funds raised will be used by the Bank to support Indian project exports, overseas investment by way of long term credit and the lines of credit portfolio. Initially marketed the deal at 3M$L + 115 bps p.a., the Bank was able to achieve the final pricing of 3M$L+100 bps, for the inaugural 5 year US$ 400 mn Reg S floating rate Formosa bond, making the issuance as the largest Formosa issuance out of India and the first Formosa transaction by an Indian Financial Institution. The issuance was priced well inside the existing fixed rate Notes on fair value basis.

Exim Bank Announces the Winner of the BRICS Economic Research Award 2017

Dr. Raquel Almeida Ramos was declared the winner of Export-Import Bank of India's BRICS Economic Research Award 2017 for her doctoral thesis titled "Financialization and its Implications on the Determination of Exchange Rates of Emerging Market Economies", during the 7th Annual BRICS Financial Forum hosted by the China Development Bank (CDB), on September 01, 2017, in Beijing, China. The Award comprises prize money of Indian Rupees 1.5 million (approximately USD 23,000), a medal and a citation. The Award was presented to the winner by Mr. Hu Huaibang, Chairman, China Development Bank (CDB), in the presence of the Heads of the member development banks from BRICS viz. Mr. Paulo Rabello de Castro, President, Brazilian National Bank for Economic and Social Development (BNDES); Mr. Nikolay Tsekhomskiy, First Deputy Chairman, ; Bank for Development and Foreign Economic Affairs of Russia, Vnesheconombank (VEB); Mr. David Rasuqinha, Managing Director of Export-Import Bank of India; and Mr. Jabu Moleketi,Chairman, Development Bank of Southern Africa (DBSA). The Exim Bank's occasional paper based on Dr. Ramos' Award winning thesis was also released on the occasion.

Introduction

UAE holds a strategic position in India's West Asia Policy, with India seeking to enhance economic engagement and deepen security cooperation in the Gulf region. This is supported by its syncretic culture, business-friendly atmosphere, willingness to invest and its important role in maintaining peace and stability in the region. The trade and investment sectors form the cornerstone of the booming bilateral economic ties between UAE and India. UAE has been occupying a pre-eminent position in the total trade of India. The relationship between the two countries has reached a new momentum with the signing of the agreement on Comprehensive Strategic Partnership (CSP) in January 2017.

India's Bilateral Trade Relations with the UAE

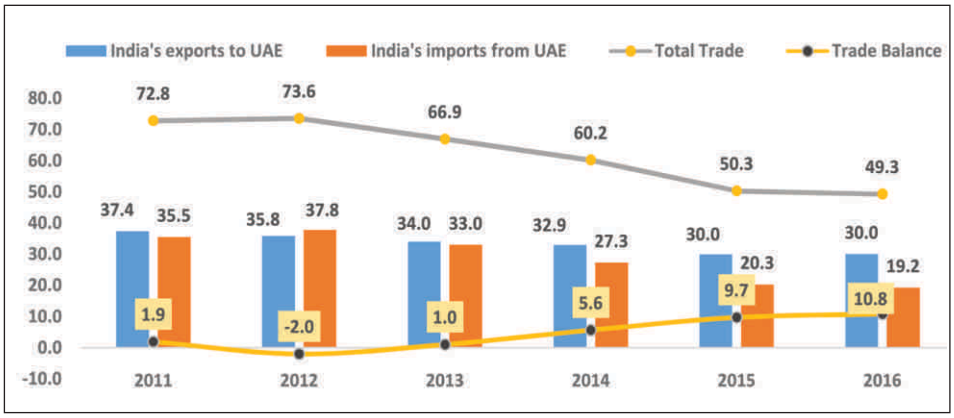
UAE enjoys a broad and comprehensive economic relationship with India, based on mutual interests. It is one of the major trading partners of India. UAE is the second largest export destination and third largest import source of India in 2016. Though, India's exports to UAE witnessed a rise in 2016 from the previous year, it has shown a declining trend over the last five years.

