SEPTEMBER 2020

Volume - XXXVI | Issue - III

EXIMIUS: EXPORT ADVANTAGE

In this Issue

A Quarterly Publication by:

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AfCFTA: Opportunities for India in Africa's Economic Integration

Africa's intra-regional trade has stagnated to around 14% over the past decade. This is much lower compared to the share of intra-regional trade in other regional trading blocs like North American Free Trade Agreement (NAFTA), which accounted for the highest intra-regional trade share of 41.2% in 2018, followed by European Union (28 nations) (38.8%), Association of South East Asian Nations (ASEAN) (22.0%) and Latin American Integration Association (LAIA) (13.6%).

Despite having eight regional economic communities [Arab Maghreb Union (UMA), Common Market for Eastern and Southern Africa (COMESA), Community of Sahel–Saharan States (CEN–SAD), East African Community (EAC), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), Inter-governmental Authority on Development (IGAD) and Southern African Development Community (SADC)] and four sub-regional groupings, Africa's intra-regional trade continues to remain low. Further, the low intra-African trade is also an indicator of the low supply capacities, poor connectivity and high trade barriers in the continent.

Country-wise analysis of the share of intra-regional exports of African economies reveal that their share of exports to Africa in their total exports tend to remain low. Among the large exporters of the continent, the share of exports to Africa in South Africa's total exports was 26.5% in 2018, followed by Egypt (16.2% of its global exports), Nigeria (13.2%), Angola (5.2%), Algeria (3%), and Libya (0.3%).

Also, Africa has the highest degree of export product concentration (0.4), as compared to Asia (0.2), Latin America and the Caribbean (0.1), North America (0.2), or Europe (0.1). Exports of African countries are majorly commodity intensive which makes them highly vulnerable to international commodity price movements. Hence, there is an increasing need felt for export diversification (both in terms of type of goods produced as well as export markets) among African economies, this would reduce commodity dependence as well as help them move up the value chain.

Africa has taken cognizance of this intra-continental shortage of trade and its increased efforts towards economic integration is reflected in the agreement establishing the African Continental Free Trade Area (AfCFTA). The AfCFTA is an outcome of Africa's continued efforts towards economic integration. It was signed in Kigali, Rwanda, on March 21, 2018, and presently has all the African Union (AU) states as signatories except for Eritrea. On April 29, 2019, with the ratification of the AfCFTA by Sierra Leone and the Sahrawi Republic, the minimum threshold of ratification by member states was reached, which led to the formal existence of the free trade area. The AfCFTA came into force on May 30, 2019. Trade under AfCFTA, which was supposed to initiate from July 2020, has now been postponed to 2021 on account of the COVID-19 pandemic. The Study on 'AfCFTA: Opportunities for India in Africa's Economic Integration' by the India Exim Bank examines the opportunities that exist for India in Africa's economic integration through the AfCFTA. It has been estimated that trade under AfCFTA would increase intra-African trade by at least 52.3%. However, the effectiveness of this agreement is subject to improved trade-related infrastructure and transit costs.

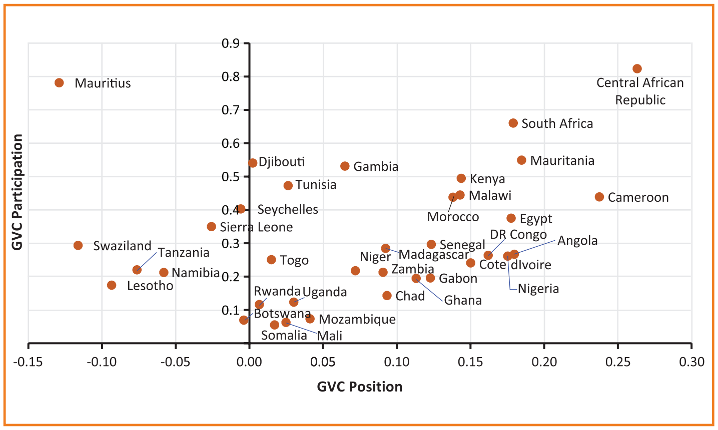
The India and Africa's robust trade synergy is testimony to the longstanding partnership built over the years. India's bilateral trade with Africa increased from US$ 39.0 billion in 2008-09 and peaked in the year 2014-15 reaching US$ 71.5 billion. India's trade trends with Africa have been in line with its global trade, with bilateral trade recovering since 2017-18 after falling for two consecutive years. India's total trade with Africa stood at US$ 69.7 billion in 2018-19 increasing from US$ 62.7 billion in 2017-18. India has continued to remain Africa's second largest trading partner since 2017.

However, India does not feature in the top five investors in Africa (in terms of FDI stock) despite having presence in both in greenfield and brownfield, spanning sectors such as pharmaceuticals and healthcare, energy, ICT, power, roads, railways, and automobiles, among others. Therefore, there is an increasing need for India to give AfCFTA priority on its foreign policy map by fostering innovative strategies that optimise growth and address the development needs of the region.

In this regard, the India Exim Bank's Study draws three critical areas for India to enhance its trade and investment relations with the African countries. The integrated approach would entail facilitating development of Regional Value Chain (RVC) in Africa and integrating Africa to the Global Value Chain (GVC) in the long run; strengthening Africa's infrastructure and connectivity, and facilitating trade finance in Africa, among others.

To evaluate Africa's present standing in the GVC, the Study draws an analysis of Africa's GVC participation as well as GVC position. Majority of the African economies tend to have a modest GVC participation rate and higher GVC position rate due to their high domestic value-added exports (mainly primary commodities) and involvement in upstream activity (initial part of the value chain). The GVC participation rate reflects the level of involvement of a country in GVC whereas the GVC position reflects the stage at which it is involved. Countries with significant share of natural resources like oil or other commodities in their exports, tend to have higher share of domestic value-added trade as such kind of exports are the 'initial stages of GVC' and require hardly any foreign inputs. Participation index is above 0.5 for countries such as Central African Republic, Mauritius, South Africa, Mauritania, Djibouti and the Gambia, implying higher GVC participation rates. These countries tend to have a higher GVC participation due to certain amount of value addition to their exports or due to significant share of port trade. Some African economies have higher GVC position index implying higher upstream activity but a low GVC participation that implies lower involvement in GVCs, such as Nigeria, Egypt and Angola. However, two countries may have identical GVC position and yet have different degree of GVC participation, hence both parameters are used in conjunction to understand the importance of global supply chain for a country. Mauritius has a high GVC participation, but negative GVC position implying high involvement in GVC coupled with its relatively downstream position in GVC (higher share of foreign value added in its exports).

GVC Participation and Position of Select African Countries



Source: UNCTAD EORA Database; and Exim Bank Research

India's private sector could therefore assist African countries in further value addition and integration into agricultural, manufacturing and services value chains. With the onset of the COVID-19 pandemic, the importance of integrating Africa and building resilient regional value chains has become even more pertinent. India and Africa could step up their cooperation in key areas like agro-processing, healthcare including pharmaceuticals and renewable energy to ensure a sustainable path for economic recovery. Infrastructure plays a critical role in facilitating intra-regional trade. Africa's annual infrastructure deficit is estimated between US$ 67.6 and US$ 107.5 billion, including transport and utilities infrastructure. In this regard, to facilitate infrastructure development and address the financing gap, innovative mechanism of financing, besides traditional financing methods, needs to be explored to increase private sector involvement, which could include, among others, blended finance and PPP.

Additionally, limited access to trade finance remains an overriding constraint to Africa's trade, particularly for SMEs. Therefore, there is also the need for increased engagement of Indian financial institutions with regional institutions in Africa to strengthen the financial institutional capacity of Africa.

