

EXIMIUS: EXPORT ADVANTAGE

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Strengthening Regional Cooperation and Trade in Asia Pacific

– Viswanath Jandhyala, Deputy General Manager
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The Asia-Pacific region is a vital and diverse economic powerhouse, encompassing East Asia, Southeast Asia, South Asia, Oceania, and parts of North and Central Asia. With a population exceeding 4.4 billion, the region is a key driver of the global economy, contributing about 35% of world GDP, through its deep integration in global supply chains across manufacturing, electronics, textiles, and digital services. The region's strategic importance is enhanced by its busy maritime corridors, manufacturing clusters, natural resources, and expanding consumer markets.

The analysis in this article focuses on select Asia Pacific economies, namely *Australia, China, India, Indonesia, Japan, South Korea, Malaysia, Philippines, Thailand, Türkiye, and Vietnam*. Collectively, these countries accounted for approximately 90% of the region's GDP and around 85% of its population in 2024.

Intra-Regional Trade of Asia Pacific

Intra-regional exports among the select Asia Pacific economies has grown steadily over the past decade, expanding from US\$ 1.6 trillion in 2015 to US\$ 2.5 trillion in 2024, reflecting deeper regional integration and the strengthening of production networks. Exports peaked in 2022 at US\$ 2.6 trillion, before moderating in 2023 and slightly recovering in 2024, which mirrors the impact of global supply chain disruptions, inflationary pressures, and uneven post-pandemic recovery across economies.

Some of the economies of the Asia Pacific serve as major exporters of manufactured goods and technology-intensive products, while others, including resource-rich Australia and Indonesia, supply raw materials and energy inputs. Machinery and mechanical appliances (HS-84) contributed nearly 11.9% to total intra-regional exports, with a 29.8% share of global exports, reinforcing Asia's dominance in industrial and capital goods.

Traditional resource-based commodities also maintained strong positions. Mineral fuels and oils remained a critical intra-regional export item at US\$ 201 billion in 2024 and accounted for almost 45.7% of global exports, reflecting energy demand cycles and price volatility. Ores, slag, and ash at US\$ 110 billion (4.3% share in total intra-regional exports) demonstrated the significance of raw material supplies from Australia and Indonesia, with an exceptionally high, 91% share in global exports.

Mid-range manufactured and industrial goods also strengthen the intra-regional trade. Vehicles (HS-87) reached US\$ 113.4 billion (4.5% share in intra-regional exports), though their global share remains relatively modest at 20%, reflecting the fact that Asia's auto trade is more diversified across global markets. Iron and steel and plastics also featured prominently, contributing 3.8% and 4.3% of intra-regional exports respectively, with strong intra-Asia flows driven by industrial supply chains. Likewise, organic chemicals and inorganic chemicals recorded global shares of 43.9% and 50.4% respectively, reinforcing the region's centrality in the supply of chemical intermediates.

In 2024, China emerged as the largest partner within the select economies, supplying over US\$ 1 trillion, or nearly 40% of total intra-regional exports. This underlines China's pivotal role as the central market for goods produced within the region. Other leading exporters among the select economies included South Korea (US\$ 300.6 billion) and Japan (US\$ 288.5 billion), reflecting their strong base for producing intermediate goods and high-technology products for regional partners. Vietnam (US\$ 202.6 billion) and Australia (US\$ 198 billion) each accounted for about 8% of intra-regional exports, highlighting Vietnam's rising importance as a manufacturing hub and Australia's role as a resource rich nation. Indonesia (US\$ 161.1 billion), Malaysia (US\$ 140.4 billion), and Thailand (US\$ 130.5 billion) together represented a significant share in exports, indicating the depth of Southeast Asia's integration into regional production and consumption networks.

India's intra-regional exports to these select economies were valued at US\$ 66.7 billion, about 2.6% of the total intra-regional exports. While modest compared to East Asian economies, this still reflects a growing role for India within Asia. As its industrial base strengthens, India's share as a source for intra-regional exports is expected to rise. Philippines (US\$ 32.9 billion) and Türkiye (US\$ 9.4 billion) accounted for smaller but notable shares, underscoring the broad reach of these trade flows across both core and peripheral members of the group.

GVC Positioning of Asia Pacific

The Global Value Chain Position Index is a quantitative indicator that measures a country's relative position within GVCs. It captures whether a country is primarily engaged in upstream activities, such as supplying raw materials and intermediate goods, or downstream activities, such as assembly, marketing, and final product distribution.

Movement from downstream to upstream positions suggests growing domestic innovation, R&D intensity, and integration into high-value activities. Economies such as Türkiye (1.0715), Australia (1.0262), and Japan (1.0199) indicate an upstream orientation, positioned as both consumers of imports and contributors to export growth through labour-intensive and value-added goods. The intra-regional export basket of the select economies is highly diversified but continues to be dominated by technology-intensive

sectors. In 2024, electrical machinery and equipment (HS-85) led with exports worth US\$ 598.5 billion, accounting for 23.6% of total intra-regional exports. Importantly, the region accounted for 34.6% of total world exports in this category, reflecting the region's deep integration into global and regional value chains. Economies such as Türkiye (1.0715), Australia (1.0262), and Japan (1.0199) indicate an upstream orientation, indicating specialization in supplying intermediate goods, raw materials, and high-technology components. This positioning aligns with their comparative advantages, viz. advanced manufacturing in Japan, resource-intensive exports in Australia, and diversified industrial production in Türkiye. In contrast, economies such as China (0.9567), Malaysia (0.9866), Vietnam (0.9612), Indonesia (0.9598), and South Korea (0.9537) occupy midstream positions, engaging across multiple stages of production. These countries integrate imported intermediates into globally traded final products, supported by strong manufacturing ecosystems, FDI inflows, and efficient logistics.