India's trade with UAE witnessed a sharp decline to US$ 49.3 bn in 2016 as compared to US$ 72.8 bn in 2011. India's exports to UAE witnessed a decline from US$ 37.4 bn in 2011 to US$ 30 bn in 2016. Similarly India's imports from UAE also witnessed a fall from US$ 35.5 bn in 2011 to US$ 19.2 bn in 2016. On the other hand, India's trade surplus with UAE witnessed a steady increase to US$ 10.8 bn in 2016.

India's major exports to UAE in 2016 include pearls, precious or semiprecious stones (44.2% of the total exports to UAE), mineral oils and products of their distillation (12.3%), articles of apparel and clothing; knitted and non-knitted (11.7%), ships, boats and floating structure (3.9%), and electrical machinery and equipment (2.5%).

India's major imports from UAE in 2016 include mineral fuels, oils and distillation products (41.9% of total imports from UAE), pearls, precious and semi-precious stones (40%), plastic and articles (3.4%), copper and articles (2.7%), and aluminium and articles (1.7%).

Chart: India's Trade with UAE (in US$ bn)



Source: ITC Trademap,UN COMTRADE

UAE's Re-exports to India

UAE, especially Dubai is a major re-export center globally, after Hong Kong and Singapore. This is mainly due to the effective international trade including advantageous location of the country and active development of logistics and transportation hubs. The re-export strength of the UAE lies in bulk purchases, low taxes, good infrastructure and a historical concentration of traders. Reduced delivery lead times are also a major reason for the success of the trade.

According to International Trade Statistics 2016 published by the Department of Industry and Trade Information Analysis at the Ministry of Economy, UAE, India is the second largest destination of UAE's re-exports in 2016. India with a share of 11.4% in UAE re-exports followed Iran which has share of 14.2% in 2016. Major non-oil items re-exported from UAE to India include diamonds (whether or not worked, but not mounted or set), articles of jewellery and parts thereof, gold, other articles of precious metal or of metal clad with precious metals, and machinery parts, not containing electrical connectors, insulators etc.

India's Investment Relations with the UAE

UAE's total FDI inflows in India amounted to US$ 4.7 bn during the period April 2000-March 2017. UAE is the 10th largest investor in India in terms of cumulative FDI inflows, accounting for 1.4% of India's total FDI inflows. UAE's investments in India are concentrated mainly in five sectors: construction development, power, air transport, hotel & tourism and metallurgical industries. As regards to Indian investments in UAE, during the period April 1996 to March 2017, the total foreign direct investment from India to UAE amounted to US$ 15.5 bn.

Exim Bank Activities

Exim Bank has been supporting and curating grassroots enterprises and craftsmen across India through several activities including organizing product development workshops, skill development trainings, placing products in local & overseas markets and sponsoring booths at prestigious trade fairs. To further these efforts, an exclusive handicraft & handloom exhibition was organized by the Bank.

A total of 38 participants showcased and sold handmade products representing more than 19 states including Rajasthan, Telangana, West Bengal, Odisha, Jammu & Kashmir, Manipur and many more. The products sold during the exhibition included Kashimiri embroidery textiles, Dhokra crafts, Sanjhi Painting, Terracotta & Black Pottery items, Chennapatna toys, Miniature, Phad & Pichwai Paintings, Appliqued & Embroidered textiles & garments, Jute bags & mats, Kolhapuri footwear, Warangal Carpets, Ikat textiles, Organic Honey, Leather Puppetry, Foot & Mouth Painting, Paithani Sarees, Grass Weaving Baskets, Gond, Madhubani and Pattachitra Paintings etc. The event attracted more than 1300 visitors. Total spot sales generated during the exhibition accumulated approx. ₹24 lakh and future orders were booked worth ₹13 lakh.

In other activities undertaken during the quarter, the Bank also facilitated order for solar pumps through an e-commerce marketplace selling Industrial goods, hardware & engineering goods. The e-commerce portal carries business in both domestic as well as the international market. Another order was placed for a social enterprise from Odisha. The Bank assisted the grassroots enterprise by introducing their Dokhra products to a craft based e-commerce website.