Release of India Exim Bank's Publication during the 15th CII-EXIM Digital Conclave

Export-Import Bank of India (India Exim Bank) and the Confederation of Indian Industries (CII), in collaboration with Ministry of External Affairs and the Ministry of Commerce & Industry, Government of India, had organized the 15th edition of the CII-Exim Bank Digital Conclave on India-Africa Project Partnership during September 22-24,2020. The Conclave was held on a virtual platform for the first time on account of the COVID-19 pandemic. The first Conclave was held in 2005 in New Delhi, and over the years the conclave has emerged as the pioneer event in building partnerships and enhancing the economic engagement between India and Africa. The Conclave has also facilitated the enhancement of Indian project exports to African markets. The growing India-Africa economic exchanges bear testimony to the noticeable benefits that had accrued from the high-profile engagements at the Conclaves. The Conclave has seen the participation of eminent dignitaries from across Africa and India, who have actively built bridges to strengthen the partnership between the two regions. The 15th Conclave was inaugurated by the Hon'ble Minister of External Affairs, Dr. S Jaishankar. The Guests of Honour for the Conclave were H.E Otunba Niyi Adebayo, Hon'ble Minister of Industry, Trade and Investment, Federal Republic of Nigeria, H.E. Ms. Raychelle Awour Omamo, Hon'ble Cabinet Secretary for Foreign Affairs, Republic of Kenya, H.E. Dr. Mohammad Anwar Husnoo, Hon'ble Vice-Prime Minister, Republic of Mauritius, and H.E. Mr. Sylvestre Ilunga, Hon'ble Prime Minister, Democratic Republic of Congo. All the four dignitaries spoke about the long-standing India-African partnership and need for further cooperation in various sectors of their respective countries and continent. During the inaugural session, India Exim Bank's study titled 'AfCFTA: Opportunities for India in Africa's Economic Integration' was released in the presence of Dr. S Jaishankar, Minister of External Affairs, Government of India, H.E. Otunba Niyi Adebayo, Hon'ble Minister of Industry, Trade and Investment, Federal Republic of Nigeria, H.E. Ms. Raychelle Awour Omamo, Hon'ble Cabinet Secretary for Foreign Affairs, Republic of Kenya, H.E. Dr Mohammad Anwar Husnoo, Hon'ble Vice-Prime Minister, Republic of Mauritius and Mr. Sylvestre Ilunga, Prime Minister, Democratic Republic of Congo, Mr. David Rasquinha, Managing Director, India Exim Bank, Mr. Uday Kotak, President, Confederation of Indian Industry and Managing Director, Kotak Mahindra Bank, Mr. Chandrajit Banerjee, Director General, Confederation of Indian Industry, and Mr. S Kuppuswamy, Co-Chair, CII Africa Committee.

Realizing India's Trade and Investment Potential with South Korea

South Korea is a highly industrialized and trade dependent economy. It is the 12th largest economy globally and 4th largest in Asia. It has recorded one of the most spectacular growth stories witnessed in the history of global economies, with the country's GDP increasing from US$ 2.4 billion in 1961 to US$ 1.6 trillion in 2019 and per capita income increasing from US$ 93.8 in 1961 to US$ 31,430.6 in 2019.

India's Trade with South Korea

Bilateral trade between India and South Korea has exhibited high level of synergy, with total trade increasing from US$ 1.6 billion in 2001 to US$ 12 billion in 2009, and further to US$ 20.8 billion in 2019. Exports have increased to reach US$ 4.7 billion in 2019 from US$ 3.8 billion in 2009. Aluminium and articles; and mineral fuels and products (mainly naphtha) dominate India's export basket, accounting for over one-third of India's total exports to South Korea in 2019, though share of mineral fuels has moderated from 55.9% in 2009 to 17% of total exports in 2019. Other major items include organic chemicals, iron and steel, machinery and cotton.

India's imports from South Korea have also doubled from US$ 8.2 billion in 2009 to US$ 16.1 billion in 2019. South Korea has emerged as the 8th largest supplier for India, accounting for 3.4% of India's global imports in 2019. Electrical and electronic equipment, iron and steel, machinery, plastics, organic chemicals, vehicles and mineral fuel products are the major items in India's import basket from South Korea.

India generally maintains a trade deficit with South Korea, which has widened significantly in the recent years, reflecting the sharp rise in South Korea's net exports to India. From US$ 679 million in 2001, India's trade deficit with South Korea has increased around 17-fold, touching US$ 11.5 billion in 2019. The sectors which present the largest trade deficit for India are electrical and electronic equipment, iron and steel, machinery and plastic articles, where India's trade deficit are in excess of US$ 1 billion in 2019. Though it is noteworthy that India-South Korea Comprehensive Economic Partnership Agreement (CEPA) has resulted in almost doubling of total trade between both countries, the widening trade deficit is a matter of concern for long term sustainability of bilateral trade relations. It is necessary that both countries work together towards a mutually beneficial and a more balanced trade.

India-South Korea Bilateral Investment

According to data from the Ministry of Finance, Government of India (GOI) and the Reserve Bank of India, India's approved cumulative investments in South Korea during April 1996 to March 2020 amounted to US$ 593.9 million. According to FDI Markets database, India has emerged as the 15th largest investor in South Korea during 2009 to 2019, with an investment of US$ 913 million in 17 FDI projects by 14 Indian companies. Metals sector received the highest investment, followed by automotive OEM, communications, food and beverages and financial services during this period.

According to Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, GOI, during April 2000 to March 2020, India's total FDI inflows from South Korea amounted to US$ 4.5 billion, accounting for 0.95% of India's total FDI inflows during this period. South Korea currently is the 13th largest investor in India. Metallurgy, automobile, electronics, prime movers, machine tools, hospital and diagnostic centers are the key areas attracting investments from South Korea.

Potential Export Commodities for Enhancing India's Exports to South Korea

To enhance bilateral trade relations, and to address India's rising trade deficit with South Korea, strategy to enhance bilateral trade would entail identification of potential items of India's exports to South Korea in line with the huge import demand in South Korea, India's export capability and low share of Indian exported products in South Korea's import basket. These potential commodities would include, among others, mineral fuels and products (HS-27); electrical machinery and equipment (HS-85); machinery and mechanical appliances (HS-84); optical, photographic, cinematographic, medical or surgical instruments (HS-90); vehicles other than railway or tramway (HS-87); iron and steel (HS-72); ores, slag and ash (HS-26); organic chemicals (HS-29); plastics and articles (HS-39); inorganic chemicals (HS-28); miscellaneous chemical products (HS- 38); articles of apparel and clothing accessories, not knitted or crocheted (HS-62); and pharmaceutical products (HS-30)

Potential Sectors for South Korean Investments in India

India has set up an investment promotion and facilitation agency, Invest India, to handhold FDI into India "from concept to cash flow", while South Korea launched Korea Plus, a platform to promote and facilitate investments from South Korea into India. South Korea is a major global producer of automobiles, electronics, shipbuilding, steel and, high-technology products such as digital monitors, mobile phones, and semi-conductors. India could substantially benefit from technology transfer from South Korea.

Sectors having potential for South Korean investment in India are given below.

Defence Sector: According to Stockholm International Peace Research Institute, India is the second largest importer of defence equipment, behind Saudi Arabia. Although India is a major importer of defence products, there has been a steady progress in 'Make in India' defence products exports to a number of countries including USA, Australia, Finland, France, Germany, Israel, South Africa and Sweden in the recent years. South Korean companies with their high-level technologies could set up base in India, supported by India's improved business climate, abundant supply of labour and various GOI's policy initiatives that facilitate investment process in the country.

