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A Quarterly Publication by:
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BRICS and Africa: Identifying the Role of the Grouping in Promoting Sustainable Development

Africa is a continent consisting of rapidly growing economies. Today, the continent is poised to enter into a new phase of development driven by the engagement of African countries with new and emerging global powers within the international system. At the core of this emerging power engagement lies the BRICS (Brazil, Russia, India, China and South Africa) countries and their capacity as a grouping.

The countries constituting the BRICS have come a long way since the coining of the BRIC abbreviation by Jim O' Neil (Goldman Sachs) in 2001. This acronym triggered the seeds of partnership among the BRIC, facilitating the metamorphosis into a unique cooperation mechanism with a potentially transformative impact on the global economy, given the sheer economic and political weight of these countries. Together, the BRICS account for nearly 41.1% of world population, 29.6% of the world's geographical area, 22.2% of global GDP and 16.4% of world trade.

BRICS IN AFRICA: OVERVIEW OF COMMERCIAL ENGAGEMENT

Since the launch of the inaugural BRIC summit in 2009 (subsequently the BRICS summit in 2011), the evolution of the BRICS grouping has coincided with a period of expanding commercial engagement between the BRICS and Africa. The BRICS-Africa trade has grown considerably from US\$ 157.3 billion in 2009 to US\$ 289 billion in 2017 registering a CAGR of 7.9%. During this period, the share of BRICS in Africa's global trade increased from 20.4% to 33%. The BRICS also accounted for approximately 20.3% of total foreign capital expenditure into Africa during January 2003 and July 2018, investing US\$ 228.9 billion into various sectors and markets of Africa.

An overview of BRICS-Africa trade indicates overwhelming presence of China, followed by India, South Africa, Brazil, and Russia, with China's trade being larger than the combined trade of the other BRICS in the continent. As a grouping, the

BRICS has held a favourable trade balance over Africa, although from 2010 to 2014, balance of trade was in favour of Africa. This trend can be explained by the substantial increase in oil and related commodity prices during 2010 - 2014 and its impact on net importers of oil, gas and related commodities. In terms of composition, BRICS imports from Africa mainly consist of primary commodity basket and exports largely consist of capital goods and value added commodities.

China also dominates foreign capital expenditure into the continent in terms of value. According to fDi Markets database¹, during January 2003 to July 2018, China accounted for US\$ 94 billion of foreign capital expenditure in over 409 projects in Africa, followed by India, Russia and South Africa with investments worth US\$ 46.3 billion, US\$ 40.1 billion and US\$ 38.2 billion spread across 542, 88 and 475 projects, respectively. At US\$ 9.6 billion, Brazil's capital expenditure has been relatively low during this period.

While the BRICS have invested in projects all across the continent, capital expenditure remains concentrated in a few key economies. The top 10 recipients of BRICS foreign capital expenditure in Africa accounted for more than 77.3% of the investments by BRICS in the continent. The countries of Egypt, Nigeria, South Africa, Angola, Mozambique, Ghana and Morocco are leading recipients of both BRICS and global FDI into the African continent.

BRICS DEVELOPMENT COOPERATION STRATEGIES

At a bilateral level, China has led the way with an extensive presence in the area of infrastructure development, with Chinese finance and firms implementing a wide array of projects in energy (large-scale hydro and other renewable energy), power and transport infrastructure (road, railways, airports). Indian firms have established their presence in the sectors of power, renewable energy, healthcare, automotive segments, and industrial machinery, equipment and tools. Brazil's

¹fDi Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. Joint ventures are only included where they lead to a new physical operation.

engagement has been concentrated in building capacity and capability in the areas of agriculture, agro-processing, biofuels, and healthcare, integrating acquired expertise in areas of agriculture and energy systems. South Africa has played an instrumental role in the development of a functioning regional power infrastructure for generation and distribution of electricity across Southern Africa. These engagements have brought considerable impact by extending access to modern energy and transportation networks to people across the African continent, in addition to providing a stream of knowledge, technology transfers and capacity building.

Technical cooperation has also emerged as a critical element in the development cooperation of each of the BRICS. This is indicated by the importance of the BRICS countries as destinations for African students to pursue higher education, as well as vocational and professional training. Led by China and South Africa, the BRICS account for more than one-fourth of African student mobility at tertiary levels of education.

Brazil's strategy for development cooperation has aimed at promoting economic growth, structural transformation and social inclusion by strengthening human capacity and government institutions. Initiatives based on innovative public policies in Brazil have been particularly relevant for some of the developing countries in Africa where historical, demographic, geographic and socio-economic links with Brazil have been strong, especially in Lusophone Africa. Technical cooperation in the segments of agriculture, biofuel energy and agro-processing sectors have featured prominently in Brazil's development cooperation.

Russia has mostly avoided direct disbursement of development finance in Africa, with no central agency in place to manage this disbursement. Development cooperation has been channelled through participation in existing multilateral frameworks of development cooperation, including

the OECD, World Bank and IMF. Russia's development assistance in Africa has been predominantly in the form of food aid, humanitarian assistance and capacity building.

India and China have approached the concept of development cooperation uniquely, linking development cooperation with broader commercial engagement to realize the objective of mutual benefit in trade and investment. India's development cooperation with Africa is driven by the Lines of Credit (LOC) and the Indian Technical and Economic Cooperation programmes (ITEC). ITEC has provided the institutional arrangements for directing capacity building in Africa through facilitating the training of foreign professionals and students. LOC is a financial mechanism extended by the Export-Import Bank of India (Exim Bank), providing concessional credit to overseas financial institutions, sovereign governments and other foreign entities to enable buyers to import developmental and infrastructure projects, equipment, goods and services from India on deferred credit terms. Integrating institutional and human capacity building with export promotion and market-seeking investment, India has considerably expanded its footprint across the African continent.

China's development cooperation in Africa has had the most widespread footprint, consisting of grants, concessional loans, debt relief and strategic lines of credit. These instruments have been utilized to assist Chinese companies in securing of contracts for projects sanctioned by African Governments. The Chinese have engaged in a number of large-scale projects across the continent including construction of large hydropower projects and critical national and regional transport infrastructure.

South Africa is often referred to as a pivot state in Southern Africa, demonstrating considerable leadership capability, both political and economic, translating to an active contribution to development through participation

in multilateral frameworks within the Africa context. The country provides the largest African contribution to the African Union, New Partnership for Africa's Development, Southern African Development Community and Southern African Customs Union, in addition to channelling its development programme through the African Renaissance and International Cooperation Fund (ARF). The ARF has a broad mandate of funding activities of cooperation, democracy and good governance, conflict resolution, social and economic development, humanitarian and disaster relief, technical cooperation and capacity development.

BRICS DEVELOPMENT BANKS – COORDINATORS OF BRICS COMMERCIAL ENGAGEMENT

The BRICS have utilized public sector financial instruments to facilitate their expansion in the African markets. This has been achieved through the extension of credit lines for various commercial engagements, especially when looking into infrastructure development. BRICS development financial institutions (DFIs) and export credit agencies (ECAs) have played an important role in providing finance and support for critical strategic infrastructure, enhancing manufacturing capabilities, expanding institutional capacities and facilitating the transfer of technology and know-how.

This has been exemplified by the activities of Brazil's BNDES and Brazilian Fund and Guarantee Management Agency; Russia's Vnesheconombank (VEB) and Export Insurance Agency of Russia; India's Exim Bank and ECGC Ltd. (formerly Export Credit Guarantee Corporation of India); China's Industrial and Commercial Bank of China, China Development Bank (CDB), Export-Import Bank of China (Exim China) and China Export and Credit Insurance Corporation; and South Africa's Development Bank of South Africa (DBSA), Industrial Development Corporation (IDC) and Export Credit Insurance Corporation of South Africa.

Brazil's commercial expansion in Africa has been guided by the BNDES, placing the bank at the centre of interaction between domestic export-oriented corporations, outward-oriented firms, Brazilian institutions and the African market. The BNDES facilities have empowered public-sector institutions such as Brazilian Agricultural Research Corporation and National Service for Industrial Training in their Africa-oriented programmes, as well as corporations such as Petrobras, Fiocruz, Odebrecht, Vale in their investments into the African energy, infrastructure and healthcare markets.

Russia's expanding investment in Africa has been supported by the government-owned VEB in consortium with other Russian banks. Credit is provided for funding investments of Russian corporations in African countries, as also for supporting Russian exports, especially in the arms industry.

India's Exim Bank has been prominent in facilitating trade and investment with African countries. The African continent has been a major beneficiary of LOCs extended by Exim Bank at the behest of the Government of India. LOCs to Africa accounted for US\$ 9.3 billion of a total of US\$ 22.56 billion of credit commitments as of June 2018. These concessional LOCs have been extremely relevant in intensifying both official and commercial engagement between India and Africa.