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Activities of ECL

during July –Sept 2017

During the quarter July-Sept 2017, ECL had organized seven seminars for the exporters. To disseminate information on various initiative taken by Govt. of India and other Institutions and also the various principles and concept of customs and procedure, policies and documentation, implications on payments relating with Export & Import, ECL in association with Federation of Indian Exports Organisation (FIEO) had conducted four seminars viz.. 1) "International Trade Facilitation" (Ludhiana on July 18, 2017) 2) "Safest payment terms with Export" (Bhubaneswar on August 4, 2017) 3) "Interactive meet on Trade & Investment Finance" (Amritsar on August 21, 2017) 4) " Implication of GST and review of Foreign Trade policy" (Varanasi on Sept 1, 2017). A Trade Consulate UAE Embassy, Senior Government officials from the ministry of Commerce, Trade and Finance from respective Govt, DGFT, Customs and ECGC had attended and participated the above seminars.

There are certain challenges that Indian MSMEs are facing such as suboptimal scale of operation, technological obsolescence, supply chain inefficiencies, increasing domestic and global competition, and turbulent and uncertain market scenario. To survive such issues and compete with large and global enterprises, Indian MSMEs need to adopt innovative approaches in their working to match international standards and convert their factories "smart factories". Furthermore, most of the MSMEs are financed through promoter's investment which severely limits their growth. The non-availability of institutional finance at competitive terms is also hindering innovation in the Indian MSMEs. In view of this, ECL in association with Confederation of Indian Industries had organized a seminar on "Fueling Growth of MSME's Through Financing Options & Enhancing Competitiveness" at Chandigarh on July 19, 2017.

In order to abreast budding exporters and those involved in Export /Import activities on various aspects of International Trade, Exim Bank in association with Indian Merchant Chamber of Commerce and Industry proposed to organize a series of seminars all over Maharashtra during FY 2017-18. One of the seminars was held at Navi Mumbai on Sept 21, 2017. Faculty are drawn from DGFT, ECGC including from Exim Bank.

Programmes in the pipeline include

- An interactive meeting on service sectors with Dr. HAC Prasad at Mumbai, Bangalore, Ahmedabad and Kochi
- "Business Opportunities in World Bank Funded Projects"(Mumbai, Nov 13, 2017)
- "Export Marketing & Digital Marketing" (Bhavnagar & Mahuva on Nov 24 & 25, 2017)
- A seminar on "Opportunities and Challenges in Foreign Trade in NE region" at Sikkim (Nov 24, 2017)
- "Energizing Entrepreneurs in International Trade" at Aizawl & Imphal (Nov 27 & Dec15, 2017)
- "Seminar on Asian Development Bank" (Mumbai, Nov 28, 2017)

Nepal

Nepal registered a growth of 7.5 per cent in 2016-17 (16July-15 July) as a result of robust agricultural production giving a boost to private consumption. However, Nepal's agricultural sector was severely affected by the flood during August 2017 and as result the real GDP growth is expected to slow down in 2017-18 to 4.7 per cent. According to government estimates, the floods destroyed agricultural crops worth of US$ 77million and also damaged many irrigation systems. This is expected to adversely impact economic growth, as the agricultural sector accounts for a significant share of GDP. Economic activity has also been adversely affected by disruption to trade and transport systems owing to the floods. In addition, a worsening current-account position as a result of falling remittance inflows and increasing imports is expected to drag down economic growth, as exports of Nepal continue to weight down owing to its low labour productivity and poor infrastructure connectivity. Increased investment in infrastructure is expected on the back of several projects funded by China as a part of its Belt and Road Initiative improving growth in the coming years.