Automotive Sector: India is the world's fourth largest passenger car market and is expected to become the world's third largest in the coming years. With the 'Make in India' policy offering incentives for foreign companies manufacturing in India and a push to increase the number of electric vehicles (EVs) on Indian roads, investing in automobile sector would offer lucrative opportunities for South Korean investors for a wide range of products including, lithium batteries, electronic components and Internet of Things(IoT); among others.

Electronics Sector: The Indian electronics industry is being driven by factors such as growing middle-class population, rising disposable income, declining electronics prices and adoption of high-end technology. South Korean companies with their stronghold in the global electronics market and high level technology could invest in India, especially in domestic supply-chain process.

Aerospace Sector: Rising working group and widening middle class is expected to boost the demand for civil aviation sector significantly in the coming years. The rapid growth of Indian civil aviation sector has put huge pressure on the existing civil aviation infrastructure. Thus, there exists huge opportunities for collaboration with South Korean companies in modernizing the civil aviation infrastructure in India. India has already established itself as a global powerhouse in software while South Korea is globally competitive in hardware. South Korea aims to achieve independent technological capabilities for space development in the near future and be one of the top ten nations in the space industry. India, being a major player in the space technology area, with several successful space missions, the countries can enter into mutually beneficial collaboration in the arena of outer space and nuclear energy.

Infrastructure Development: South Korea is a partner in India's major flagship initiatives such as Smart Cities, Sagar Mala and Industrial Corridor projects. According to the Asian Development Bank, India requires investments of about US$ 4.5 trillion by 2040 to develop a sound infrastructure to improve its economic growth. There are ample amount of opportunities for South Korea for investment in India's infrastructure, including roads, railways, urban waste management and treatment and education.

Potential Sectors for Indian Investments in South Korea

South Korea is among the most promising and vibrant economies in Asia. The country is an attractive investment destination, supported by its stability, rapid growth rates, strong manufacturing base, export orientation and availability of advanced technology.

IT Service Industries: An Indian IT-start-up in South Korea could benefit from the large domestic market and the continued start-up and venturing boom. South Koreans are active users of mobile devices for gaming, and social networking and have begun adopting artificial South Korean intelligence. India, being a leader in software could partner with South Korean companies in their endeavor to lead the world in the Fourth Industrial Revolution and adoption of 5G and the IoT.

Creative Industries: South Koreans are fervent consumers of digital media and use majority of their bandwidth resources to online gaming. Focus of the industry is shifting to mobile games and VR technology. The digital content sector (movies, recordings, and webtoons) are also witnessing high demand in the country. India with its strong media and entertainment industry can make an impact in the country by investing in digital content sector.

Pharmaceutical Sector: South Korea is planning to invest more than US$ 1.7 billion in its biotech and biopharmaceutical sectors over the next five years, and aims to position itself as a global biotech and medical industry hub by 17 investing more on R&D. India could consider enhancing its presence in South Korea in pharmaceuticals and healthcare, including local partnerships in generic drugs production.

Energy Sector: Being a manufacturing-focused economy, South Korea requires large amounts of energy. The country imports most of its energy requirements. In December 2017, South Korea announced Renewable 2030, a plan to greatly increase its renewable energy capacity in areas including solar and wind energy sectors. Indian companies in renewable sector could enter into partnership with South Korean companies especially in the offshore wind energy sector. ■

Packaging Sector: Potential and Way Forward

Packaging Industry is of paramount importance and plays a vital role in the international trade of goods as it is used in a wide range of industries, viz., food and drink, healthcare, cosmetics, and other consumer goods. The global packaging market was estimated at US$ 876 billion in 2018[1], registering a y-o-y growth of 2.9% over 2017 (US$ 851 billion) at constant prices. According to the industry sources, the packaging industry is envisaged to cross the US$ 1000 billion mark in the first half of 2022, attributed much to the steady growth in E-commerce.

India is a net exporter of packaging materials[2]. The export of packaging materials from India was estimated at US$ 843.8 million in 2018-19, witnessing a growth of 14.1% from the estimated value of US$ 737.4 million in the previous year. However, the share of India's exports in the global export of packaging materials remained low at 1.4% in 2018. Major export destinations include the USA (19.2%), UK (8.3%), UAE (5.2%), Netherlands (3.8%) and Germany (3.0%).

Though with a low share in total global exports, India has emerged as a clear market leader in a few sub-segments of packaging, such as the Flexible Intermediate Bulk Container (FIBC) and Biaxially-oriented polyethylene terephthalate (BOPET) films. India is the second largest exporter, after China, in the FIBC segment and exports FIBC to 114 countries.

The per capita packaging consumption in India, in terms of volume, is significantly low at 10.5 kg, compared to countries, such as the USA (109 kg), Europe (65 kg), China (45 kg), Germany (42 kg), Brazil (32 kg) and Taiwan (19 kg). This low consumption level indicates the untapped potential in the Indian packaging sector.

The packaging sector is faced by considerable challenges in terms of technology, cost of raw materials, availability of skilled manpower, advanced packaging machinery, and investment towards research and development, among others. Not with standing the challenges, the growth drivers are distinctly defined for the sector. With rapidly growing e-commerce, organised retailing and convenience-driven consumerism, the sector has considerable potential to grow, provided the sector can leverage the market drivers effectively, and through concerted efforts alleviate the limitations in diverse areas of operations.

[1] Smithers- PIRA Report

[2] The packaging materials includes HS 392310, HS 392321, HS 392329, HS 392330, HS 392350, HS 392390 as per composition of packaging materials by DGCIS and further use of the word will be applicable for the mentioned HS codes.

Way Forward

Policy Framework and Government Initiatives

- Developing the traditional packaging manufacturing units in the MSMEs with appropriate policies on investments.
- Encouraging public private partnerships in establishing Packaging Parks at various manufacturing centers.
- Including packaging education part of Skill India Program.

Addressing the Technological Changes

- Technology development should focus on quality of the end product, minimising defect rates, and enhancing cost competitiveness.

Reducing the Cost of Raw Materials and Innovation

- Working out a cost index for packaging with appropriate weightage for optimizing the cost at all steps.

Strengthening the Packaging Machinery Sector

- Indian capital goods industry needs to significantly scale up in terms of investments in R&D driven technology, skilled manpower, production capacities, speed and quality of production, and testing abilities, supported adequately by post sales and upgrading services.

Increasing the Availability of Skilled Manpower

- Increase packaging training and R&D institutes with degrees and diploma in the fields of packaging.
- Strengthening the existing training infrastructure.

Complying with Food Safety Regulations in Packaging

- Create awareness among the producers, especially among the MSMEs, and other unorganised and informal sections about the food safety regulations in the international market.

Packaging Design and Innovation

- Increased R&D in market driven and product specific design development in packaging.
- Capacity building on improving design capabilities of MSMEs and the informal sector, lacking own research and development infrastructure.

Certification Multiplicity and Complexities

- A collaborative approach may be adopted wherein the national R&D institutions seek accreditations from international certification agencies. A single certification program could help in timely completion of export orders. ■

Promoting Exports from Kerala: Insights and Policy Perspectives

Kerala is a coastal state, strategically located on the transnational trade corridor. Although the size of the state is relatively small in terms of area, it has the potential to emerge as one of the key contributors to growth in India's exports. According to a recent Study by India Exim Bank titled 'Promoting Exports from Kerala: Insights and Policy Perspectives', Kerala has the potential to achieve an exports target of ₹ 3.67 trillion by 2024-25, taking its share in India's exports from the current level of approximately 2.2% to nearly 4.5%. Achieving this target would require an all-encompassing, well-formulated export growth strategy.