Meanwhile, India (0.8862), Thailand (0.8973), and Philippines (0.9453) remain downstream, focusing on assembly and final goods production. Their dependence on imported inputs signals opportunities for industrial upgrading.

Activities of Export-Import Bank of India in Asia Pacific

India Exim Bank plays a critical role and is committed towards supporting GOI's initiatives in promoting strategic partnerships with countries in different regions and especially those in the Asia-Pacific region. This is achieved through continuous engagement with partner countries at bilateral, regional and multilateral levels, and financing and supporting of projects of national importance, thereby strengthening India's role as a development partner in the region. Within Asia, India Exim Bank has a representative office in Dhaka, Dubai and Singapore, which play a key role in facilitating economic cooperation with the region and are closely associated with several of the Bank's initiatives.

Lines of Credit

As on September 30, 2025, the total number of operative LOCs to the Asia-Pacific region stood at 54, extended to 11 countries, namely Bangladesh, Cambodia, Fiji, Lao PDR, Maldives, Mongolia, Myanmar, Nepal, Papua New Guinea, Sri Lanka and Vietnam, for supporting projects such as setting up of transmission lines, railway tracks, water treatment plants, petroleum refinery and sugar industry, and amounted to over US\$ 14.8 billion, with all these LOCs denominated in US dollar. Additionally, in July 2025, at the behest of the Government of India, India Exim Bank extended its first-ever INR-denominated LOC to the Maldives, amounting to ₹ 48,500 million. This milestone underscores India's ongoing commitment to promoting the use of local currency in international trade and financial transactions.

Overseas Investment Finance

As on September 30, 2025, India Exim Bank through its overseas

investment finance programme has supported over 150 such ventures, set up by Indian companies in 18 countries in the Asia-Pacific region namely, Australia, Bangladesh, China, Singapore, Hong Kong, Indonesia, Japan, Kazakhstan, South Korea, Malaysia, Myanmar, Nepal, Papua New Guinea, Sri Lanka, Taiwan, Thailand, Tajikistan, Uzbekistan and Vietnam, with an aggregate sanction amount of ₹ 17,241.7 crore.

Trade Assistance Programme

Under Trade Assistance Programme, the Bank has supported 912 transactions aggregating to approximately US\$ 1.4 billion, including 899 trade transactions and the balance 13 transactions in form of export credits lines / refinance facilities amounting to over US\$ 1.1 billion extended to Banks and FIs in the Asia-Pacific region. The countries covered under TAP within the region, include Bangladesh, Bhutan, Indonesia, Malaysia, Nepal, Sri Lanka, Tajikistan and Thailand.

Facilitating Trade through Institutional Linkages

India Exim Bank is a founding member of the Global Network of Exim Banks and Development Financial Institutions (G-NEXID), formed in 2006 to promote long-term cooperation, knowledge sharing, and financial linkages among developing countries. The network has 25 members worldwide, including China Exim Bank, Indonesia Exim Bank, Exim Thailand. Further, the Bank provides consultancy and technical assistance on capacity creation, institutional strengthening, export development, and export capability building. Notable projects include regional cooperation study for UNESCAP, strategy development for SAARC Development Fund, national export strategy formulation for Myanmar, and export marketing seminars for SMEs in Vietnam. Additionally, leveraging decades of experience, India Exim Bank advises developing countries on export finance frameworks and

institutional strengthening. An example is the consultancy for Sri Lanka Export Credit Insurance Corporation (SLEIC), where it reviewed policies and recommended improvements to enhance export competitiveness and credit flows.

Way Forward and Policy Recommendations

As the global economic landscape undergoes rapid transformation, the Asia-Pacific region stands at a pivotal juncture. With its vast population, diverse economies, and increasing technological capabilities, the region has the potential to lead the global growth. To do so, countries in Asia Pacific must adapt to emerging trends and strategically position themselves to harness new opportunities. A few policy catalysts that could offer promising pathways for sustainable and inclusive development include i) advancing regional trade and investment integration through regulatory harmonization, policy alignment, and institutional strengthening; ii) improving supply chain connectivity by promoting digital transformation, innovative financing tools, and stronger public-private and regional collaboration; iii) accelerating infrastructure development and modernization through digital integration, sustainable financing mechanisms, and targeted capacity-building; iv) facilitating the transition to a services-led growth model in Asia Pacific by investing in education and digital infrastructure and promoting cross-border trade agreements; v) accelerating digital transformation across Asia Pacific by expanding digital infrastructure, broadband access, and next-generation networks; vi) establishing a coordinated regional framework to expand renewable energy integration through cross-border power trading, joint technology development, and blended finance mechanisms; vii) promoting the expanded use of local currencies in cross-border trade and finance across Asia Pacific; and viii) prioritizing building an integrated regional framework that promotes sustainable growth.