Nigeria

In 2016, real GDP of Nigeria shrunk by 1.6 per cent owing to the recession and disruption in oil production caused by the militant activities. Although Nigeria is out of recession, political instability is expected to slow reforms and fiscal constraints would hinder the infrastructure development. Oil-exports are expected to pick up moderately and import demand is expected to remain low as a result of the weaker local demand and the major devaluation of the naira carried out in recent years. Agricultural sector is expected to register a modest growth. Growth of services sector is expected to pick up a little, driven largely by the information and communication subsector. Nigeria would continue to remain a regional hub for technology and entertainment entrepreneurs. The Nigerian economy is forecast to grow by 0.7 per cent in 2017. The multi-exchange rate system is expected to persist throughout 2018-22. Current account balance would continue to post small surpluses like 2.3 per cent of GDP in 2017 owing to the oil prices remaining below their averages in preceding years. There is not much progress expected in terms of diversifying the country's hydrocarbon-dominated export base in coming years.

Peru

Peru registered growth of 4 per cent in 2016 driven by private consumption and investment recovering from slow down caused by the fall in commodity price. However the economy is expected to grow at a modest rate of 2.6 per cent in 2017 owing to the flood as a result of the El Nino phenomenon. Factors like transparency issues and ineffective and cumbersome regulatory procedures are expected to hinder public expenditure and project implementation. Gasoducto del Sur, a gas pipeline scheme and project to build the new Chinchero International Airport near Cusco, are both stalled as a result of corruption. Peru's economy is dominated by its mining sector. However, in recent years the agro-industrial sector has added to the gain in productivity. The manufacturing sector is expected to experience a sluggish growth due to external competition, fluctuations in demand and lack of skilled labour in 2018. Growth in services would be supported by expansion in retail, finance, tourism and transport. Current account deficit is expected to remain stable at an average of 1.5 per cent of GDP in 2018 financed by foreign direct investment inflows.

Czech Republic

The traditional engines of growth for Czech Republic have been industry and the external sector. Before the global financial crisis, proximity to west European markets and strong competitiveness prompted robust foreign direct investment inflows and a rapid rise in export capacity. Exports are now equivalent to 80 per cent of GDP, and the Czech Republic is well integrated in the German-central European supply chain. Real GDP growth slowed to 2.5 per cent in 2016, from 5.4 per cent in 2015, reflecting a transition between EU funding periods and delays in getting new capital projects off the ground. GDP growth is expected to remain robust at 4.5 per cent, as investment recovers, household spending strengthens and vigorous external demand drives a pick-up in export growth. The labour market has tightened, with the Czech Republic boasting the lowest unemployment rate in the EU (2.9 per cent), and nominal wage growth is surging, supporting private consumption. Meanwhile central Europe is benefiting from an impressive cyclical upturn in the euro zone, the destination of the majority of the region's exports, and in particular from strong growth in Germany. This would sustain industrial output growth, especially in the dominant automotive sector. The currency koruna was regulated till April 2017 to boost the export-driven economy by CNB, post the lifting of which the currency appreciated and foreign exchange reserves rose dramatically. The current account is expected to continue to remain in surplus by 0.9 per cent of GDP in 2017.

CNH (Chinese Yuan)

The yuan paused during first week of September just above 6.5 per dollar, a level policymaker sources said was one that was being watched, but then broke through it and extended those gains to hit 6.6904, a 21-month high. The rally has been spurred by the dollar's broad decline, optimism about the economy, a crackdown on capital outflows, and more recently the central bank's tighter control of the mid-point, from which the yuan can rise or fall 2 percent.

The yuan has gained nearly 7.8 percent against the dollar so far this year, including just over 6 percent since late May, more than making up its losses of 6.5 percent in 2016 - the biggest annual drop since 1994.

But while the end of the downward pressure is welcome after the central bank spent $1 trillion of reserves over 2-1/2 years to fight the slide, the concern is that the yuan's rapid ascent could crunch exporters and the broader economy. Any disruption to the economy would be unwelcome ahead of the Communist Party Congress in October, where President Xi Jinping hopes to strengthen and extend his leadership of the party.