Strategies for Promoting Exports from Kerala

Focus Product and Markets: While sectors in which the state is traditionally strong shall continue to be important from the exports' perspective, there is a need to diversify the exports towards higher value-added products to impart the much-needed resilience to the state's exports. In the short to medium term, the exports strategy should focus on product champion sectors such as marine products, tea and spices, electric machinery and equipment, chemical products, precious stones and metals etc., where the state possesses comparative advantage. In the medium term to long term, the state needs to encourage development of capacities in the segments of medical appliances and instruments and turbo jets, where Kerala's exports currently do not have comparative advantage but the global import demand is increasing.

Infrastructure Leverage and Strengthening: There is a need to upgrade the existing export infrastructure in the state, through measures such as adoption of a public-private partnership model for strengthening the existing network of waterways, creation of a fund for development of export infrastructure in the non-major ports, increasing warehousing capacity in the districts of Alappuzha and Palakkad, and setting up a Center of Excellence for the AVGC sector in the state.

Capacity Building: Kerala needs to develop a branding strategy for products in which the state has Geographical Indications (GI), to ensure that all products marketed under the GI brand adhere to minimum specific standards. Further, Kerala could consider providing support in the form of refund of expenses incurred by exporters in the state for obtaining statutory certifications for penetrating international markets.

Fiscal Incentives: Incentives such as capital subsidy or grants in priority sectors could be considered by the state government for enhancing the competitiveness of exports from Kerala. The state can also consider providing reimbursement of electricity duty in key export-oriented sectors, especially in the product champion sectors.

Export Promotion Campaign: Kerala needs to relentlessly push its export promotion campaign. In addition to the existing reward program for best performers in the handloom sector, Kerala could consider instituting export awards in other key sectors. Export promotion efforts of the state government should also focus on various industrial clusters in the state. In this context, a mechanism for assessment of the existing clusters could be developed. Upon assessment of the clusters, relevant capacity building activities can be undertaken by the state government. Additionally, a brand equity fund could also be set up by the state government for building globally competitive brands for products originating from the state.

Institutional Streamlining: The overall institutional ecosystem in Kerala needs to be framed in a manner that facilitates the various schemes proposed for exports, allows regular monitoring of the proposed targets, and thereby propels the state to a higher export trajectory. To this end, Kerala government could consider setting up of a Kerala Export Promotion Council (KEPC), with the participation of the state government, exporters and industry associations, for ensuring strong export performance for the state.

Release of Exim Bank Study Titled 'Promoting Exports from Kerala: Insights and Policy Perspectives'

The Study was released by Dr. K. Ellangovan (IAS), Principal Secretary, Department of Industries & Commerce and NORKA, Government of Kerala, during an interactive webinar on the theme 'Potential for Enhancing Exports from Kerala' held on August 14, 2020.

Indian Chemical Industry: New Directions

Chemical industry has been a critical component of the modern globalized world economy, converting raw materials like crude oil, natural gas, air, water, metals and minerals into diverse ready-to-use products. Apart from producing a wide range of finished products like fertilizers, pesticides, LED lighting and other agrochemical products, the industry also produces key inputs for other manufacturing activities like synthetic fibres and plastics and water chemistry that benefit living standards and consumers around the world. Although the chemical industry is quite heterogeneous in character – ranging from commodity chemicals to research-driven products, it can broadly be classified into three major segments based on industry supply chain, viz., Basic chemicals, Specialty chemicals and Knowledge-based chemicals.

On the global front, the chemical industry is not only important in terms of size but also in terms of its features, involving significant capital investment, high knowledge content and qualified human resources. Broadly, the Basic chemicals segment accounts for about 47% of the industry, Specialty chemicals with 25% share, and Knowledge-based chemicals hold a share of 28%. It is to be noted that the industry is a rich source of employment generation – about 15 million people are directly employed in the chemical industry. Apart from this, the industry's supply-chain spending also stimulates high levels of employment. An estimated 60 million jobs were supported through the purchase of goods and services by chemical companies in 2017, three-quarters of which was in Asia-Pacific alone.

In the last few years, the industry has received a substantial participation from the emerging markets economies across different levels of the value chain. The BRIC countries (Brazil, Russia, India, and China) accounted for 42.8% of global chemical sales in 2018. Nearly 75% of global chemical sales were attributable to BRIC, the EU and the USA in 2018.

It is to be noted that in the modern times, the chemical industry acts as the basic building block for almost all other manufacturing industries such as textiles, pharmaceuticals, fertilizers, food processing, and paints. Its products permeate the entire spectrum of daily use items and cover almost every sphere of life. With regards investment, in absolute values, the level of world investment in the chemical sector stood at US$ 214 billion in 2018, 1.8 times higher compared to the levels in 2008. During this period, global investment grew 6% per annum on average, significantly lower than the Chinese investment growth of 10.6% during the same period.

In India, the chemical industry has emerged as one of the fastest growing, ranking third in Asia and the sixth largest market in the world with respect to output after USA, China, Germany, Japan and South Korea. The chemical industry directly or indirectly touches over 95% of all manufactured products. Indian chemical industry's growth is largely driven by the country's consumption growth story. The per capita consumption of chemicals in India is one-tenth of world average, and even when compared with other developing countries, Indian chemical consumption is low, making it an attractive destination to invest, grow and export.

While the industry has registered phenomenal growth in the last two decades, it may be noted that the sector's growth has largely been a result of growth in the FMCG sector. However, delivering profitable growth in a hyper-competitive market, low-growth world has become a bigger challenge today. In the global context, the industry is increasingly moving eastwards in line with the shift of key consumer industries (for example, automotive, electronics and so on) to leverage greater manufacturing competitiveness therein.

The low per capita consumption and low penetration levels for the user industries resulting in low per capita consumption for chemicals in India represents a huge untapped opportunity for chemical companies in the long term. In 2018, the per capita consumption of the chemical industry in India stood at US$ 100, which was just one-tenth of the world average, indicating that the potential demand is yet to be realized.

With total chemical imports registering an AAGR of 7.7%, an opportunity to substitute imports by developing technology & knowhow, and operating at economies of scale arises. It is recommended that the chemical sector should secure at least 10% of the total national inclusive innovation fund to invest in ventures/ innovations for the chemical industry.

Under the Business-as-Usual scenario, the chemical exports are likely to reach US$ 55.6 billion by FY 25, should it continue to grow at a CAGR of 4.1% during FY 19 and FY 25. Further, under an optimistic scenario, adhering to the 9% sectoral growth target set by the Government, the chemical exports would reach US$ 73.3 billion by FY 25, during the same period.

In order to achieve the envisaged goals for India's total exports to reach US$ 1 trillion by FY 25 and to keep the chemical sector stimulated domestically as well, following are a few action points that could be worked upon.

Exploring New Markets

Leading chemical manufacturers are entering markets through joint ventures or acquisitions (mainly in the Middle East to gain access to feedstocks, and in China and India to develop a local market presence). The most successful chemical producers soon are likely to be those that embrace the changing dynamics in the global chemical industry and effectively position themselves in emerging markets.

It's also important to consider regional differences - mature products in one region may be innovative products in another. At the same time, there may be a need to explore a new business model, packaging, or a delivery method, for example, to successfully deploying a product line in a certain region, and all these can be ascertained by enhancing customer relationships.

The Indian chemical industry, which has largely concentrated in the domestic market, needs to explore the tremendous opportunities it has abroad. This can be undertaken by either acquiring companies abroad or through Greenfield projects (which will have a certain gestation period). The other option is exploring markets through better networks, making up channel sales force, making business associates, making assignment-based agents, and enhanced marketing in the various regions.