Exim Bank has also played a pivotal role in promoting and financing Indian companies executing projects in Africa. The strong emphasis on increasing project exports from India has been enhanced with the introduction of the Buyer's Credit under National Export Insurance Account Programme, which provides a safe mode of non-recourse financing option to Indian exporters. Exim Bank has also supported several overseas joint ventures and wholly owned subsidiaries in countries such as South Africa, Kenya, Mauritius, Nigeria, Sudan, Egypt, Zambia, Morocco, Uganda and Tanzania, across a range of sectors like pharmaceuticals, chemicals, fertilizers, textiles, agro-based products, plastics & rubber products, electronics,

engineering goods, cycles and telecom systems. The Bank has also taken up equity in Afreximbank, West African Development Bank, and Development Bank of Zambia, thereby forging a network of institutional linkages to help further economic cooperation with the region.

China has extended approximately US\$ 94.4 billion of concessional and commercial credit through its financial institution network which includes CDB, Exim Bank of China, ICBC and other commercial banks over the period January 2000 – December 2015. This financial network has provided state-sponsored support to the outward orientation of Chinese public and private firms, as mandated by state policies of 'Going Abroad' and 'Belt and Road Initiative'.

In South Africa, the roles of the DBSA and IDC have been significant in its engagement with Africa through the provision of credit to Southern African countries and providing financial support to the private sector engaged in industrial expansion in the African continent. The DBSA had extended its mandate in 1997 to the broader Southern African region, providing loans to public-sector institutions in the region. Further, South Africa is looking towards the establishment of the South African Development Partnership Agency as an umbrella institution to coordinate South Africa's development cooperation.

BRICS AND AFRICA: TOWARDS A NEW MODEL FOR AFRICA'S DEVELOPMENT

Analysis of BRICS development cooperation indicates that each of the BRICS have adopted a unique approach to its engagement with the African continent. Finance for infrastructure development and energy sector projects, technical cooperation in agriculture, and capacity building in the area of human resource development have emerged as key commonalities amongst the BRICS members and their mandate as a grouping. These commonalities are being leveraged under various cooperation mechanisms.

Germinating from within the BRICS framework, the New Development Bank (NDB) has significant implications for all developing countries. The NDB has a regional office in South Africa, which prepares the bank for its venture in the African continent.

Going forward, the major challenge for the BRICS lies in synergizing engagement that encourage the development and implementation of industrial activities, processes, techniques and technology and integrating these critical aspects of development cooperation under the BRICS cooperation mechanism. Development cooperation extended individually by the BRICS, which are sometimes in the nature of mixed credits, bring about significant foreign policy gains. Working towards development cooperation through the BRICS cooperation mechanism could potentially erode these foreign policy gains.

However, the BRICS have time and again overcome inherent geopolitical rivalry, economic and political asymmetry, competition and recession to expand the ambit and working mechanisms of the BRICS mechanism, and the recent BRICS summit indicates a collective commitment towards the sustainable development agenda of the African continent.

The BRICS grouping completed its 10th annual summit in South Africa in July 2017, under the theme "BRICS in Africa: Collaboration for Inclusive Growth and Shared Prosperity in the 4th Industrial Revolution", bringing to the forefront the relevance of mutually beneficial engagement of emerging global powers with the African continent. The conceptualization of the BRICS-Africa partnership within the framework of the fourth industrial revolution brings into focus cooperation in contemporary areas of science, technology and innovation which offer substantial scope for socio-economic transformation in the continent. The role of NDB and the DFIs from BRICS will be crucial towards achieving these objectives.

India and Russia at 70: Towards an Enhanced Economic Cooperation

India and Russia celebrated the 70th anniversary of the establishment of their diplomatic relations in 2017. Russia has been a long-standing and important partner for India, with India's engagement with Russia covering essential areas, including trade and economy, technical collaboration, energy, scientific, cultural and humanitarian exchanges, among others, promoting national interests of both countries. Despite persistent efforts to strengthen bilateral ties, there exists immense untapped potential, specifically in terms of economic engagements. While bilateral trade between India and Russia nearly doubled over the past decade, from US\$ 5.5 billion in 2008 to US\$ 10.1 billion in 2017, as a trade partner, India's share in both Russia's global exports and Russia's global imports is relatively low, when compared to other major trade partners of Russia. Moreover, India's bilateral investment relations with Russia remain modest, with Russia's share in India's FDI global inflows accounting for a meagre 0.33 percent during the period April 2000- March 2018, while India's cumulative approved investments in joint ventures and wholly owned subsidiaries in Russia, during April 1996-March 2018 accounted for merely 1.6 percent of its global investments. Moreover, these investments have been highly concentrated in the oil and gas, and pharmaceutical sectors.

AUGMENTING BILATERAL TRADE

India is as Russia's 20th largest import source, with a share of 1.3 percent of Russia's total imports in 2017, and Russia's 16th largest export destinations, accounting for a modest share of 1.8 percent of Russia's total exports in 2017. India's top exports to Russia such as pharmaceuticals, machinery and mechanical appliances, aircrafts, electrical machinery and equipment, have not yet realised their full potential despite the high demand for these products in Russia. Further, it is imperative to address India's rising trade deficit with Russia, which has doubled over the last decade, from US\$ 3.4 billion in 2008 to US\$ 5.8 billion in 2017. An approach to boost the bilateral trade relations, particularly for India's exports to Russia, would involve identification of potential

items in line with India's global export capability and Russia's domestic demand. Such potential items of export to Russia, as identified in Exim Bank's Study titled "*India's Trade Relations with Russia: Recent Trends and Prospects*" (which presents a detailed analysis of the identified potential export items under each product category, up to 6-digit HS Commodity code), include:

- Machinery and mechanical appliances (HS-84)
- Electrical machinery and equipment (HS-85)
- Vehicles other than railway or tramway (HS-87)
- Plastics and their articles (HS-39)
- Optical, photographic, cinematographic apparatus (HS-90)
- Iron and steel and their articles (HS-72 & HS-73)
- Edible fruit and nuts (HS-8)
- Rubber and their articles (HS-40)
- Ships, boats and floating structures (HS-89)
- Footwear, gaiters and their articles (HS-64)

IMPROVING TRADE LOGISTICS

Some of the possible challenges that presently constrain the trade interactions between India and Russia could be in trade logistics. Merchandise trade delivery from India to Russia by sea or land can take from 40 up to 55 days, which certainly increases the associated costs. This in turn makes India less attractive for the Russian traders, who are more inclined towards importing goods from Europe or China owing to the lesser number of days required for transportation of goods. The timely implementation of the International North-South Transport Corridor, in this regard, is certainly an essential factor, which will ensure smooth flow of goods and facilitate trade relations. Additionally, important programmes such as the operationalization of Green Corridor project could also improve trade logistics to facilitate trade.

BOOSTING PRIVATE SECTOR PARTICIPATION IN INVESTMENTS

Russia's participation as an investment partner to India has remained limited and highly concentrated in select sectors. While there is potential in other important sectors such as software and ICT, automotive, and aerospace, etc., these largely remain untapped. In this regard, it is important for India and Russia to considerably enhance the private sector engagements in these important industries and also establish partnerships for technology transfer and joint ventures. Presently, the bilateral economic relationship is greatly dependent on collaboration between government-controlled companies, which could lead to impediments in cross-interaction between public sector companies and private companies in the two countries. It is thus, imperative that both the countries attract private sector companies, including start-ups to the business dialogue for facilitating conditions for doing business.

PROMOTING INFRASTRUCTURE INVESTMENTS

In order to step up efforts aimed at modernizing infrastructure, it is essential that the two countries explore new ways to jointly respond to challenges pertaining to infrastructure development. This could be done by promoting and incentivizing Russian investments in India's major infrastructure projects like the Delhi Mumbai Industrial Corridor (DMIC), Smart Cities and Freight Corridors, as well as in broader sectors such as telecom, power and roads. One way of doing this is by encouraging specialized investment funds to invest in these sectors and in the joint manufacturing of high technology products. At the same time, in Russia, Indian participation in industrial Parks and technology platforms, in sectors like pharmaceuticals, fertilizers, coal and energy could also be encouraged by similar means. There also exist vast opportunities for joint development of projects through transfer of technology and experience sharing in areas like shipbuilding, port development, inland waterways, high speed railways etc.