Still, the authorities are unlikely to intervene forcefully to weaken the yuan for fear of sparking fresh criticism over its currency practices from the United States, the policy insiders said. The U.S. Treasury releases its next report on currency practices of trading partners in October. In April, it said the test for Beijing would be how they handled a strengthening yuan, leaving China in a bit of bind on how to respond to a rallying currency without raising Washington's ire.

BRL (Brazilian Real)

The Brazilian real (BRL) rallied to the strongest value since May in August, after a volatile few months dominated by worsening political instability in the country. On 2 August, the real closed the day at 3.11 BRL per USD, which represented a sharp 5.7% appreciation over the same day of the previous month.

A mix of political developments, rising commodity prices and changing expectations over the United States' tightening monetary cycle have combined to push the real higher. On the political front, the scene became more stable this month after the lower house of Congress shot down a motion to put President Michel Temer on trial for corruption, avoiding a repeat of Dilma Rousseff's fate. While Temer is not out of the woods yet and could see another corruption-related accusation, the move boosted market sentiment that the government has enough support for now to move ahead with badly-needed reforms and provided support to the real. Along with the positive political development, rising prices for key commodities have helped the real gain in value along with a relatively weak U.S. dollar due to changing expectations over the Federal Reserve's next move.

In light of recent events, During the first week of September, BRL has appreciated to 3.0865 BRL per USD and is seen to have limited upside from here, in the short run. Against this backdrop, BRL is expected to end 2017 at 3.25-3.30 BRL per USD. In 2018, it is believed the BRL will depreciate to 3.40 BRL per USD.

BDT (Bangladeshi Taka)

BDT closed August with 80.88 per USD. During the first week of September, it witnessed little volatility with the rate moving in the range of 80.67-81.22 per USD.

The economy appears to have regained momentum after Bangladesh was hit by extensive flooding in August. In September, exports slumped by 10% compared to the same month last year, driven by weak demand and supply conditions. In addition, remittances—a crucial source of foreign currency for Bangladesh—rebounded from September's sharp drop and rose 14.9% in October from a year earlier. Efforts by the Central Bank to better track illegal remittance channels from abroad partly explain October's rise. On 4 November, the World Bank concluded a visit to Bangladesh and reportedly promised financial assistance to support the country's accommodation of hundreds of thousands of Rohingya refugees from Myanmar, but the exact amount has yet to be determined.

IDR (Indonesian Rupiah)

During September the Indonesian rupiah weakened against the US dollar in terms of London closing rates from 13,340.0 to 13,470.0. Bank Indonesia (BI) cut the benchmark seven-day reverse repo rate by 25bps for the second consecutive time to 4.25% at its policy meeting on 22nd September. The deposit and lending facility rates were also lowered by 25bps each to 3.50% and 5.00% respectively.

The Indonesian rupiah broke out of range-trading for the first time this year in September, at first strengthening to as high as 13,140 early September on pulled back expectations of another rate hike this year. But it weakened to levels around the 13,500s as US rate hike expectations firmed up towards month-end post-FOMC. In the near term, the rupiah may remain under pressure on a stronger dollar amid building US rate hike expectations. Any potential escalations in US-North Korea tensions could also affect the rupiah temporarily. However, come 2018, the probability of a slower pace of US rate hikes, and policy tightening by other major central banks, could lend support to the rupiah. After BI's second rate cut this year on 22nd September, further easing is likely in the coming months, albeit at a slower pace. But we do not think that this will have a material impact on the rupiah given that real yields are still positive. In addition, with BI's expectations that inflation will trend lower and "stay below" the midpoint of its inflation target between 2017-2019, real yields are set to rise. Indonesia's real yield at 2.7% is the second highest in the region after India. As expected, the USD 0.3 bn trade deficit in July was a one-off phenomenon as it swung back to a surplus of USD1.7bn in August, driven by stronger export growth by 19.2% y/y versus imports at 8.9% y/y.