Need for greater integration into the Global Value Chains (GVCs)

Analysing the forward and backward linkages in the Chemical sector in the Indian and Chinese context, it is observed that India has been having an increased dependence (backward linkage) on China for some critical inputs used by the chemical and pharmaceutical industries.

During 2009-18, while India's import of chemicals from the rest of the world increased at an AAGR of 11.1%, the imports from China grew at an AAGR of 13.7%, making up for about 46% of India's total chemical imports in 2018. It is recommended that in order to reduce the import dependence from China and boost the chemical exports from India, greater focus should be laid on enhancing India's integration into the GVCs, enabling domestic manufacturers to specialize across various stages of production.

Import Substitution through Capacity Additions

It is noted that heavy dependence on China for imports of chemicals, that are key inputs for both the pharmaceutical and the manufacturing sectors, could adversely impact the domestic markets even if the prices are increased slightly. Import substitution, in this regard, is not only required to make India self-reliant in end-to-end indigenous chemical manufacturing but more importantly, to make the sector globally competitive.

Fund for SMEs in the Chemical Industry

India's chemical industry is one of the largest and most diversified industries in the country and it consists of several small industries that cover hundreds of segments. However, given the paucity of funds available with them they are unable to upgrade themselves. They face not only technical constraints, but also feel challenged due to lack of quality manpower. With a significant market potential abroad, these SMEs need to move up the value chain so as to exploit the opportunities in overseas markets. The SMEs also need to conform by the various rules, regulations and good practices prevalent abroad.

A suitable fund may be constituted by the Government on the lines of the Technology Upgradation Fund as available to the textile industry, or provision of accelerated depreciation as available to the solar energy sector. The fund can also be utilized to access designs, patents, processes and technology. Such an initiative will make the industry, particularly the SMEs more robust and self-reliant.

Investments

With regards to investments, investments in the Indian chemical industry assume greater importance on the two fronts – technology and innovation. Technological development may be achieved by the chemical industry at two levels. In the bulk products segment, the chemical industry should undertake process innovation with the objective of reduction in cost of production.

In addition, the industry needs to invest in technological resources that would lead to specialized product development. Liberalization process has already increased the possibility of intra-firm transfer of technology and management practices in the form of consolidation within the economy as also from developed countries through foreign direct investment. More specifically, on the technical front, the total R&D investments in the chemical sector stood at 0.3% of total sales in FY 19. Apart from sustaining growth in the domestic market, R&D activities are equally crucial for the home-grown players to have a larger pie of the global markets as well. ■

Mandis, Competition and Farmer Incomes in India
(Based on IERA Award Winning Thesis)

Export-Import Bank of India instituted the International Economic Research Annual (IERA) Award in 1989. The objective of the award is to promote research in international economics, trade, development and related financing, by Indian nationals at universities and academic institutions in India and abroad. This article is based on IERA Award 2019 winning thesis titled 'Essays in Trade and Development Economics' by Dr. Shoumitro Chatterjee, Assistant Professor of Economics, Department of Economics, Pennsylvania State University, USA.

A long-standing view in India has been that inefficient intermediaries contribute to low farmer incomes as they exert market power. Two facts in the data fuel this belief. First, despite massive improvement in infrastructure, roads, and communication costs spatial variation in prices of agricultural commodities has not declined. This should have been the case if law of one price with perfect competition is to be taken seriously. Second, in the data there exists large wedges between wholesale and retail prices of agricultural commodities and these are indicative of large mark-ups that intermediaries charge. The monopsony rights to regulate trade of agricultural produce provided to the intermediaries by the Agricultural Produce and Marketing Committee (APMC) acts of various states of India is believed to be the reason behind the market inefficiencies and the market power of intermediaries.

This paper studies a particular slice of the very complex problem of low farmer incomes. It examines the economic consequences of the removal of inter-state barriers to trade in the agriculture market. The key economic mechanism proposed, to study the impact of removal of inter-state barriers to trade, in this paper is that of spatial competition. The idea is that when many buyers (intermediaries) bid for a seller's (farmer's) produce, they are likely to get a higher price. If there are few buyers, competition is low, and therefore the offered price is low. This mechanism also operates in a spatial context. In India, trade of grains takes place mostly in APMC markets or mandis. Imagine two districts, one with few mandis and the other with many. Presumably, in a district with many mandis the average price that the farmer gets is likely to be higher.

The paper first establishes that this is indeed the case in the data. This paper shows that a one standard deviation increase in market density causes prices received by farmers to increase by about 3%. The paper then proceeds to study the effects of removal of inter-state trade barriers on agricultural produce.

For farmers living close to state borders, this is like an increase in their outside option. Now, while negotiating with intermediaries they can claim to have access to a larger set of buyers. Thus, to a first order, one would expect an increase in prices at least for farmers closer to state borders. However, once prices in mandis close to state borders increase, farmers negotiating in mandis slightly farther from borders also have greater outside option. Thus, almost via a diffusion process, removal of interstate barriers can increase prices in mandis even in the interiors of states. However, the magnitudes might be small since this diffusion is discounted by cost of transportation. It is found that increasing spatial competition by one standard deviation causes prices received by farmers to increase by about 3%.

Now, once farmers get better prices, they can afford to use better inputs like seeds, fertilizers, pesticides etc. This can then contribute to an increased agricultural output contributing to further increase in incomes. However, once supply of agricultural output increases in the economy, it will push down retail prices that would lower the overall value of agricultural surplus. Thus, it will have a dampening effect on farmer incomes.

Quantitative estimates from the model suggest that removing of inter-state trade restrictions can increase farmer prices by about 11% on average. This price response has the potential to trigger a productivity improvement as farmers invest in better intermediate inputs like seeds and fertilizers. Average crop output could increase by 9% on average. The value of the national crop output would therefore increase by at least 18%. The model estimates suggest that compared to the overall gains, the negative effects are small and as such average prices in the country would still increase by 9%. A small fraction of the farmers would lose and get about 10% lower prices than before.

The above conclusions are subject to certain key assumptions which may not hold in the real world. The economic model of this paper takes the institutions, the political economy of rural India as given. Moreover, to estimate increased productivity it is assumed that key inputs like seeds and fertilizers can be obtained at competitive prices which again may be subject to limits.

India Exim Bank's Lines of Credit

India 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. Under the Lines of Credit extended with the support of Government of India, India Exim Bank reimburses 100% of contract value to the Indian exporters, upfront upon the shipment of goods and at least 75% of goods and services of total contract value should be sourced from India. LOCs have enabled India to demonstrate project execution capabilities in the emerging markets. LOCs have helped to gather considerable momentum in the recent years, especially in the developing countries of Africa, Asia, Latin America, Oceania and the CIS. The Bank has now in place 263 Lines of Credit, covering over 61 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of over US$ 25.7 billion, available for financing exports from India. LOCs are thus an effective instrument for promoting and facilitating India's exports of projects, goods and services.

India Exim Bank, with the support of Government of India, has signed one LOC as given below during the period July-September 2020:

An LOC of US$ 250 million was extended to the Government of the Republic of Mozambique, for the for the purpose of financing 'Improving the quality of power supply in Mozambique' project. With the signing of the above LOC, India Exim Bank, till date, has extended 14 Lines of Credit to the Government of the Republic of Mozambique, with the support of the Government of India, taking the total value of LOCs extended to US$ 772.44 million. Projects covered under the LOCs extended to the Government of the Republic of Mozambique includes supply of water drilling machinery, equipments, accessories, components and spares, support vehicles, water and fuel tankers and electrical equipments; electrification of Gaza province, transfer of water drilling technology and equipment; IT park project which will comprise construction of building and incubator facility, research and learning centre, technology park and administrative facility; rural electrification project in the provinces of Inhambane, Zambezi and Nampula, Cabo Delgado, Manica and Niassa; enhancing productivity of rice, wheat, maize cultivation; solar photo voltaic module manufacturing plant; rural drinking water project extension, rehabilitation of road between tica, buzi and nova sofala; construction of 1200 houses; construction of 1600 borewells with hand pumps and 8 small water systems; and procurement of railway rolling stock including locomotives, coaches and wagons.