Release of India Exim Bank Publications during a Seminar in Kochi

Export Import Bank of India (India Exim Bank) organised a seminar titled *“Redefining Growth: Strategies for Inclusive and Resilient Economic Development in Asia-Pacific”* at Taj Malabar, Kochi on November 17, 2025. The seminar witnessed participation from select leading Export Credit Agencies (ECAs) and Development Finance Institutions across the Asia-Pacific region and beyond such as Japan Bank for International Cooperation (JBIC), Export-Import Bank of Korea, Export-Import Bank of Malaysia Berhad, Eximbank Indonesia, African Export-Import Bank (Afreximbank), UK Export Finance, Export Development Canada (EDC), Vietnam Development Bank, and Asian Development Bank (ADB), alongside policymakers, industry leaders, and exporters.

A significant highlight of the seminar was the release of three India Exim Bank publications at the hands of Shri M. Nagaraju, Secretary, Department of Financial Services, Government of India; and Shri A.P.M. Mohammed Hanish, Principal Secretary (Industries), Government of Kerala, in the presence of Ms. Harsha Bangari, Managing Director; Mr. Tarun Sharma, Deputy Managing Director; and Ms. Deepali Agrawal, Deputy Managing Director, India Exim Bank. These studies, titled *“Strengthening Regional Cooperation and Trade in Asia-Pacific,”* *“Enhancing Exports from Kerala: Trends and Policy Perspectives,”* and *“Namaste India: Unleashing its Travel and Tourism Potential,”* provide comprehensive analyses and policy guidance aimed at deepening regional integration, boosting Kerala’s export capabilities, and unlocking India’s tourism potential, respectively. ■



Developing an Export Strategy for Kerala

– Jahanwi Singh, Assistant General Manager
Neha Raman, Manager

Kerala ranked 12th among Indian states/UTs in terms of merchandise exports, with exports from the state reaching US\$ 4.8 billion in FY25. The State's merchandise exports accounted for a share of 1.1% in India's merchandise exports in FY25, which is substantially lower than the State's contribution to India's real GDP at 3.6%.

Over the past decade, Kerala's merchandise exports witnessed intermittent periods of growth and decline, recording a modest CAGR of 1.0% during FY16 to FY25. This is much lower than the CAGR of 5.2% recorded by India's overall merchandise exports during the same period. During FY25, Kerala's merchandise exports recorded a sharp y-o-y decline of (-) 41.6%. This fall in exports was driven by a sharp fall in petroleum products' exports due to declining global oil prices and sharp fall in production at a key refinery in Kochi.

Key Products and Markets for Merchandise Exports

Marine products led Kerala's export basket, contributing 15.8% to its total merchandise exports in FY25, followed by spices (15.5%), petroleum products (4.8%), gold & precious metal jewellery (4.0%), cashew (3.4%), rubber products excluding footwear (3.3%), and electric machinery and equipment (3.1%), among others.

Kerala is among the top exporting states in India for products like 'other meat' and 'natural rubber', contributing to 78.7% and 71.8% respectively, in India's total exports of these products in FY25. Kerala is also a key exporter of cashews (share of 47.6% in India's exports of the product in FY25), floor coverings of jute (42.5%) processed meat (18.9%), spices (16.6%), among others.

In terms of markets, the USA is the largest destination for exports from Kerala, accounting for nearly 20.7% of the State's merchandise exports during FY25, followed by the UAE (share of 13.7%), Saudi Arabia (5.3%), China (4.5%) and Spain (3.4%), among others.

Services exports from Kerala

Tourism is a major source of revenue for the State. As per India Exim Bank's estimates, foreign exchange earnings for Kerala from tourism were estimated at US\$ 948.1 million in 2023.

The State has also established itself as a leader in the IT and ITeS sector, driven by IT parks such as Technopark, Infopark, Cyberpark and two Software Technology Parks of India (STPI) centres.

Collectively, these IT parks contributed to nearly ₹31,096.4 crore worth of exports during FY24, recording a CAGR of 12.1% during FY15 to FY24.

Potential for Exports from Kerala

According to Exim Bank research, Kerala has an untapped merchandise export potential of nearly US\$ 6.3 billion. Tapping this potential can take the State's merchandise exports to US\$ 11.1 billion. Besides, the Government of Kerala has set an export target of US\$ 20 billion by FY28.

Strategies for Exports Promotion

Developing a comprehensive export strategy would be an important first step for unleashing the untapped export potential of the State. Strategy for promotion of exports from Kerala should focus on key areas such as diversification to focus products and markets, infrastructure leverage and strengthening, capacity building, fiscal incentives, export promotion campaigns, and institutional streamlining.