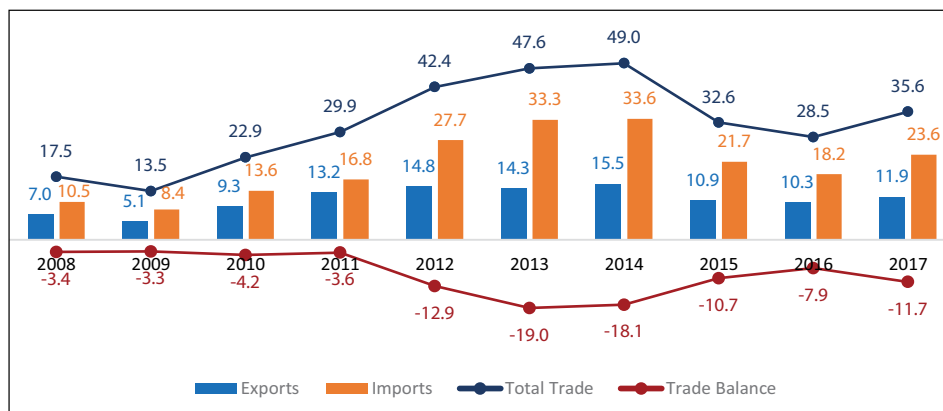
The combined GDP of Latin America and Caribbean (LAC) region has more than doubled from US\$ 2.2 trillion in 2000 to US\$ 5.5 trillion in 2017. Strengthening global commodity prices and stronger domestic consumption is expected to keep the macroeconomic fundamentals of the LAC region resilient and strong. The economy picked up momentum in 2017, as it clocked a growth rate of 1.3%. The IMF has further forecasted the growth to pick up to 2% in 2018 and a robust 2.8% in 2019; on account of rebound in commodity prices and global demand.

With improving prospects of global growth and recovery in commodity prices, the LAC region is seeing a resurgence in its trade. The region witnessed a growth of 11.5% in its total trade in 2017 over 2016, with exports growing by 10.8% and imports growing by 12.3%.

Mexico is the largest exporter in LAC which constituted 41.6% of total export originating from the region. Mexico is followed by Brazil, with a share of 22.1%; Chile (share of 7%); Argentina (share of 5.9%); Peru (a share 4.5%), among others. During 2017, transport vehicles was the largest export item, accounting for 12.6% of total exports from the region. In the same year, mineral fuels, oil and its products was the second largest exporting item from the region with a share of 12% in total exports of LAC during 2017. Other important export items are electrical machinery and equipment (9.1%); machinery and instruments (8.5%); ores, slag and ash (6.9%) etc.

Mexico was also the largest importing country in the region with a share of 41.5% in the total imports of the LAC region. Brazil, with a share of 14.9% stood at the second position. These were followed by Argentina (a share 6.6%); Chile (a share 6.4%) and Colombia (share 4.6%), among others. During the year 2017, electrical machinery and equipment was the largest items of import in the LAC region accounting for 14.7% of total imports in the region. This was followed by machinery and

Figure 1: India's Trade with LAC, 2008-17 (US\$ billion)



Source: ITC Trade Map, derived from UN COMTRADE and Exim Bank Analysis

instruments (13.6%); mineral fuels, oils and its products (11.8%); transport vehicles (9.6%); plastic and its articles (4.7%), among others.

INDIA'S TRADE RELATIONS WITH THE LAC REGION

During the last ten years, India's total trade with LAC has more than doubled from US\$ 17.5 billion in 2008 to US\$ 35.6 billion in 2017. Indian exports have grown by around 70% to reach US\$ 11.9 billion in 2017 from US\$ 7 billion in 2008. On the other hand, Indian imports have more than doubled to reach US\$ 23.6 billion in 2017 from US\$ 10.5 billion in 2008. (Figure 1).

Indian exports in Latin America are concentrated majorly towards Mexico and Brazil, which accounted for 31% and 24.1% of total Indian exports to the LAC region in 2017, respectively. Over 80% of Indian exports are absorbed by top 6 destinations- which are Mexico (31%), Brazil (24.1%), Colombia (7.7%), Chile (6.2%), Peru (6.1%), and Argentina (5.5%).

In the year 2017, the share of transport vehicles stood at 30.8%. Organic chemicals, pharmaceutical products, machinery and mechanical appliances and miscellaneous chemical products were other important items of export to the LAC region, originating from India, with shares of 7.6%, 6.1%, 5.5%, and 5.1% respectively. These top 5 items constitute a share of 55.1% in India's

total exports to the region.

Venezuela was the biggest source of India's imports in 2017, constituting 25% of the total imports originating from the region. Venezuela was followed by Brazil, which constituted a share of 21.6% in the imports originating from the LAC region. Mexico, with a share of 14.9%; Argentina, with a share of (10.5%); and Peru, with a share of 8.8% were some other major importing sources in the LAC region for India in 2017.

More than two-fifth of the India's total imports originating from the LAC region in 2017 are in the product category of mineral fuels and oils. Pearls and precious stones (13.6%), animal or vegetable fats and oils (11.9%), ores, slag and ash (11%), and sugars and sugar confectionery (4.4%) are some other important products that India imported from the region in 2017.

India ran a trade deficit with the LAC region over the last decade, which amounted to US\$ 11.7 billion in 2017. As per Exim Bank's recent study titled "India-LAC Trade: Recent Trends and Opportunities in Select Countries", India has potential to expand exports to LAC in the following product categories viz: machinery and mechanical appliances; electrical machinery and equipment; plastics and its articles; petroleum products; optical and photographic equipment, among other.

The Middle East and North Africa (MENA) region comprising 21 countries, namely, Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates (UAE), and Yemen¹, covers an area of over 15 million square kilometers and constitutes 6.5% of the global population. About two thirds of the global crude-oil reserves are found in the MENA region, with more than one-fifth located in Saudi Arabia. Iran has the world's second largest natural gas reserves and fourth proven crude oil reserves. The region also possesses numerous non-fuel mineral and non-mineral resources. Algeria, Morocco, Tunisia, Jordan and Syria account for about one-third of the world's phosphate production, and Morocco alone has more than 30% of the world's phosphate rock.

ECONOMIC ENVIRONMENT OF THE MENA REGION

The MENA region is estimated to have witnessed a growth of 4.1% in 2017, lower than 12.3% seen in 2016, mainly due to the slowdown in growth among oil exporters, driven by oil production cuts and continued geopolitical tensions. After witnessing an exceptionally high growth rate in 2016 due to lifting of sanctions, growth in the Iran moderated in 2017, contributing sizably to the moderation in regional growth. Growth in the region is expected to moderate marginally to 4% in 2018. While countries like Egypt, Libya, Sudan and Iran witnessed high inflation in 2017, Yemen, Lebanon, and Jordan witnessed deflationary tendencies. With UAE witnessing a strong current account surplus, external position of the region improved with current account deficit as a % of GDP narrowing to 0.5% in 2017 from 4.6% in 2016.

INTERNATIONAL TRADE OF THE MENA REGION

MENA region, with a combined population of 481 million and an

estimated GDP of US\$ 2.9 trillion in 2017 represents a huge market for trade. Total trade of MENA region has remained more or less stable at US\$ 1.9 billion in 2017, compared to US\$ 1.8 billion recorded in 2008. The region accounted for 5.7% of global exports and 4.8% of global imports in 2017. Global exports from MENA region witnessed a marginal slowdown from US\$ 1.1 trillion in 2008 to US\$ 1 trillion in 2017. Imports of MENA region have risen from US\$ 712.8 billion in 2008 to reach US\$ 851.6 billion in 2017. On year-on-year basis, exports and imports increased from US\$ 867.9 billion and US\$ 827.7 billion in 2016 to US\$ 1 trillion and US\$ 851.6 billion in 2017, respectively. Accordingly, MENA as a region witnessed a lower trade surplus of US\$ 150.2 billion in 2017, as against a surplus of US\$ 418 billion in 2008.

The top five exporters among the countries in MENA region in 2017 include UAE (30.8% of total exports of the region), Saudi Arabia (22%), Iran (10.6%), Iraq (6.9%) and Qatar (6.4%). Majority of exports from the region go towards India, China, USA, UAE and South Korea. Mineral fuels, oils and products of their distillation is the major exported commodity of the region, accounting for around 57% of the total exports of the region in 2017. Other major commodities exported by MENA in 2017 include pearls, precious stones, and metals; electrical machinery and equipment; plastics and articles; vehicles other than railway or tramway; and machinery and mechanical appliances.

UAE (31.7% of total imports of MENA), Saudi Arabia (14.9%), Egypt (7.8%), Iran (6.1%) and Iraq (5.9%) are the top five global importers in the MENA region during 2017, and imports are mainly sourced from China, USA, UAE, Germany, India, and Turkey. The principal imports

of the region in 2017 were electrical and electronic equipment (12% of total imports); machinery and mechanical appliances (11.9%); pearls, precious stones, and metals and vehicles other than railway or tramway (8.2% each); and mineral fuels (5.8%).