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Success Story

Success Story: Upgrade of Rift Valley Textiles Factory (RIVATEX East Africa Ltd) Project under LOC to the Government of Kenya

The Bank extended an LOC of US$ 29.95 million to the Government of Kenya for upgradation of Rift Valley Textile (RIVATEX East Africa) Ltd. The modernization included installation and commissioning of plant, supply of machinery and equipment for spinning, weaving, knitting and finishing of various textile products as well as training and skill development of technicians. RIVATEX has played a huge role in revival of cotton growing in Kenya and the company hopes to export textiles to East African countries, Italy and the US. In the domestic market, RIVATEX is supplying readymade garments to the military, police, schools and hospitals. RIVATEX's facility was recently used for production of masks and personal protective equipment during the COVID-19 pandemic outbreak.

The Quarter That Was

Fostering Self-Reliance in Select Manufacturing Sectors can lead to Import Substitution of more than US$ 186 billion: Exim Bank Study

According to a study published by the India Exim Bank, the recent performance of the manufacturing sector in India is indicative of an underlying inertia, with the share of manufacturing in India's gross value added declining to 15.1% in 2019-20, as compared to 18.4% in 2010-11, despite the strong and growing private consumption demand in the country. This weakness in the domestic manufacturing sector has translated into greater dependence on imports to meet the growing domestic demand over the years.

The Study titled 'Self-Reliant India: Approach and Strategic Sectors to Focus', identifies select sectors for import substitution and enhancing domestic production including electronics, defence equipment, machinery, chemicals and allied sectors, pharmaceuticals, and select agricultural products. The Study has also included sectors such as auto components, and iron and steel where, though there is overall trade surplus for India, but in some sub-categories, there is trade deficit, particularly with China. Further, the Study has included rare earth elements in the scope, as securing these strategic minerals is important for India to enter high-tech manufacturing. These sectors account for more than US$ 186 billion of imports by India, with a share of nearly 39% in overall imports and 50% in the non-oil imports by India. The Study was released during an interactive webinar organized by India Exim Bank on the theme 'Strategies for Self-Reliant India' on September 16, 2020.

The Study was released by the Chief Guest for the webinar, Shri K Rajaraman, Addl. Secretary, Department of Economic Affairs, Ministry of Finance, GoI. Speaking on the occasion, Shri Rajaraman highlighted the efforts taken by the Government of India to reduce import dependence and foster self-reliance, thereby paving way for the economy to recover quickly from the pandemic-induced slowdown.

Mr. David Rasquinha, Managing Director, India Exim Bank, in his welcome address, noted that building competitiveness in the manufacturing sector would be the focal point of the narrative of 'Atmanirbhar Bharat'. Mr. Rasquinha observed that with the current international attention on India's tremendous potential for economic growth, international trade and global value chain participation, it would be an opportune time to push for rapid progress on structural reforms to increase domestic capabilities.

Training in Design Development of Tribal Jewellery for the Tribal Artisans of Odisha

A training programme, 'Design Development in Tribal Jewellery' has been organized for 20 tribal women artisans of Anwesha Tribal Arts and Crafts, Bhubaneshwar, Odisha, for a period of 30 days with the support of India Exim Bank. Anwesha Tribal Arts and Crafts (Anwesha), a non-profit organization, strives for the all-round development of the tribals of Odisha through training/capacity building of tribal artisans and marketing their products.

Mr. Dambarudhar Behera, Secretary, Anwesha, expressed, "our association with Exim Bank of more than six years has helped us grow and expand our horizons, for which are thankful to Exim Bank and we look forward to their continued support".

The current training programme on design development for 20 tribal women artisans of Anwesha, is the first Online Training Programme supported by the Bank, and has been conceptualized with due regard to social distancing norms, in light of the ongoing COVID-19 pandemic.

The program mentor, Mr. Puneet Kaushik, has a rich experience of over three decades in this field of collaborating with folk and tribal craftspeople. He is the recipient of the Junior Research Fellowship, Department of Culture, Government of India and is a Nehru Research Associate, Jawaharlal Nehru Trust, India. Mr. Kaushik serves on the board of Dastkar, a society for Crafts and Craftspeople. Through this training programme, Mr. Kaushik envisions adapting traditional craft techniques and tweaking them to suit contemporary market needs.

Ms. Harsha Bangari, Deputy Managing Director, India Exim Bank, acknowledged the unstinting efforts of Anwesha in the socio-economic upliftment of the tribal artisans and wished the program all success.

Country Scan

Bolivia

The Bolivian economy is expected to contract by 8.9% in 2020, as a result of COVID-19 pandemic induced shocks. The economy is expected to see a partial recovery in 2021, with the GDP growing at 3.8%. Crash in the international commodity prices has hurt Bolivia's commodity exports and the situation of the external sector is expected to remain fragile as the demand for natural gas remains subdued from Argentina and Brazil. Lower fuel prices and weaker demand side pressures will keep inflation at lower levels in 2020, averaging at 1.1% compared to 1.8% in 2019. Bolivia's currency is pegged to the US$ at Bs 6.91 : US$ 1. The current-account deficit is expected to widen modestly, to 3.7% of GDP in 2020, from 3.3% of GDP in 2019, owing principally to a sharp decline in mineral and natural-gas export receipts. However, import compression (caused by the economic contraction) would contain the widening of the deficit. The Bolivian economy will continue to recover from 2021 onwards, but the recovery is expected to be slow and uneven across sectors. The economy is likely to return to 2019 level of GDP in 2023.

Bangladesh

Bangladesh's real GDP is expected to grow by 3.8% in 2020-21, compared to 5.2% in 2019-20. This slowdown is primarily a result of COVID-19 induced shutdown measures taken by the government, which halted all economic activities in the fourth quarter of 2019-20 (April-June). Economic growth is expected to rebound in 2020-21 as the pandemic recedes. Inflation is expected to moderate to 5.3% in 2020-21 compared to 5.6% in previous year. Capital flows from international partners and multilateral institutions will sustain investment in infrastructure projects, particularly in the transport and energy sectors, and thereby support economic growth. The taka is expected to continue to weaken against major currencies owing to the wide deficit on the trade account, falling remittances and outflow of foreign portfolio investments, as a result the Bangladeshi taka is expected to depreciate to an average of Tk 84.9 : US$ 1, in 2020, compared to an average of Tk 84.5 : US$ 1 in 2019. The merchandise exports and imports are expected to contract. The current account is expected to remain in deficit, with CAD of around 0.9% of GDP in 2021.

South Africa

The coronavirus-driven economic slump is likely to push South Africa into a deep recession in 2020. Despite a phased restart to the economy in May and June (after a strict lockdown in April), an 8% contraction in real GDP is anticipated, dwarfing the 1.5% decline during the 2009 recession. Supply-chain and transport disruption, falling trade and a collapse in travel and tourism will all cause serious damage, compounded by ongoing domestic restrictions to curb viral transmission. The consumer price inflation is expected to ease at 3.3% in 2020, a multi-year low, because of a pandemic-induced recession and lower oil prices. The loss of South Africa's investment-grade credit rating in March 2020 is negative for its currency Rand and therefore it is expected to depreciate to R 17.10 : US$ 1 in 2020. Mineral exports will face variable markets, with some commodities (such as platinum-group metals) being more resilient than others. Vehicle exports are likely to fall because of global disruptions, but agricultural exports are expected to perform better. The current-account deficit is expected to narrow down to 2.3% of GDP in 2020 from 3% of GDP in 2019.