Focus Products and Markets

India Exim Bank's analysis suggests that Kerala could diversify exports towards higher value-added products such as processed cereals, spice oleoresins, technical textiles, petrochemicals and electrical machinery, among others, to impart much-needed resilience to the State's exports. In the services sector, efforts are required to develop and popularise the existing tourism circuits in the State and develop newer tourism circuits such as seashore circuit (linking beaches like Varkala, Kovalam and Bekal), plantation circuits (Munnar and Wayanad tea/spice estates), biodiversity circuit etc.

There also remains substantial scope for market diversification into key global markets such as France, Germany, Canada, Sweden, Mexico, Belgium, and Poland, among others.

Infrastructure Leverage and Strengthening

There is significant scope for improvement in the trade enabling infrastructure in the State. Analysis indicates that nearly 16% of the total road length of the State together handles about 80% of the total road traffic. Besides, the proportion of four-lane roads in the State at 7.6%, is much lower when compared to the national average of 22%. To address these issues, the State could consider enhancing the budgetary allocation towards strengthening the road infrastructure. Besides roadways, Kerala has 4 airports

with air cargo facilities, which jointly accounted for only 8.1% of the State's merchandise exports during FY25, highlighting underutilisation of existing facilities. Similarly, nearly 70.8% of merchandise exports from Kerala are routed through Cochin seaport, while most of the other ports remain underutilised. Thus, there is a need for examining the underutilisation of ports facilities and strengthening these ports to improve trade efficiency.

Analysis also indicates Inland Container Depots (ICDs) and Container Freight Stations (CFSs) in the State are substantially concentrated in the Ernakulam district, which accounts for more than half of the State's merchandise exports. Meanwhile, some of the other key districts such as Thrissur, Idukki, Kozhikode and Palakkad, which are key hubs for production of various agricultural products, remain underserved. These districts may be prioritised for setting up of new ICDs/ CFSs.

The State could also focus on building quality infrastructure for tourism sector. A recent assessment by the Ministry of Tourism, highlights the scope for improvement on aspects such as accessibility, hygiene, safety, amenities, and security across key tourist areas such as Thekkady, Kumarakom, and Guruvayur. Similar benchmarking exercises can be conducted across other key destinations in the State for identifying areas of improvement and undertaking necessary intervention. Besides, the State also needs to focus on expanding hotel infrastructure, particularly in districts with high foreign tourist visits.

Besides this, given the strategic location of the State on the south-western coast, the State Government could also introduce incentives for private developers to establish dedicated export parks in the coastal regions of the State.

Moreover, to strengthen last mile connectivity, the State could also focus on increasing Dak Niryat Kendras (DNK) or post office export centres. This would help smoothen export processes for MSMEs and first-time exporters through e-commerce.

Capacity building

Kerala has 41 Geographical Indications (GIs), of which 16 are in handicrafts segment, 2 in foodstuff and the rest in agricultural segment. Initiatives are needed for identifying more products from the State which can be accorded GI Status. This could include culinary delicacies such as 'Malabar Mackerel Curry', 'Kerala Prawn Masala', 'Malabar Paratha' as also snacks such as banana chips, tapioca chips and jackfruit chips etc. This could boost exports of processed food items and promote culinary tourism. Additionally, there is need to develop and market the logo and the brand name of GI-tagged products. There is also need for a mechanism to ensure that all GI-branded products meet minimum standards.

Further, the State could consider providing support in the form of refund of expenses incurred by exporters in the State for

obtaining statutory certifications/ accreditation for exports, such as the EU Ecolabel and Forest Stewardship Council certification, and Joint Commission International (JCI) accreditation, etc.

Fiscal Incentives

Fiscal incentives could be a major step for mitigating the cost burden and enhancing the competitiveness of exporters. To that end, the State could consider introducing a World Trade Organisation (WTO)-compliant incentive scheme for exports, similar to the Remission of Duties and Taxes on Exported Products (RoDTEP). Besides this, to support first-time exporters exporting through courier and postal routes, the State Government could introduce a reimbursement scheme for charges related to exports made through courier/ postal services, up to a specified limit, for exporters with confirmed orders. Moreover, in order to assist manufacturers, particularly MSMEs, to acquire and evolve cutting-edge technologies, catalyse growth and compete in global market, technology acquisition support could also be extended by the Government of Kerala.

Export Promotion Campaign

Kerala needs to relentlessly push its export promotion campaign. In order to encourage and acknowledge exporters in the state, export awards/recognitions could be given for best performers across key sectors such agricultural products, textiles, petroleum and petrochemicals, electrical & electronics, IT & ITES, and tourism. Additionally, the State could initiate a 'Hidden Champions' initiative to identify, encourage and felicitate promising MSMEs with differentiated products, process and technology. 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. The State could avail financial support for such capacity building activities under the Micro and Small enterprises – Cluster Development Programme. 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. The State could also extend financial assistance to exporters in the form of interest subsidy on export credit, to enhance access to finance.

Institutional Streamlining

There is a need for the overall institutional ecosystem in Kerala 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 that end, the State could set up a Kerala Export Promotion Council (KEPC) under the Department of Industries, Government of Kerala, with the objective of providing a robust institutional mechanism for export promotion. ■

Namaste India: Unleashing its Travel and Tourism Potential

– Rahul Mazumdar, Deputy General Manager
Srejita Nandy, Manager

India's Travel and Tourism Exports

India's tourism sector plays a key role in driving economic growth, employment generation and regional development, with a multiplier effect on the activity of related sectors. According to the World Travel and Tourism Council, India's tourism sector contributed 6.8% of GDP and generated 9.2% of total jobs in 2024.