FOREIGN DIRECT INVESTMENT IN THE MENA REGION

According to UNCTAD's World Investment Report 2018, FDI into MENA region fell by 5.6% to US\$ 33.5 billion in 2017 compared to US\$ 35.5 billion in 2016, mainly due to decline in FDI to Saudi Arabia (the world's biggest oil exporter and the region's largest economy). The decline in FDI in Saudi Arabia was due to divestments and loans by foreign corporations having presence in the kingdom. FDI has been unevenly distributed among the MENA countries. In the MENA region, UAE, Egypt and Iran have been the major drivers of foreign investment inflows in the region during 2017, accounting for around 68% of FDI inflows received in the region.

According to data derived from the Financial Times' fDi Markets database, during 2008 to 2017, MENA region received US\$ 810.7 billion capital investment in 10,052 projects, creating 1.4 million jobs in the region. During the same period, coal, oil and natural gas is the largest sector to receive capital investment, followed by real estate, chemicals, and hotel tourism, accounting for 25.8%, 23.8%, 11.6% and 7% of total investment received in the region, respectively. UAE is the largest investor in MENA during the period 2008-2017, accounting for 15% of the total. The other major investors during the last ten years are USA (accounting for 13.1% of total inward FDI received by MENA), followed by Russia and China (6.7% each), France (6.3%) and UK (5.1%).

¹World Economic Outlook Database, International Monetary Fund

INTRODUCTION

The handloom industry is one of the oldest and the largest cottage industry in India, representing and preserving the vibrant Indian culture. Indian artists are now distinguished worldwide for their hand spinning and printing elegance. The operations of this industry are primarily household-based, wherein various members of the family put in joint efforts for production. These activities are spread across thousands of towns and villages of the country, and involves transfer of skills from one generation to the next. The strength of the handloom industry lies in the fact that it involves hardly any usage of capital and power, is eco-friendly and suitable for innovations and transformation with respect to market requirements. A few examples of handloom products spread across various states include *Pashmina Shawls* in Jammu and Kashmir, *Kanchipuram Sarees* in Tamil Nadu, *Kutch Shawls* in Gujarat and *Eri* and *Muga* silks of Assam.

The handloom industry is presently regarded as the largest economic activity in India after agriculture, generating direct as well as indirect employment for more than 3 million weaver households. Furthermore, the Government has introduced various schemes for holistic development of the sector. However, it cannot be denied that the economic liberalisation, rapidly increasing industrialisation, globalisation and advent of modern technologies has brought with it various challenges for the development of the handloom industry.

PRODUCTION

Cloth production using handloom has been displaying an increasing trend over the years. The aggregate cloth production by the handloom sector stood at 8.01 billion square metres during the year 2016-17 registering 4.8% year-on-year growth. Owing to the global downturn, cloth production

by handloom had declined in the years following 2008-09; however since 2011-12, hand woven cloth production has been increasing continuously. The share of the handloom produced cloth in the total cloth production during the year 2016-17 was estimated at 17.4%.

TRADE SCENARIO

Exports

India was the second largest exporter of handloom products in the world, with exports valued at US\$ 353.9 million in 2017-18. Although, there is a considerable demand globally for handloom products, India has not been able to properly position itself in the discerning international market, reflected in exports registering a consistent decline in each of the last five years between 2013-14 to 2017-18. The value of handloom exports stood at US\$ 370.2 billion in the period 2013-14, recording a negative CAGR of (-) 1.1% during the period 2013-14 to 2017-18.

In the year 2017-18, the US was ranked as the leading export destination for handloom products; however, its share decreased from 32.0% in 2013-14 to 26.3% in the year 2017-18. The UK, with a share of 7.4%, was the second largest export destination, with exports to the country valued at US\$ 26.1 million. Spain emerged as one of the important destinations for exports, being ranked third as a market for Indian handloom exports in 2017-18 with a share of 6.0%. The other major markets in 2017-18 included Italy (5.1%), Germany (5.0%), UAE (4.7%), France (4.6%), the Netherlands (3.9%), Australia (3.3%) and Japan (3.3%).

Other made-up textile articles: sets; worn clothing and worn textile articles; rags was the largest handloom product segment exported from India with a share of 55.8% in total handloom exports. Carpets and other textile floor coverings were the second largest handloom export segment. Articles

of apparel and clothing accessories, not knitted or crocheted was the third largest segment of export, with value of exports estimated at US\$ 14.8 million, and a share of 4.2%.

Imports

The imports of handloom products doubled from US\$ 5.4 million in 2016-17 to US\$ 10.8 million during 2017-18. However, over a larger time frame, imports declined by a CAGR of 12.9%, as the value of imports declined from US\$ 18.8 million in 2013-14 to US\$ 10.8 million in 2017-18. Bangladesh has, by far, been the leading import source of handloom products by India. The share of Bangladesh in India's handloom imports rose from 68.0% in 2013-14 to 88.3% in the year 2017-18. China was the second largest import source, with a share of 7.4% during the period 2017-18. Other import sources for handloom products in the year 2017-18 were Japan, Germany, the UK, Greece, Belgium, the US, Singapore and Italy.

There exists various hurdles in the growth of the handloom sector which include shortage of raw materials, massive competition from power loom and mill sector, lack of credit availability, institutional inefficiencies, unorganised nature of the industry, paucity of novelty in designs, insufficient research and training, inappropriate quality of dyes, lack of information on schemes and shortage of skilled manpower. To alleviate the growth constraints, the recommended strategies includes among others, increasing quality and availability of raw materials, attempting renewed designing, adoption of effective marketing strategies, facilitating enhanced extension of credit, market and product diversification, and maintaining a comprehensive the handloom database related reviewing past trends and prevailing growth rates.

The travel and tourism sector is expanding rapidly, on account of the positive growth trend in major economies, improved digital and physical connectivity, and steady increase in tourism spending. Across the globe, an increasing number of destinations have opened up and investment in tourism has increased, turning the sector into a key driver of socio-economic progress. The sector has great capacity to create large scale employment of diverse kind – from the most specialized to the unskilled, thereby playing an important role in achieving equitable growth.

According to World Travel and Tourism Council (WTTC) report on global economic impact of travel and tourism, the sector accounted for 10.4 percent of global GDP and 9.9 percent of global employment in 2017. The sector also leads to several intangible benefits. Promoting tourism not only creates jobs, drives exports, and generates prosperity across the world, it also acts as a cultural adhesive that can be wielded as a powerful tool for global peace and integrity. It also helps people of far flung areas to promote their culture and norms, and provides opportunity for a country to showcase various facets of its natural and cultural heritage across the world.

INDIAN TOURISM SECTOR

The importance of tourism sector cannot be overemphasised in a growing economy like India. Tourism is an incredible way to showcase India's rich and magnificent history, culture and diversity, while simultaneously reaping substantial economic benefits. The economic significance of the tourism sector is evident from its contribution to the output, employment, investment and exports.

According to the WTTC Report, the total contribution of travel and tourism to India's GDP was ₹ 15,239.6 billion (approximately US\$ 234.0 billion) in 2017, accounting for nearly 9.4 percent of the GDP. Contribution of the travel and tourism sector to India's GDP is forecast to increase by 7.5 percent in 2018, and by 6.9 percent per annum during the 2018-2028 period. As a result of this increase in the contribution of the sector, its share in India's GDP is expected to reach 9.9 percent in 2028.

Travel and tourism also leads to substantial job creation in the country. The sector generated nearly 8 percent of total employment in 2017 and jobs supported by the sector is expected to increase from the present level of 41.6 million to 52.3 million by 2028. Travel and Tourism also led to nearly US\$ 41.6 billion of capital investments in 2017.

During January 2003 and June 2018, Indian tourism sector also recorded foreign capital investment of US\$ 15.07 billion. The USA, the UK and France were the major source countries with investments to the tune of US\$ 3.8 billion, US\$ 1.4 billion and US\$ 1.1 billion, respectively.

VISITOR EXPORTS

Tourism is an important, but sometimes understated, source of foreign exchange earnings. Visitor exports is defined as the spending within the country by international tourists for both business and leisure trips, including spending on transport, but excluding international spending on education. According to the WTTC, visitor exports accounted for nearly 6.5 percent of global exports in 2017. During the year, India's visitor exports amounted to US\$ 27.3 billion.

Foreign exchange earnings from tourism in India witnessed a CAGR of 9.97 percent during 2006-17, at the back of strong growth in foreign tourist arrivals. The top ten source markets for foreign tourists in India are the USA, the UK, Bangladesh, Sri Lanka, Canada, Germany, France, China, Australia and Malaysia. Tamil Nadu, Maharashtra, Uttar Pradesh, Delhi and West Bengal are the top destination states/ union territories for foreign tourists.