United States of America

The USA is in midst of its most severe economic recession since the 1930s with the real GDP expected to contract by 5.3% in 2020 as compared to a modest growth of 2.2% in 2019. This reflects a steep decline in consumer spending (which accounts for 70% of GDP) and industrial production during lockdown in April and May 2020. Consumer price inflation is likely to remain modest in 2020, at 0.7%. The crash in crude oil prices in March and April will significantly reduce transport costs, a major component of the US index. However, supply-chain disruptions related to the coronavirus, particularly stemming from China, could raise the cost of many other goods, including food and electronics. The US dollar appreciated against the Euro in the first half of 2020, as economic fundamentals in the US remained stronger than those of the Euro zone, and as the global economic crisis sent investors scrambling for US dollar. However, the dollar is likely to depreciate gradually against the Euro in the second half as the US struggles to contain the COVID-19 outbreak, undermining investor confidence. The current account deficit is expected to narrow to 1.8% of GDP in 2020 from 2.2% due to reduced imports.

Currency Currents

Russian Ruble

₽ The ruble edged towards five-month lows against the US dollar on Sep 8, 2020 at 76.5737 and has recovered since to close at 74.9296 on Sep 17, 2020. The monthly current account slid from a US$ 2.3 billion surplus in July to a US$ 1.3 billion deficit in August, presumably as the reopening of foreign travel to the popular destinations, propelled the imports of services and outweighed the effect of some relaxation in the OPEC+ oil supply restrictions since August.

Overall, the trailing cumulative 12-month current account surplus continued to shrink from US$ 43 billion as of July to US$ 40 billion as of August. The recent drop in the Brent price from the range bound US$ 45/bbl to below US$ 40/bbl could be a pressure factor for the current account in 4Q20. A shrinking current account and lack of material improvement in local capital flows are increasing the uncertainty for the US$/RUB outlook. For now, a return to the US$/RUB 70-75 range would require normalisation of the foreign policy backdrop, stabilisation of oil prices and continued US dollar weakness globally.

Hong Kong Dollar

HK$ Hong Kong's central bank has been selling the territory's dollar this year after relatively high interest rates and share offerings strengthened the currency to the edge of its designated range against the greenback. The Hong Kong Monetary Authority has intervened 40 times to keep its currency's peg against the US dollar in check in 2020, official data show — the most active spate of interventions since the financial crisis of 2008 and 2009. In total, it has sold HK$ 132 billion to keep the exchange rate steady.

The US Federal Reserve's move in March to cut rates close to zero in response to the coronavirus pandemic had pushed US dollar interest rates below those in Hong Kong, prompting investors seeking better returns to shift into Hong Kong dollar assets. Under a policy that has endured since 1983, the HKMA buys and sells dollars to keep the territory's currency within a narrow band of HK$ 7.75 to HK$ 7.85 to the greenback. That can mean heavy interventions to strengthen the Hong Kong dollar, as during the 2008 and 2009 crisis. Now, though, with the US dollar weakening and inflows into Hong Kong equities from international and Chinese investors rising, the local currency has been strengthening in recent months.

Ghana Cedi

₵ Ghana's cedi has weakened every year since at least 1994. Now, the central bank appears to have drawn a line in the sand, ready to intervene, if the currency slips out of the tight range it held since May. The Bank of Ghana has sold dollars in the spot and forward markets to stabilize the cedi, and is closely monitoring foreign-exchange trading to keep speculation to a minimum, according to Bloomberg. The central bank is well-armed with foreign-exchange reserves after a US$ 3 billion Eurobond sale in February.

That means the currency probably won't weaken much beyond the 2.1% decline it posted this year - which would be its best performance since 2006, when it dropped 1.4%. The cedi has slumped 18.8% a year on average over the past two-and-a-half decades, according to data compiled by Bloomberg. The cedi was little changed at 5.73/US$ on Sep 17, 2020. While risks, including elections in the U.S and Ghana, may weigh on the cedi, it is unlikely that the central bank will allow sustained weakness, according to market expectations.

Thailand Baht

฿ The Thai baht hit a near two-year low of 33.19 on Apr 02, 2020; a level last seen on Nov 12, 2018; and has recovered since to close at 31.16 on Sep 17, 2020. The baht's strength has raised regulators' concerns. The Bank of Thailand (BoT) is considering severing the link between gold trading and the baht as one way to curb the currency's gains.

The Thai economy is suffering from the adverse impacts of the COVID-19 pandemic as both domestic and external demand conditions remain weak. Accordingly, both business and consumer confidence indicators remain weak. The BoT is assisting the economy with accommodative monetary policy. The benchmark interest rate was lowered by 25 bps to 0.50% in May, taking accumulative rate reductions to 100 bps since November 2019. Although the MPC on Sep 5, 2020 voted unanimously to maintain the policy rate at 0.50%, it is expected that the BoT's easing cycle may not be over yet reflecting the fact that deflationary pressures persist on the back of subdued demand conditions; the consumer price index declined by 1.6% y/y in June. Fiscal stimulus complements the BoT's monetary easing; according to the IMF, announced fiscal measures are equivalent to 12% of GDP. ■

Exim Mitra

Information on Certificate of Analysis for Dietary Supplements

As per the Food Safety and Standards (Import) Regulations, 2017, imported proprietary foods must be tested for quality parameters as per Certificate of Analysis from exporting country submitted by importer and safety parameters as per the Food Safety and Standards (Contaminants, Toxins and Residues) Regulations, 2011.

Certificate of Analysis for testing of imported proprietary food is accepted by the Authorised Officer only if it is issued by an ISO 17025 accredited lab of the exporting country with a valid scope for those parameters and product matrix. The Food Safety and Standards Authority of India further recommends that while the Certificate of Analysis accompanying the consignment must be from an ISO 17025 accredited lab, it should not be more than three months old from the date of dispatch from the exporting country.

Information on E-Commerce Exports from India

Vide circular 36/2016 – Customs dated 29th July 2016, the Central Board of Excise and Customs had in pursuance to para 9.17A of the Foreign Trade Policy 2015-20, prescribed a procedure for e-commerce exports under MEIS. Exporters may refer to the circular. In order to facilitate exports and give a fillip to the global outreach of India's exporters via e-commerce (more so to the small and medium enterprises), all IEC holders have been permitted to export goods through Foreign Post Offices (FPOs). In order to cater to e-commerce exports through post, the Central Board of Excise and Customs has prescribed the declaration forms under "Exports by Post Regulations, 2018".

Information on Export of Meat

As per Director General of Foreign Trade (DGFT) Schedule – 2 Export Policy, export of chilled and frozen meat is allowed subject to the provision specified in the gazette notification on raw meat (chilled and frozen) under Export (Quality Control and Inspection) Act, 1963. Export of meat and meat products is allowed subject to the exporter furnishing a declaration, attached with copies of valid Plant Registration Certificate(s) issued by the Agricultural and Processed Food Products Export Development Authority (APEDA), to the customs at the time of export. Declaration should state that the items have been obtained/sourced from an APEDA registered integrated abattoir or from APEDA registered meat processing plant which sources raw materials exclusively from APEDA registered integrated abattoir/abattoir.