Tourism and travel related services allow individuals and firms in an economy, to become services exporters by providing tourism related infrastructure, including accommodation and transport, and other tourism related services. This involves the cross-border movement of consumers (Mode 2 – Consumption Abroad) earning foreign exchange for the host country.

Travel services exports accounted for a share of 9.3% in India's total services exports in 2024, emerging as the 3rd largest category of services exports following telecommunication and computer services, and business services. India's travel services exports stood at US\$ 35.1 billion in 2024 growing at an average annual growth rate (AAGR) of 15.2% during 2014-2024, surpassing the total services exports AAGR of 9.1% during the same period.

India holds a relatively smaller share in global exports at 2%, ranking 15th, as it faces competition from other worldwide travel

and tourism hubs like the USA (12.4% of global exports of travel services), Spain (6.1%), the UK (4.9%), France (4.4%) and Italy (3.4%). Besides these countries, India also faces stiff competition from its Asian peers like Japan, Australia, Thailand, Saudi Arabia, China, among others.

The Travel and Tourism Development Index (TTDI) report by the World Economic Forum (WEF), published in May 2024, ranked India 39 among 119 countries. India faces significant challenges in enhancing its business environment, improving tourism infrastructure, strengthening ICT readiness, promoting environmental sustainability, and developing a skilled workforce for the tourism sector.

India ranked 9th accounting for 2.1% share in global travel services imports, reflecting a strong appetite for travel among Indians. Driven by a growing young population and rising disposable incomes, 43% of outbound travel is for leisure and recreation.

Foreign Tourist Arrivals

India's foreign tourist arrivals stood close to 10 million in 2024 increasing by 4.5% as compared to 2023 but lower compared to pre-pandemic levels. In 2024, the top 15 source markets for Foreign Tourist Arrivals (FTA) in India accounted for more than 77% of total FTAs in India.

Table 1: Foreign Tourist Arrivals (FTAs) in India - Major Source Countries

2019				2023				2024			
Rank	Country	FTA (000)	Share (%)	Rank	Country	FTA (000)	Share (%)	Rank	Country	FTA (000)	Share (%)
	Total	10930	100.0		Total	9521	100.0		Total	9952	100.0
1	Bangladesh	2578	23.6	1	Bangladesh	2120	22.3	1	USA	1805	18.1
2	USA	1512	13.8	2	USA	1691	17.8	2	Bangladesh	1750	17.6
3	UK	1000	9.2	3	UK	921	9.7	3	UK	1023	10.3
4	Australia	367	3.4	4	Australia	456	4.8	4	Australia	518	5.2
5	Canada	352	3.2	5	Canada	386	4.1	5	Canada	476	4.8
6	China	339	3.1	6	Sri Lanka	280	2.9	6	Malaysia	308	3.1
7	Malaysia	335	3.1	7	Malaysia	262	2.8	7	Sri Lanka	282	2.8
8	Sri Lanka	331	3.0	8	Germany	224	2.3	8	Germany	256	2.6
9	Germany	265	2.4	9	Nepal	195	2.1	9	France	207	2.1
10	Russia	251	2.3	10	France	189	2.0	10	Singapore	205	2.1

Source: India Tourism Data Compendium 2025; India Exim Bank Research

Purpose of Visit

Leisure and recreation accounted for the largest share of Foreign Tourist Arrivals (FTAs) in India at 45%, followed by visits by the Indian diaspora (28.5%). Business and professional travel comprised 10.5%, while medical tourism represented 6.5% of total foreign arrivals in 2024. Nearly 4.4 million foreign tourists visited India for leisure, holidays, and recreation, underscoring India's position as a prominent global destination for cultural and vacation experiences. Notably, Bangladesh contributed over 18.2% of leisure tourists, followed by the USA, UK, Malaysia, and Australia, which together accounted for 40% of India's leisure tourism.