OUTLOOK

In the recent past, tourism has experienced continued expansion and diversification to become one of the largest and fastest-growing economic sectors in the world. Many new destinations have emerged in addition to the traditional favourites of Europe and North America. Tourism has boasted virtually uninterrupted growth over time, despite occasional shocks, demonstrating the sector's strength and resilience in the face of economic downturn.

Going forward, visitor exports at the global level is forecasted to grow by 4.1 percent per annum, from 2018-2028, to reach 6.9 percent of total exports. India is expected to receive more than 30.47 million international tourist arrivals by 2028, generating an expenditure of nearly US\$ 50.9 billion.

While the outlook for India's visitor exports is positive, there remains substantial untapped potential which can be realized through good quality tourism infrastructure, addressing global concerns regarding health and safety of tourists, and ensuring adequate availability of trained and skilled manpower.

Export-Import 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 percent of contract value to the Indian exporters, upfront upon the shipment of goods and at least 75 percent 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 237 Lines of Credit, covering over 62 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of over US\$ 23.09 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.

Exim Bank, with the support of Government of India, has signed three LOCs as given below during the period July-Sep 2018:

(i) Two LOCs of US\$ 100 million each were extended to the Government of Rwanda for Development of two

SEZs and expansion of the Kigali SEZ and three Agriculture Project Schemes i.e. (i) Warufu Multipurpose Irrigation Project, (ii) Mugesera Irrigation Project, and (iii) Nyamukana Irrigation Project in Rwanda. With the above LOCs, Exim Bank, till date, has extended seven LOCs to Rwanda, with the support of the Government of India (GOI), taking the total value of LOCs extended to US\$ 547.65 million. The earlier LOCs were extended to Government of Rwanda for financing Base-Butero-Kidaho Road Project, Nyaborongo Hydro-power project, Export Targeted Modern Irrigated Agricultural Project and Establishment of 10 Vocational Training Centres and business incubation centres in Rwanda.



(ii) LOC of US\$ 24.50 million was extended to the Government of Senegal for Up-gradation and rehabilitation of Health Care System. With the above LOC, Exim Bank, till date, has extended fourteen LOCs to Senegal, with the support of the Government of India (GOI), taking the total value of LOCs extended to US\$ 319.86 million. The earlier LOCs were extended to Government of Senegal for export of equipment and services for projects in areas such as rural electrification, meat processing, fisheries development, IT training and irrigation.



Success story: Cameroon



- Exim Bank extended an LOC of US\$ 37.65 mn to the Government of Cameroon for supply of Maize and Rice Farming Plantation Project in Cameroon.
- As a result of the LOC, the assembly complex of Ebolowa Tractors has produced satisfactory results. Out of 1000 tractors expected, 996 are already assembled and 870 have been put on the ground for use.
- The supply of machinery, equipment and tractors under the project has boosted production capacity and thereby, contributed to improvement in the maize and rice production and productivity and led to job creation.

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EXIM BANK ANNOUNCES THE WINNER OF IERA AWARD 2017

Dr. Amrita Saha was declared the winner of Exim Bank's International Economic Research Annual (IERA) Award 2017 for her doctoral thesis titled "Essays in Indian Trade Policy". Exim Bank's IERA Award 2017 was announced by Mr. David Rasquinha, Managing Director, Exim Bank, at an award function held on August 9, 2018, in New Delhi. The Award comprises prize money of ₹ 3.5 lakh and a citation. The function was graced by Dr. T.C.A Anant, Head of Department, Department of Economics, Delhi School of Economics, University of Delhi and Former Chief Statistician of India and Former Secretary, Ministry of Statistics and Programme Implementation, Government of India. Exim Bank's occasional paper based on Dr. Amrita Saha's Award winning thesis was also released on the occasion. Dr. Amrita Saha received her doctoral degree in 2016 from the University of Sussex, UK. The thesis was written under the supervision of Prof. L. Alan Winters, University of Sussex and Prof. Ingo Borchert, University of Sussex. She is currently working as a Post-Doctoral Researcher, at the Institute of Development Studies, University of Sussex, UK.

EXIM BANK FELICITATES THE ALL-WOMEN CREW OF INSV TARINI

Exim Bank and the Nehru Memorial Museum and Library (NMML) jointly organised a felicitation ceremony for the all-women crew of INSV Tarini in New Delhi on Sunday, August, 12, 2018. The six-member crew of INSV Tarini had undertaken a voyage to circumnavigate the globe which began from Goa in the first week of September last year and culminated in May this year. During the 254-day-long voyage, the team covered about 22,000 nautical miles, stopping in five. The six member team comprised of Lt. Cdr. Vartika Joshi (Skipper), Lt. Cdr.

PratibhaJamwal, Lt. Cdr. B. Aishwarya, Lt. Cdr. P. Swathi, Lt. Cdr. Vijaya Devi and Lt. Payal Gupta. This is the first-ever Indian circumnavigation of the globe by an all-women crew.

Mr. David Rasquinha, Managing Director, Exim Bank, said, "Exim Bank as the promoter of India's international trade is proud to celebrate the success of the officers who went around the globe on a sail boat. Since times immemorial, India's trade has happened through waterways and sea routes across the world. Sailing has been a harbinger of trade. From ancient times, ships have set sail from India, to faraway lands. The achievement by these women officers has once again proved that nothing is impossible for our determined youth. They did not just circumnavigate the globe but made India proud."

EXIM BANK ALONG WITH OTHER MEMBER DEVELOPMENT BANKS OF BRICS NATIONS SIGNED MOU FOR UNDERTAKING COLLABORATIVE RESEARCH IN DISTRIBUTED LEDGER / BLOCKCHAIN TECHNOLOGY.

The Managing Director of Exim Bank, Mr. David Rasquinha, signed a multilateral cooperation agreement, along with Chairmen/Presidents of other member development banks of BRICS (Brazil, Russia, India, China, and South Africa) nations, expressing their intent to undertake collaborative research on Distributed Ledger / Blockchain Technology. The MoU was an outcome of the discussions the member development banks have had during their annual meeting, with the objective of strengthening the cooperation under the BRICS Interbank Cooperation Mechanism. Under this umbrella agreement, the signatories have agreed to constitute a Joint Research Working Group which will formulate the research agenda and targeted outcomes. The Working Group will also carry out the

research towards identifying potential applications of the Distributed Ledger / Blockchain Technology, in the financial sector, particularly in the area of infrastructure financing. The distributed ledger / blockchain technology replaces the old processes and paperwork with a new-found innovative process that is faster, and can offer tangible outcomes. The Agreement, thus, is expected to contribute to enhance cooperation amongst BRICS development banks, and would also speed up and simplify the processes, and thereby reduce the cost of cross border payments using the blockchain technology.

EXIM BANK OF INDIA ANNOUNCES THE WINNER OF THE BRICS ECONOMIC RESEARCH AWARD 2018

Dr. Zheli He was declared the winner of Exim Bank's BRICS Economic Research Award 2018 for her doctoral thesis titled "Essays on International Trade, Welfare and Inequality", during the 8th Annual BRICS Financial Forum hosted by the Development Bank of Southern Africa, on July 25, 2018, in Cape Town, South Africa. The Award comprises prize money of ₹ 1.5 million (approximately US\$ 23,000), a medal and a citation. The Award was presented to the winner by Mr. Frans Baleni, Deputy Chairman, Development Bank of Southern Africa, in the presence of the top officials of the member development banks from BRICS viz Brazilian National Bank for Economic and Social Development (BNDES); Bank for Development and Foreign Economic Affairs of Russia, Vnesheconombank (VEB); and China Development Bank (CDB). The Exim Bank's occasional paper based on Dr. He's Award winning thesis was also released on the occasion. Dr. Zheli He received her doctoral degree in 2017 from the Columbia University, USA. She is currently working as an Economist at the Penn-Wharton Public Policy Initiative, USA.

Changing Contours of Chinese Financing in Africa: Is China Being Cautious?

The Sino-African relations have been supported by a long record of mutual cooperation. While China has been making relentless efforts to drive the African economic development, Africa, in return, gave China its support in gaining the UN membership, as well as positioning it as an essential element in the present day global order.