INDICATORS	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
GDP (at current prices, US$ bn)	1823	1829	1863.2	2042.4	2073.7[f]	2230.8[f]	2448.1[f]
Real GDP Growth (%)	**6.7**	**5.5**	**6.4**	**7.5**	**8**	**7.1[p]**	**7.2[f]**
Sectoral Share in GDP (%)							
Agriculture & allied activities	**18.5**	**17.8**	**17.5**	**16.3**	**15.3[p]**	**15.0[ae]**	**-**
Industry	32.5	31.9	31.5	31.2	31.2[p]	30.8[ae]	-
Services	49	50.3	51	52.5	53.5[p]	54.3[ae]	-
Inflation rate (CPI, annual avg. %)	8.3	10.2	9.5	5.9	4.9	3.8	2.36 (July '17)
Inflation rate (WPI, annual avg. %)	8.9	7.4	6	2	-2.5	1.7	1.88 (July '17)
Gross Fiscal Deficit (% of GDP)	**5.9**	**4.9**	**4.5**	**4.1**	**3.9e**	**3.5e**	**3.2[e]**
Exchange Rate (₹/US$, avg.)	47.9	54.4	60.5	61.1	65.5	67.1	64.1 (Aug 24,'17)
Exchange Rate (₹/€, avg.)	65.9	70.1	81.2	77.5	72.3	73.6	75.6
Exports (US$ bn)	**306**	**300.4**	**314.4**	**310.3**	**262.3**	**276.5**	**94.8 (Apr-Jul '17)**
% change	*22.5*	*-1.8*	*4.7*	*-1.3*	*-15.5*	*5.4*	*8.9^*
Oil Exports (US$ bn)	**56.7**	**60.9**	**63.2**	**56.7**	**30.6**	**31.6**	**8.2 (Apr-Jun '17)**
% change	*55.9*	*7.3*	*3.8*	*-10.2*	*-46.1*	*3.4*	*20.2^*
Non-oil Exports (US$ bn)	**249.2**	**239.5**	**251.2**	**253.6**	**231.7**	**244.9**	**64.0 (Apr-Jun '17)**
% change	*16.8*	*-3.9*	*4.9*	*0.9*	*-8.6*	*5.7*	*8.3^*
Imports (US$ bn)	**489.3**	**490.7**	**450.2**	**448**	**381**	**382.7**	**146.3 (Apr-Jul '17)**
% change	*32.3*	*0.3*	*-8.3*	*-0.5*	*-15*	*0.5*	*28.30^*
Oil Imports (US$ bn)	**155**	**164**	**164.8**	**138.3**	**82.9**	**86.9**	**31.0 (Apr-Jul '17)**
% change	*46.2*	*5.9*	*0.4*	*-16*	*-40*	*4.7*	*20.9^*
Non-oil Imports (US$ bn)	**334.3**	**326.7**	**285.4**	**309.7**	**298.1**	**295.9**	**115.3 (Apr-Jul '17)**
% change	*26.7*	*-2.3*	*-12.6*	*8.5*	*-3.8*	*-0.7*	*30.4^*
Trade Balance (US$ bn)	**-183.3**	**-190.3**	**-135.8**	**-137.7**	**-118.7**	**-106.2**	**-51.5 (Apr-Jul '17)**
Services Exports (US$ bn)	**140.9**	**145.7**	**151.8**	**158.1**	**154.3**	**163.1**	**39.7 (Apr-Jun '17)**
Software Exports (US$ bn)	62.2	65.9	69.4	73.1	74.2	73.7	-
Services Imports (US$ bn)	**76.9**	**80.8**	**78.7**	**81.6**	**84.6**	**95.7**	**22.3 (Apr-Jun '17)**
Services Balance (US$ bn)	64	64.9	73.1	76.5	69.7	67.4	17.4 (Apr-Jun '17)
Current Account Balance(US$ bn)	**-78.2**	**-87.8**	**-32.4**	**-26.8**	**-22.1**	**-15.2**	**-**
CAB as percentage of GDP (%)	*-4.2*	*-4.8*	*-1.7*	*-1.3*	*-1.1*	*-0.7*	-
Forex Reserves (US$ bn)	**294.4**	**292**	**304.2**	**341.6**	**360.2**	**370**	**393.4 (Aug 18,'17)**
External Debt (US$ bn)	**360.8**	**409.4**	**446.2**	**474.7**	**485**	**471.9**	**-**
External Debt to GDP Ratio (%)	20.5	22.3	23.9	23.2	23.4	20.2	-
Short Term Debt (US$ bn)	78.2	96.7	91.7	85.5	83.4	88	-
Short Term Debt / Total Debt (%)	21.7	23.6	20.5	18	17.2	18.6	-
Total Debt Service Ratio (%)	6	5.9	5.9	7.6	8.8	8.3	-
FDI (US$ bn)	**46.6**	**34.3**	**36**	**45.1**	**55.6**	**60**	**14.6 (Apr-Jun '17)**
GDRs/ADRs (US$ bn)	0.6	0.2	0.02	1.3	0.4	-	-
FIIs (net) (US$ bn)	16.8	27.6	5	40.9	-4	7.7	11.9 (Apr-Jun '17)
FDI Outflows (US$ bn)	**10.9**	**7.1**	**9.2**	**4**	**8.9**	**7**	**2.8 (Apr-Jun '17)**