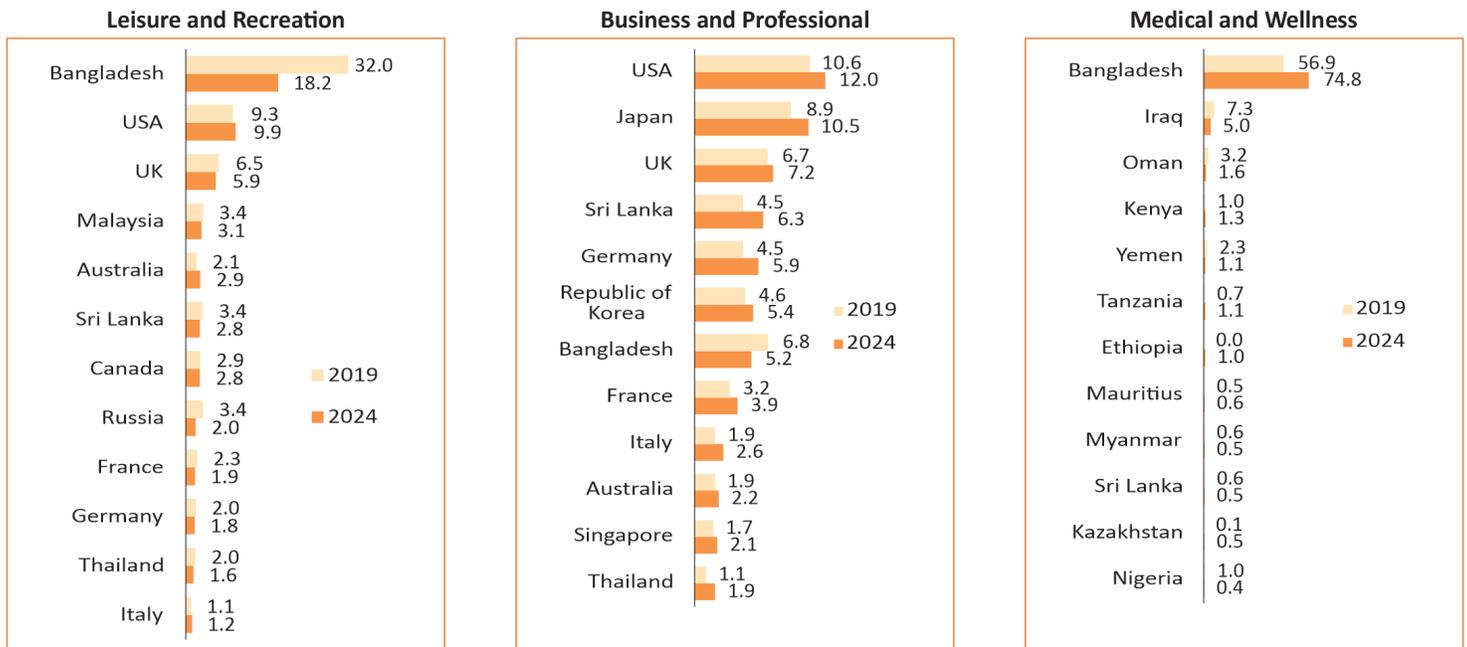
Beyond leisure, India is increasingly emerging as an attractive destination for medical and wellness tourism, with FTAs from South Asia (20%), Africa (19%), and the Middle East countries (18%), reinforcing India's reputation as a hub for affordable, high-quality healthcare. Another growing segment is MICE tourism (Meetings, Incentives, Conferences, and Exhibitions), with major source countries including the USA, Japan, UK, Sri Lanka, and Germany.

India's Untapped Foreign Tourism Potential

India has set an ambitious target of achieving a US\$ 3 trillion tourism economy and attracting 100 million international tourists by 2047 as part of its Viksit Bharat vision. In 2024, international tourist arrivals stood at over 20 million, including non-resident Indians. Realizing this potential requires strategic and coordinated efforts, as tourism can play a vital role in creating employment opportunities for women and youth, while also supporting MSMEs. Globally, India's share in international tourist arrivals has witnessed a modest increase from 1.2% in 2019 to 1.4% in 2024.

India's tourism sector holds immense potential, underpinned by its cultural richness and ecological diversity. With landscapes spanning mountains, deserts, coastlines, and backwaters, the industry offers enormous opportunities for growth. Conducive government policies have supported infrastructure development, improved connectivity, and enhanced ease of doing business in tourism.

Chart 1: Foreign Tourist Arrival in India – Purpose of Visit (% share of total tourists received from country)



Source: India Tourism Data Compendium 2025 & India Exim Bank Research

Major Destinations for FTA

The states accounting for highest FTAs were Maharashtra (3.7 million), West Bengal (3.1 million), Uttar Pradesh (2.3 million), Gujarat (2.3 million), and Rajasthan (2.1 million). Collectively, these five states attracted 64.3% of the total foreign tourist visits during 2024. Air travel remained the dominant means of transport, accounting for 83.4% of foreign arrivals. Delhi and Mumbai airports handled 57.2% of all air arrivals, indicating their status as key international gateways to India.

However, significant scope remains to elevate India's position as a global tourism destination. In this context, India Exim Bank study titled "Namaste India: Unleashing its Travel and Tourism Potential" calls for a dedicated National Tourism Policy, drawing on global best practices in skilled manpower development and technology adoption. It also recommends developing niche segments of international standards, such as adventure tourism, community-based tourism, medical and wellness tourism, and positioning India as a global MICE destination, supported by targeted marketing and promotions. ■

Strategies to Accelerate Uttar Pradesh's Export Growth

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

Uttar Pradesh (UP) intends to become a trillion-dollar economy by 2029. Since, exports are a significant contributor to the GDP growth, achieving this goal requires considerable focus towards augmenting exports from the State. In FY 2024-25, UP's exports stood at around US\$ 22 billion, a share of 5% in India's exports. UP had the 5th largest exports among all the States and Union Territories in India. During FY 2014-15 – FY 2024-25, UP's exports registered a Compounded Annual Average Growth Rate (CAGR) of 4.3%, lower than that of few top exporting states such as Gujarat (6.4%) and Tamil Nadu (6%).