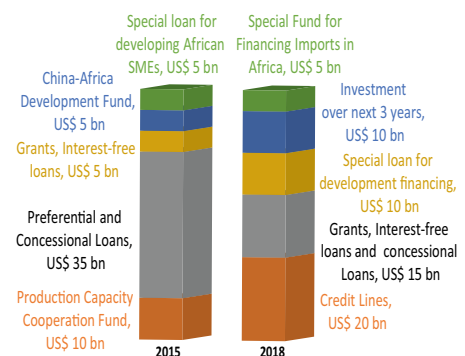
One of the essential elements of the China-Africa partnership is the Forum on China-Africa Cooperation (FOCAC), a triennial summit adopted in 2000, with an objective of “equal consultation, enhancing understanding, expanding consensus, strengthening friendship and promoting cooperation between China and Africa”. What has caught the attention of the international community in the recent past is the crescendos of commitment made by China during the series of FOCAC summits, as it is considered indicative of China’s stance in terms of strengthening its relations with Africa.

Traditionally, China had a pattern of doubling or tripling its FOCAC pledges. More than a decade ago, in 2006, China pledged a financial commitment of US\$ 5 billion at the FOCAC summit, which consisted of US\$ 3 billion in concessional loans, and US\$ 2 billion in export credit, which then doubled to a financial pledge of US\$ 10 billion in 2009; then to US\$ 20 billion in 2012; and to US\$ 60 billion in 2015. However, deviating from this pattern, the 2018 FOCAC summit was devoid of such augmentation. Further, the composition of this year’s financial pledge vis-à-vis 2015 shows dropping of overall level of concessional and preferentiality of Chinese financing to Africa (**Exhibit 1**).

On the one hand, the amount for grants, zero-interest loans, concessional loans, and credit lines have decreased from US\$ 40 billion in the 2015 commitment to US\$ 35 billion in 2018; concessional loans, which were combined with export credits to reach US\$ 35 billion in 2015, are now put in the same category with grants and zero-interest loans in 2018. Although the total of these three

items (grants, zero-interest loans, and concessional loans) reaches US\$ 15 billion, it remains uncertain whether the free grants and zero-interest loans will match the 2015 level (US\$ 5 billion). On the other hand, while China still pledges US\$ 20 billion of credit lines, the credit is no longer specifically confined to the export credit as it was in 2015, and there is no mentioning of such credits being preferential. In addition, the specification from 2015 on the enhancement of the concessionality of the concessional loans is removed from China’s pledges this year.

Exhibit 1: Composition of Financial Pledge to Africa - 2015 vs 2018



At the same time, China’s commitment to set up a US\$ 10-billion special fund for development financing and US\$ 10 billion of investment in Africa in the next three years reflect China’s changing model of financial engagement in Africa, which indicates its intention to diversify the pool of Chinese investors in Africa, illustrating a conscious push by the Chinese government to engage more Chinese private players to invest in Africa. Most likely, China’s inclination is towards utilizing financing provided by its development finance institutions, such as China Development Bank and China-Africa Development Fund, to support Chinese companies’ equity investment in Africa.

While it would be wrong to expect China’s financing pledges to continue to double or triple indefinitely, the stagnation of any growth indirectly reflects a cautious attitude on China’s

part. One possible indication that could be derived from this deviation is China’s heightened concerns about the returns and commercial viability of the Chinese financing in Africa. This could be attributed to a few factors, including the mounting concerns over African countries’ increasing risk of debt distress, the ballooning Chinese capital outflows, the continued growth of bad debt in China, the negative impact of the trade war on the Chinese economy, as well as the domestic criticism of Beijing squandering taxpayers’ money to buy foreign affinity.

From a strategic point of view, with the threat of the ongoing disruption of global trade understandings and the impact of the present US administration, China seems to understand that it must contemplate new or modified configurations of its global alliances to reinforce stability and predictability in its international trade and political partnerships through its increased engagements in Africa, while also keeping a cautious approach towards the viability of such increased engagements.

Amidst international financial markets’ and multilateral institutions’ careful scrutiny of Africa’s borrowing and debt servicing capability, and the lesser likelihood of African nations getting funded by these institutions, Chinese financial assistance is bound to attract African allies, even if it is increasingly on a commercial term. While the critics of Chinese lending have argued over the risks posed to sovereignty by increasing Chinese commercial lending among developing countries, and amidst warnings over a possible “Debt-trap”, China seems to have carefully evaluated its financial commitment to Africa this year, keeping in mind the commercial viability of its financing and the possible fiscal burden that it may have to bear, before announcing this year’s FOCAC commitment.

EXIM BAZAAR - AN EXCLUSIVE EXHIBITION OF HANDICRAFT AND HANDLOOM PRODUCTS & BOOK RELEASE

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. This year, the second edition of Exim Bazaar was organized at Nehru Centre, Worli, during 28-30 September 2018.

A total of 62 participants showcased and sold handmade products representing more than 25 states from Maharashtra, Gujarat, Rajasthan, Telangana, West Bengal, Odisha, Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Manipur and many more. The products sold during the exhibition included Kashmiri embroidery textiles, Pashmina wool, Dhokra crafts, Sanjhi Painting, Terracotta & Black Pottery items, Chennapatna toys, Miniature, Phad & Pichwai Paintings, Appliqued & Embroidered textiles & garments, Jute bags & mats, Punjabi jutti, footwear, Warangal Carpets, Ikat textiles, Organic Honey, Leather Puppetry, Foot & Mouth Painting, Paithani Sarees, Grass Weaving Baskets, ceramic pottery, Madhubani and Pattachitra Paintings etc. The event attracted more than 2000 visitors. Total spot sales generated during the exhibition accumulated approx. ₹33 lakh and future orders were placed worth around ₹13 lakh.

A book release of a study titled "Indian Handloom Industry: Potential and Prospects" was launched at the inauguration of 'Exim Bazaar'. The study highlights on the eco-friendly and largely organic nature of handloom products and recommends undertaking traceability of handloom products in this respect.

Exim Bank, through its Marketing Advisory Services, plays a promotional role to create and enhance export capabilities and international competitiveness of Indian companies. Exim Bank assists in identification of opportunities overseas and seeks to help Indian exporting firms in their globalization efforts by proactively assisting in locating overseas distributors / buyers / partners for their products and services.

For further information, please contact: mas@eximbankindia.in

ACTIVITIES OF EXIMIUS CENTRE OF LEARNING

Exim Bank, in association with Federation of Indian Exporters Organisation, organized a seminar on 'Export Potential of Rajasthan' on July 6, 2018 at Jaipur. Speakers from the Ministry of Industries, Rajasthan Government, Rajasthan Chamber of Commerce & Industry, MSME Development Institute, Directorate General of Foreign Trade (DGFT) and Exim Bank provided their insights to the MSME exporter community of Rajasthan from sectors such as textiles, handicrafts, gems & jewellery, agro products and marble.

Exim Bank, along with Ministry of External Affairs, Government of India, organised a 'Business Outreach Programme for Financing Solar Projects under Lines of Credit' on August 7, 2018 at Pravasi Bharatiya Kendra, New Delhi. The Program was addressed by senior officials of the Ministry of External Affairs, Ministry of Power and New & Renewable Energy, International Solar Alliance, Exim Bank and select Indian companies in solar sector, followed by an interactive session. The event was also attended by heads of missions of member countries of International Solar Alliance.

Exim Bank, in association with Indo Global SME Chamber, organised a seminar on 'Export Strategy for Madhya Pradesh' on August 13, 2018 at Indore, Madhya Pradesh. The seminar was attended by approximately 100 MSME exporters from Madhya Pradesh from sectors such as textile, pharma products, light engineering, food products and readymade garments. Speakers included senior representatives from Madhya Pradesh Government, ECGC Ltd., DGFT, Madhya Pradesh Small Scale Industries Association and Exim Bank.

Exim Bank also partnered with other trade associations during the quarter to support seminars and workshops on topics such as Modified Exim Policy 2018 (Kolkata), Act East Business Show (Shillong), MSME Summit (Panipat) and SME Manufacturers & Export Summit (Pune).

Visit www.eximbankindia.in/upcoming-events to participate in upcoming Exim Bank events in your region.

FORECAST OF INDIA'S EXPORTS BASED ON EXIM BANK'S EXPORT LEADING INDEX MODEL

Exim Bank forecasts India's merchandise exports to witness a growth rate of 12.3 percent and non-oil exports to witness a growth rate of 12.4 percent during the second quarter of 2018-19 viz. July-September 2018, over the corresponding quarter of the previous year. The forecasts are based on Exim Bank's Export Leading Index (ELI), which continued to show a positive growth momentum. Forecast of growth in India's total merchandise exports and non-oil exports would continue to be released on a quarterly basis, during the first week of the months of June, September, December, and March for the corresponding quarters, with continuous improvisation to the model. The next growth forecasts for India's exports for the quarter October-December 2018 would be released during the first week of December 2018.