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

Note: *e - GOI's estimates; p - Economic Advisory Council, GOI's Provisional Estimate; f- IIF Estimates; - Not Available;*

^-% change is over corresponding period of the previous year; '- not available;

Trade and Partnership Opportunities

Trade Opportunities

Agro Commodities

Manufacturer and trading company offering Watermelon seed, Muskmelon seed, Pumpkin seed, Desiccated coconut, Peanut kernel and Watermelon seed kernel in different types of packaging. The company exports to Southeast Asia, Africa and Middle Eastern countries.

Agricultural Equipment

ISO certified company manufactures farm equipment's such as Tractors, Cranes, Engines and Diesel Gen-Sets. Incorporated in 1994, the company has over two decades of experience in manufacturing and exporting of various agricultural equipment's.

Stainless Steel Utensils

One of the leading manufacturers of stainless steel utensils, hotel wares, table wares and other catering products. The entire range is available in different designs and sizes.

Home Textiles & Accessories

An NGO from Gujarat works with more than 1600 tribal women from the region. The NGO believes in holistic and entrepreneurial development of the tribal artisans from the Gujarat State. The product range includes home textiles & accessories category. These products are certified and accredited by Craftmark.

Utility & Home Décor Products

A developmental organization established in 1990 founded as an association of trained social workers, focuses on promoting entrepreneurial practices in Odisha. The products are made using Dokhra craft are as following; tribal jewelry, artifacts, art objects and office stationery.

Etikoppaka Wooden Lacquerware

Near to extinction, this artform hails from a small village called Etikoppaka in Andhra Pradesh. These lacquerware wooden products are made out of wood and colored with natural dyes derived from seeds, bark, roots & leaves.

Partnership Opportunities

Project Opportunities

(I) Water Project in South Africa is under implementation of Phase II including construction of a dam and tunnel for delivering water and generating hydroelectricity. The Project is a multi-phased project that delivers water to the Gauteng region of South Africa and utilizes the water delivery system to generate hydro-electricity for Lesotho.

Export Opportunities

(I) A Caribbean importer is interested in importing chemicals including Formaldehyde, Caustic Soda, Caustic Potash, Linear Sulphonic Acid, Propylene glycol & Aqueous Ammonia Solution. Quotes are invited from Indian exporters in C&F Caucedo or Rio Haina Port, Dominican Republic.

(II) An importer from Myanmar is looking to import Urea for agricultural purpose. The company requires up to 3000 MT quantity of fertilizer every month.

(III) Another Importing company in Myanmar is seeking Indian exporter & manufacturer of Paper Pulp Machinery.

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

For more details, please contact:- Phone: 2217 2600, Extn : 2707/2737, Fax: 2218 8268, Email: mas@eximbankindia.in