The top exported products by UP during FY 2024-25 were electronic goods (24% share in UP's exports), engineering goods (19.8%), meat, dairy and poultry (11.2%), readymade garments (10.1%), and leather goods (5.5%).

There is significant headroom for deeper contribution towards exports and overall development. Under an ambitious scenario, assuming that India achieves US\$ 1 trillion export target by 2030 and UP's share in India's exports doubles to 10%, UP's exports have the potential to touch US\$ 100 billion by FY 2029-30. To realise this ambitious vision, the following strategies are proposed: -

Focusing on District-level Exports

The top 10 districts account for about 85% of UP's exports. Given that there are 75 districts in the State, such a high concentration of exports calls for diversification for accelerating export growth. There are a few districts in UP, identified as 'missing middle districts' by an India Exim Bank Study that may be focussed under the ODOP-DEH initiative. These are the districts which had exports between US\$ 1 billion to US\$ 5 billion in FY 2022-23, namely, Ghaziabad, Moradabad, and Kanpur Nagar. Besides, there are a few among the top 15-exporting districts in UP, which have equal potential to export high-valued added goods as identified under the ODOP-DEH.

For building the export capabilities of these districts, the Government may design more capacity-building programs covering aspects ranging from product quality improvement to complying with international trade regulations, to equip local entrepreneurs, artisans, and officials with the necessary skills for export success. Conducting export readiness assessments for each district is also vital. Further, equal focus may be given on creating common digital infrastructure as dedicated e-commerce platforms

for ODOP products would ensure greater visibility and reach for local exporters.

Supporting MSMEs in the State

According to the State's MSME and export promotion department, there are more than 9 million active MSMEs in UP, of which 4.6 million are registered with the 'Udyam' portal. The rest are operating in the unorganised sector. To ensure that more firms come under the ambit of the formal MSME segment, awareness needs to be spread about the benefits that they fail to receive by not registering, such as capital subsidies, interest subsidies, infrastructure interest subsidies, stamp duty exemption etc.

The State may also work on designing an export manual which acts as a comprehensive guide for all processes related to exports. For example, the Industries Department, Government of Maharashtra has prepared an exports guidebook which is easily accessible online. The UP Export Promotion Bureau may also create a dedicated department for looking after capacity building activities in the State and may work on launching an elaborate annual training and exporters' query resolution sessions calendar and may make it accessible to the business community. The Bureau may also set district-wise monthly targets for the number of export awareness and capacity building workshops delivered and keep a record of the number of new IEC registrations it translated into.

Diversifying Export Basket

There is considerable scope for diversifying UP's export basket as well as further strengthening exports of products in which UP is competitive. In the medium run, the State may focus on products belonging to the categories of communication equipment, gems and jewellery, iron and steel products, meat and food processing, automotive, aluminium, apparels, furniture, handbags, agro-chemicals, and electronics, among others, to strengthen exports.

Dedicated focus by the respective Export Promotion Councils, rigorous marketing and branding activities and adequate infrastructural support may provide a huge impetus to the exports. Besides, as UP lags other top exporting states in terms of FDI inflows, product specific incentives may be doled out for promoting development and exports of product categories in which the State already has established decent export capabilities. Given that the State has a negligible share in global exports of these

high-demand products, focusing on enhancing export capabilities in these products would reap incredible benefits.

Strengthening Defence Capabilities

UP is one of the two states selected for developing the Defence Industrial Corridors DIC. The Uttar Pradesh Defence Industrial Corridor (UPDIC), having 6 nodes namely, Aligarh, Agra, Jhansi, Kanpur, Chitrakoot and Lucknow, aims to develop UP as one of the largest and advanced defence manufacturing hubs. Investment facilitation in the defence sector may be taken up with significant market outreach activity globally by engaging with potential investors.

Building a Pharmaceutical Exports Hub

UP's export performance in pharmaceuticals has been modest. The State may focus on creating awareness about meeting regulatory requirements pertaining to exports by the manufacturers, particularly MSMEs. It is observed that aspiring pharma exporters in UP find it challenging to meet the evolving regulatory stipulations such as the Good Manufacturing Practices (GMPs) due to lack of awareness about the regulatory requirements of the target market, particularly semi-regulated developing countries. There is thus, a need for organising targeted pharma-focussed awareness programmes for existing and aspiring exporters, particularly for meeting regulatory requirements for enhancing their market access. The State may also focus on emerging areas like biosimilars, complex generics, and customised medicine to harness the existing potential.

Tapping Spiritual Tourism Exports

It is the opportune time to place UP as an attractive cultural hotspot on the world map. There are several spiritual tourist circuits in UP which have also been mentioned under the UP Tourism Policy 2022, that offer tremendous tourism opportunities. International tourism in the districts may be fully capitalised by ensuring that key information, signage, and guides are available in multiple languages to cater to a diverse international audience and by ensuring the presence of well-trained local service providers, such as guides and hotel staff. The State government may also establish partnerships with foreign travel agencies, tour operators, and embassies to promote tourism. Given that some of the largest rivers flow through UP, the Government could also explore the possibility of promoting riverine tourism.