The model and the forecast result are reviewed periodically by a standing technical committee of domain experts comprising Professor Saikat Sinha Roy, Professor & Coordinator, Centre for Advanced Studies, Department of Economics, Jadavpur University, Kolkata; Dr. Sarat Dhal, Director, Department of Economic and Policy Research, Reserve Bank of India, Kolkata; Professor N. R. Bhanumurthy, Professor, National Institute of Public Finance and Policy (NIPFP), New Delhi; and Professor C. Veeramani, Professor, Indira Gandhi Institute of Development Research (IGIDR), Mumbai.

As part of its continued research initiatives, Exim Bank has developed an in-house model to generate an Export Leading Index (ELI) for India to track and forecast the movement in India's exports. The ELI, derived from the model, gauges the outlook for the country's exports and is essentially developed as a leading indicator to forecast growth in total merchandise and non-oil exports of the country, on a quarterly basis, based on several external and domestic factors that could impact exports of the country.

KYRGYZSTAN

Real GDP of Kyrgyzstan grew by 4.6 percent in 2017, buoyed by private consumption and investment. The headline GDP figures are, however, heavily influenced by the production and exports at the Kumtor gold mine. The real GDP is expected to grow at an average of 3.5 percent in 2018, as the gold production is set to be lower compared to the previous year. The economy of Kyrgyzstan is, therefore, likely to be driven mainly by exports and fixed asset formation. The consumer price inflation recovered from 0.4 percent in 2016 to 3.2 percent in 2017, owing to the upward trend in global commodity prices. Movements in the rouble are important for the Som, as Russia is a leading trade partner and a source of remittance flows. The stabilisation of the rouble in 2016 and 2017 led to an appreciation of the Som, which averaged about Som 69: US\$ 1 in 2017. It is likely to appreciate marginally against the US dollar because of the continued growth of remittances and strong growth in exports in 2018. The current-account deficit is expected to widen slightly, to 4.8 percent of GDP in 2018 from 4.6 percent in 2017 as a result of increased demand for imports. The direct effect of an increase in remittances is, however, expected to put downward pressure on the current-account deficit.

ARGENTINA

Argentina is likely to continue to remain in recession, slowing down by 2.2 percent in 2018 from a GDP growth rate of 2.9 percent in 2017. This is majorly as a result of sharp currency weakening and fiscal tightening. The initial driver of this decline was the severe drought, but the contraction has become more broad-based amid a collapse of consumer and business confidence and a loss of consumer purchasing power. Public spending is expected to contract, and high interest rates would lead to weaker credit demand in 2018. Recent currency movements

are likely to increase consumer prices, and inflationary pressures will be compounded by the continued need to reduce the fiscal burden of energy subsidies. The consumer price inflation is likely to increase from 26.5 percent in 2017 to 32.9 percent in 2018. The peso is expected to depreciate further in 2018. The sharp currency slide of late August 2018 has left the peso undervalued in real terms. The current account deficit had widened to 4.9 percent of the GDP in 2017 from 2.7 percent in 2016. However, the dramatic currency adjustment of August has reversed the accumulated peso overvaluation of recent years, and these sharp external competitiveness gains should produce a faster adjustment of the current-account deficit, which is expected to narrow to 4.4 percent of GDP in 2018.

MALDIVES

Maldives' economy is dependent on tourism and fisheries. Maldives' real GDP grew by 4.6 percent in 2017, as compared to 3.9 percent recorded in the previous year, supported by recovery in tourism sector and a strengthening construction sector. The average consumer price inflation increased to an estimated 2.5 percent in 2017 from 0.8 percent in 2016, driven by the food and electricity subsidy reforms carried out in October 2016, and the increase in import duties on cigarettes, soft and energy drinks carried out in March 2017. Maldives is undergoing a massive infrastructure expansion which has the potential to transform its economy. The incumbent Government started several infrastructure projects to enable people to move from smaller islands to Greater Male' region, and construction has overtaken tourism as the main driver of growth. Further ahead, capacity in the tourism sector is set to expand following the infrastructure scale-up. Real GDP growth is expected to grow at 4.7 percent in 2018. Average consumer price inflation is expected to ease to 2.1 percent in 2018,

from the estimated 2.5 percent in 2017, reflective of stable commodity prices and economic performance. Maldives' current account deficit is expected to widen significantly, owing to the increasing infrastructure-related imports in line with the infrastructure ramp-up, to reach US\$ 818 million in 2018, from US\$ 779 million in 2017.

ZIMBABWE

Zimbabwe witnessed successive moderation in its growth since 2012. In 2017, the economic growth picked up at 2.4 percent, compared to 0.7 percent in 2016, reflecting the impact on the agricultural sector of favourable weather conditions and suspension of some duties on fertiliser imports. Consumer price inflation returned to positive territory in 2017 at 0.8 percent, compared to a deflation of 1.5 percent in 2016, with relative increase in global commodity prices. The real GDP is expected to grow at 2.0 percent in 2018, significantly below the government's projection of a 4.5 percent expansion. Consumer prices are expected to increase by 3.5 percent on an average in 2018 vis-à-vis 0.9 percent in 2017. This is majorly due to the expected increase in international food, feedstuff and beverage prices, along with global oil prices. In late 2016, the Zimbabwe government issued the first tranche of bond notes. The notes, valued at par with the US dollar, are local currency that is being issued to ease the cash shortage in the economy by supplementing the existing but inadequate supply of foreign currency notes—mostly US dollars, but also far smaller amounts of rand, euros, pounds and Botswana pula. The exchange rate is expected to remain at Z\$ 1.00: US\$ 1.00 in 2018, same as recorded in 2017. The current account deficit is expected to widen to 6.9 percent of GDP in 2018 from 3.6 percent in 2017.

ARGENTINE PESO

Argentina's peso fell by 4.7 percent to 41.15 per dollar on the last trading day of September, amid strong buying interest in the US currency in the wake of changes to monetary policy announced under a new IMF deal.

Argentina announced a revised US\$ 57 billion financing agreement with the IMF that foresees allowing the peso to float freely without central bank intervention between 34 and 44 pesos per dollar. It also aims to completely halt a rapid growth in the monetary base.

The peso, which has lost more than 50 percent of its value against the dollar this year, touched a historic low of 41.36 per dollar in August.

The sharp drop came despite the IMF agreeing to increase its bailout package to the Latin American country by an extra US\$ 7.1 billion. The increase takes the size of the bailout to US\$ 57.1 billion, the multilateral lender's largest loan ever. As part of the updated agreement, the IMF has also agreed to allow Argentina to access the majority of the funds between now and the end of 2019, a move that should sharply reduce the default risks the country faces.

However, big questions remain over how the IMF programme's focus on austerity will affect the Argentine economy, which is already forecast to contract more than 2 percent this year. With interest rates now at a punishing 60 percent and inflation seen to rise by more than 40 percent this year, the fear is President Mauricio Macri's embrace of IMF austerity will heighten social unrest and damage his re-election bid next year.

TURKISH LIRA

The lira has lost nearly 40 percent of its value against the US currency this year

on concerns about President Tayyip Erdogan's grip on monetary policy and, more recently, due to a diplomatic row between Turkey and the United States. In August, US President Donald Trump slapped additional tariffs on Turkish imports over the trial of evangelical pastor Andrew Brunson on terrorism charges. Turkey responded in kind, raising tariffs on some US imports.

The row between Ankara and Washington helped send the lira to a record low of 7.24 against the dollar in August. The currency has since rebounded with a series of measures taken to prop up the lira, including a 6.25 percentage point rate hike by the central bank and a new economic program announced by the government.

But along with a weak lira, double-digit inflation and the main interest rate at 24 percent, Turkey's economy has recently shown signs of a noticeable slowdown in the second half of the year.

The new economic program presented by Finance Minister Berat Albayrak showed sharply lower growth forecasts for 2018 and 2019. The latest data for economic and manufacturing confidence indices showed that both indicators had tumbled to their lowest since 2009.

Investors are also concerned about the state of the banking sector, which faces a potential deluge of bad debt with companies' cost of servicing foreign-currency debt increasing with the decline in the lira.

VENEZUELA BOLIVAR

Lost amid the economic chaos in Venezuela, the bolivar has actually stabilized somewhat. In the six weeks since the initial plunge after the government simultaneously carried out a massive devaluation and

redenomination of the currency, it has slid just 19 percent in the black market. That may not constitute stabilization in most foreign-exchange markets, but in Venezuela, where hyperinflation has been ravaging the economy for months on end, it's the closest thing to normality seen in a while.