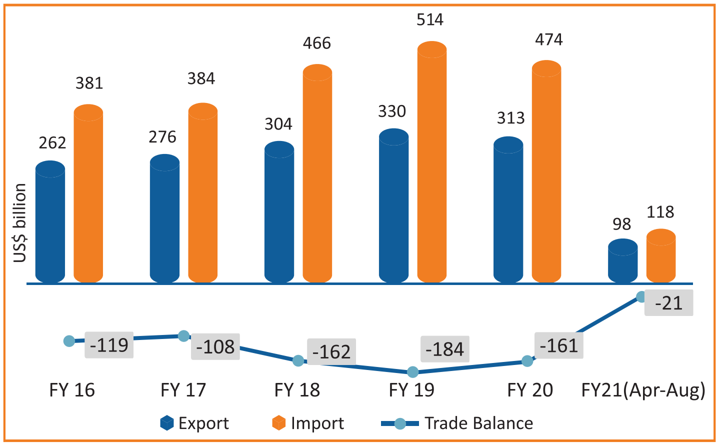
Main Differences between Incoterms 2010 and Incoterms 2020

The primary objectives of the Incoterms 2020 remain the same – to clearly specify the obligations of the buyer and seller in international trade transactions, when the risks pass from buyer to seller and what costs the buyer and seller bear.

Incoterms Rules are mainly about the delivery, which is reflective of the key changes in Incoterms 2020. Very few court cases are there on the interpretation of Incoterms Rules. Rather, the problems normally arise due to the wrong use of an Incoterms Rule. The Introduction to the new Rules clearly guides the buyers and sellers about using the right Incoterms Rules. Explanatory Rules for each Rule lend greater clarity. Colorful diagrams help understand the point of delivery. Each Rule gives the obligations, delivery point, costs etc. Then there is additional help enabling comparisons of how each Rule deals with the obligations, delivery, costs etc. Also, the Rules specify what they cover and what they do not. The new Rules emphasise more strongly than before that the Rules for transportation by sea or inland waterways should not be used for container shipments, even when they are carried by sea. Within Incoterms 2020, the users can see the full list of expected costs at a glance. In addition, the costs associated with each item still appear in the respective articles to accommodate a user who wants to focus on a specific aspect of the sale transaction. ■

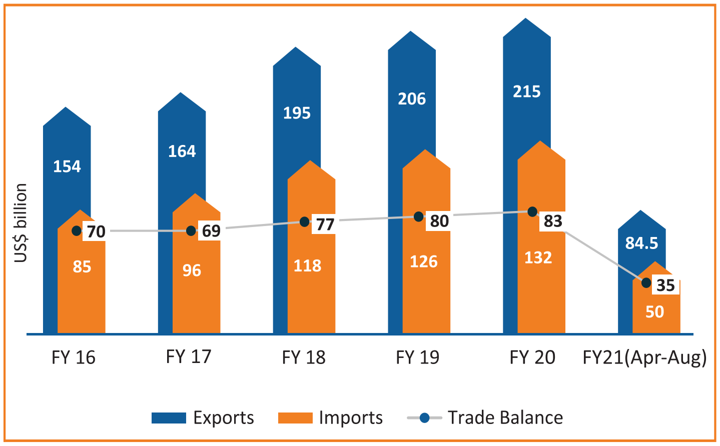
Snippets on Indian Economy

Merchandise Trade



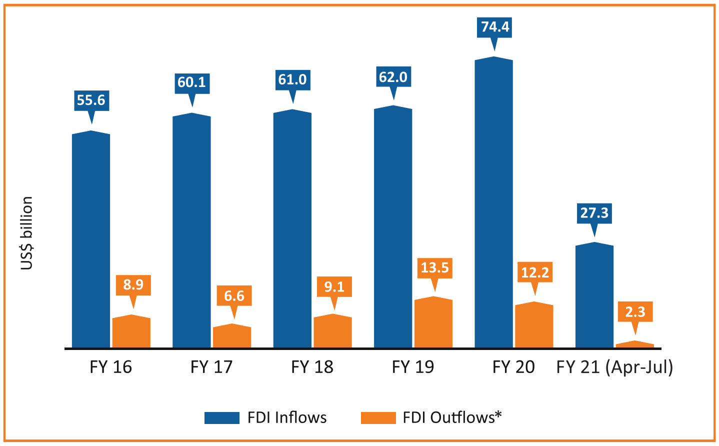
Source: Ministry of Commerce and Industry

Services Trade



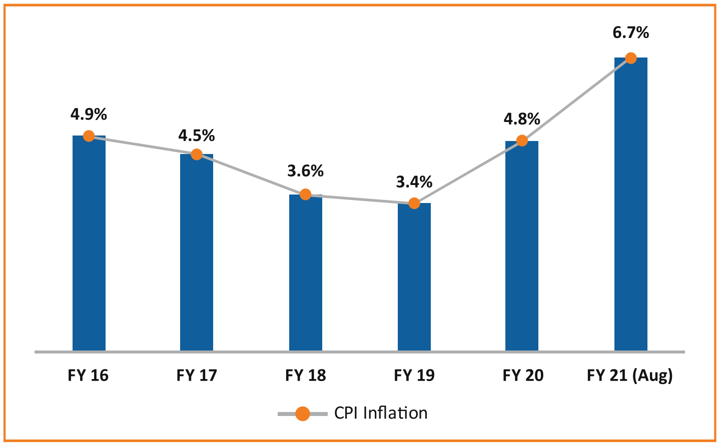
Source: RBI

Foreign Direct Investment (FDI) Flows



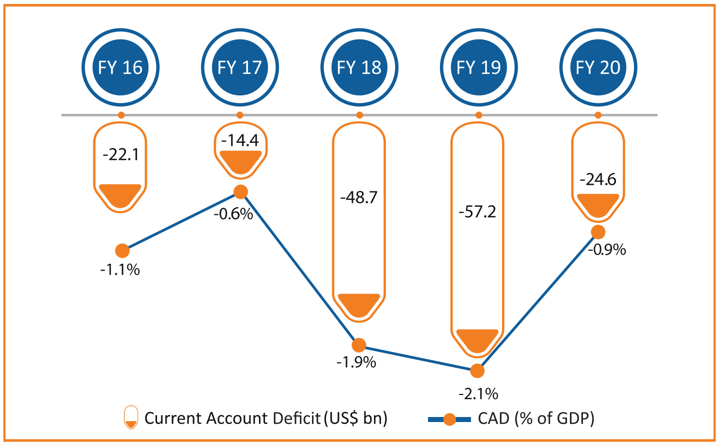
*Note: * - FDI Outflows include equity, loans and guarantees invoked*
Source: RBI and MOF

Consumer Price Inflation



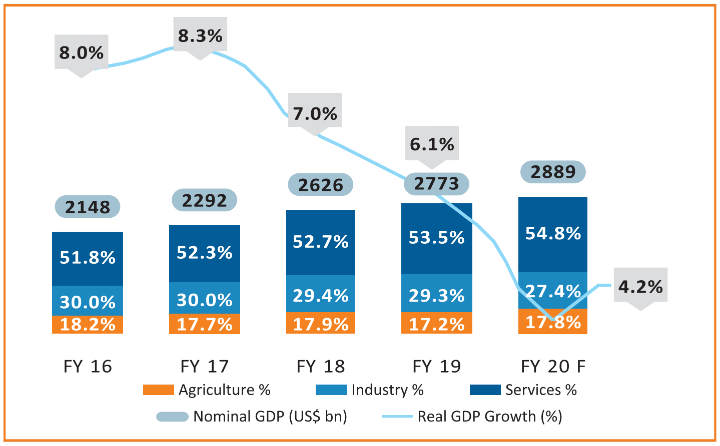
Source: Ministry of Statistics and Programme Implementation

Current Account Deficit (CAD)



Source: RBI

Sectoral Output



Source: IIF & MOSPI , GOI *Note: F – Forecast*