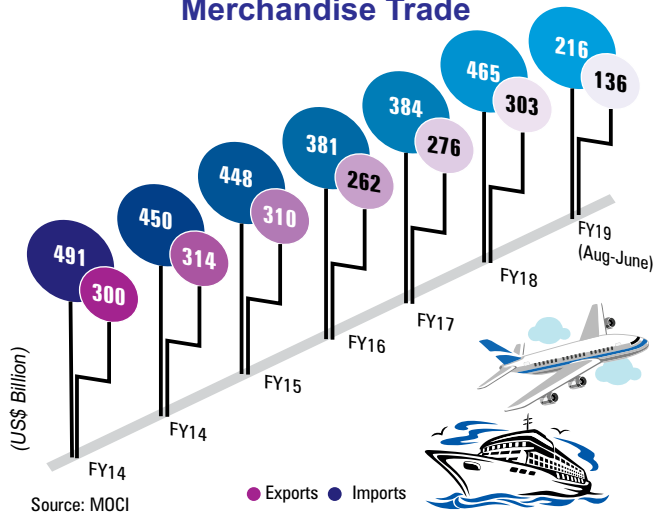
While far from a major policy victory and possibly only ephemeral, the bolivar's relative stability is a rare feat for Venezuela and could even help slow the breakneck pace of hyperinflation, which is forecast to reach 1 million percent this year. President Nicolas Maduro devalued the bolivar by 95 percent last month in what was perceived as a tacit acceptance of the ubiquitous black-market exchange, where most Venezuelans acquire dollars.

As part of his new economic plan, Maduro also increased the frequency of the country's official dollar auctions, known as DICOM, to three a week from one.

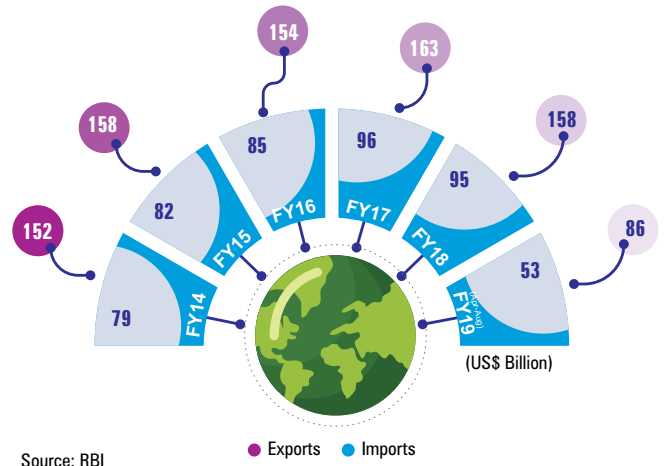
After the initial plunge in the black market rate that went hand-in-hand with the official devaluation, the parallel rate has remained in a range of 100 to 116 bolivars per dollar since the start of the month, the first period of relative stability this year, according to data from Monitor Dolar, which reports the average of several rates. The 14 percent decline this month compares with a 63 percent drop in August.

Yet the pause in the black-market devaluation may not last, as the DICOM system remains difficult for Venezuelans to access and individuals are limited to purchasing a maximum of US\$ 2,000 a year. In the meantime, the government continues to print money and annual inflation is running at about 111,000 percent, according to Bloomberg's Cafe Con Leche Index.

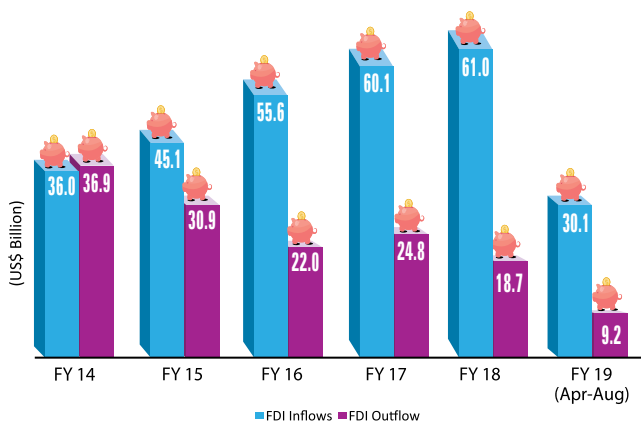
Merchandise Trade



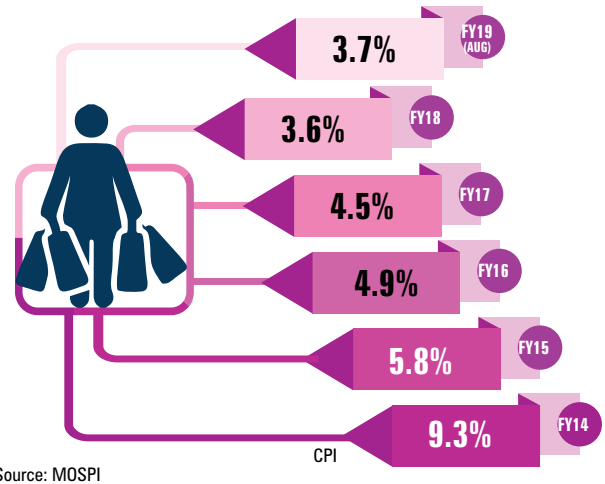
Services Trade



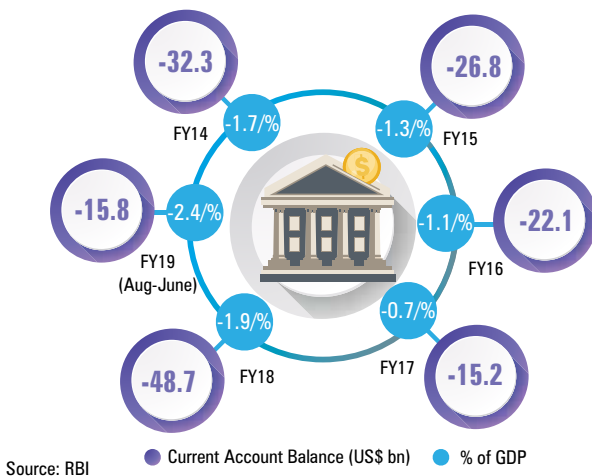
Foreign Direct Investment Flows



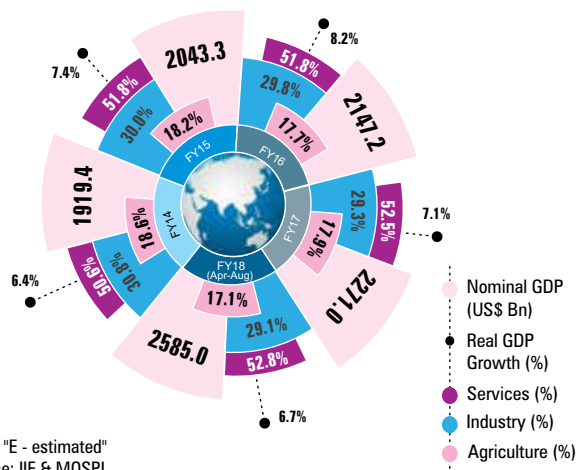
Consumer Price Inflation



Current Account Balance



Sectoral Output



Trade and Partnership Opportunities

Trade Opportunities

Hygiene Care

Indigenously designed automatic machine for producing ultra-thin sanitary napkins, cutting down the distribution costs, automating the production and ensuring economies of scale and product quality.



Handicraft Enterprise

A producer owned handicraft company where the artisans are not only the suppliers to the company but are also the shareholders sharing both the responsibilities and the profits of the company.



Industrial Chemicals

A manufacturing company exporting minerals & chemicals to industries in sectors such as Paper, Dyes & Chemicals, Dyestuff, Dyes Soap industries, Textile, Glass, Water treatment.



E-commerce

The first online Global marketplace that enables Handloom and Handicraft Co-operatives and artisans in connecting directly with Buyers online, thereby significantly reducing cost of cost of marketing, driving more efficiency and transparency in the Craft supply chain.



Power Meters

A company providing products and services that can be used to measure energy, inform of its usage and even help control its usage. The products range from the supply of gas & electricity, meters, instruments and heating & cooling controls.



Kantha Embroideries

A fair trade certified, non-profit organization, enterprise for excellence, working towards social development of the artisans. Product ranges from home textiles, clothing, apparels, wellness, etc.



Partnership Opportunities

Project Opportunities

- Ministry of Electricity and Energy of Myanmar is inviting tenders for procurement and installation of electricity transmission and distribution lines and transformers under World Bank Financing.
- Dhaka Electricity Supply Company Ltd has invited tenders for procuring pre-paid electric meters in Bangladesh. The last date is 26, November 2018.

Export Opportunities

- An importer from Sierra Leone have expressed their interest in procuring the sanitary pad manufacturing machine from India. Interested parties may like to reach out to Marketing Advisory Services Group on contact details mentioned as under.