Developing the Film Industry

The UP Film Policy 2023 focuses only on domestic market. Tremendous gains may be reaped by widening the scope of the policy to attract international film industries as well. This would

involve steps like making the Policy available in multiple languages in India and abroad, offering special concessions for shooting of international films and for setting up of studios by foreign nationals; creating an international desk which facilitates smooth clearance of international projects and assists in visa and other regulatory clearances; creating special programmes for overseas independent filmmakers which take care of all the logistics; reaching out to film production companies of other countries for collaboration; focusing on marketing activities to establish UP as an international film shooting destination; and offering world class services through adequate training and standardisation in allied sectors such as animation, audio visual services, film training services, hospitality, etc.

Strengthening the Logistics Ecosystem

The State may enhance its export competitiveness by plugging the existing gaps in the logistics ecosystem. The State may make additional investments in augmenting the road connectivity infrastructure, especially important nodes such as ICD-Dadri, ICD Loni, ICD Panki, etc. which face high congestion and need upgradation. Frequent power failures at many ICDs is another issue which increases the cost of operations and impacts the service delivery to users. Further, the State may enhance the utilisation of the support provided under the Trade Infrastructure for Export Scheme for developing and strengthening essential export infrastructure.

Furthermore, since the trade facilitation space is generally found to have inadequate female representation, the State may roll out a plan aimed at encouraging greater female participation in the logistics sector and may provide subsidised training programmes and take other measures which make the sector more gender inclusive. The State may consider partnering with global logistics companies to enhance expertise, share best practices, and attract foreign investment, particularly for green logistics practices through knowledge sharing with countries which have taken significant strides in the area such as France, the United Kingdom, Germany, Sweden, and Austria, among others. Partnerships may also be forged for introducing better sector-specific logistics solutions such as for agricultural produce, dairy, meat, pharmaceuticals etc.

Strengthening Testing Infrastructure

To compete in highly regulated advanced economies, exports need to adhere to various quality requirements. Despite being among the top 5 exporting states in the country, UP's performance in terms of availability of NABL accredited research labs is relatively low when compared to top exporting states. There is a need to set up more testing labs in the State and focus on exports of perishable agricultural items. ■

Essays on Trade, Environment, and Regulation

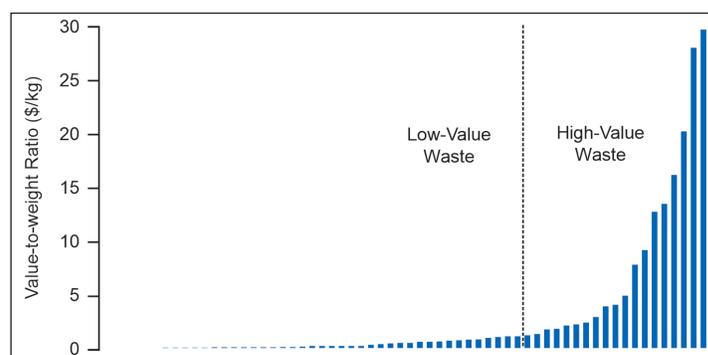
Export-Import Bank of India (India Exim Bank) instituted the International Economic Research Annual Citation (IERA Citation) in 1989. The objective of the Citation is to promote research in international economics, trade, development and related financing, by Indian nationals at universities and academic institutions in India and abroad. The study titled 'Essays on Trade, Environment, and Regulation' is based on the IERA Citation 2024 winning thesis by Dr. Prakrati Thakur, who received her doctorate from the University of Illinois, Urbana Champaign, USA in 2022.

International trade in waste has become a growing component of global trade and is associated with negative externalities on the health of workers in the recycling sector and the local environment in importing countries. Despite the active participation of many countries, waste trade is highly contentious because the economic and environmental ramifications on trading partners remain unclear. Over the years, various controls on waste trade have been implemented in response to the health and environmental concerns, ranging from multilateral agreements, such as the Basel Convention enacted in 1992, to unilateral bans on imports of select waste types by China in 2018. However, little evidence has been produced to quantify the effects of such waste trade controls on welfare, waste generation, and manufacturing production, the primary source of waste generation. In the first two chapters, the determinants and welfare consequences of international trade in waste are examined. To study these effects, the impacts of a set of waste trade regulations on economic benefits, environmental costs, and manufacturing production are quantified. In contrast to these chapters, which emphasize the effects of regulation on economic outcomes, the final chapter investigates how the structure of international trade provides economic incentives for the adoption of health and environmental regulations.

In Chapter 1, the determinants of international trade in waste are analysed using data on international waste flows and a reduced-form gravity model. It is revealed that waste flows are positively associated with the income levels of exporters and importers, and negatively associated with trade barriers, in accordance with standard gravity predictions. Waste flows are disaggregated into two types of waste high-value and low-value based on value-to-weight ratios of the 62

categories of waste. To construct the value-to-weight ratios, the average dollar-value and average weight of trade in each category are computed. Then, the 62 categories are divided into two types of waste: high-value, which corresponds to the top tercile, and low-value, which corresponds to the bottom two terciles of value-to-weight ratios (Figure 1.1). Further, low-value waste is found to be more sensitive to trade barriers than high-value waste, while a greater share of high-value waste is imported by richer countries. Although key empirical facts regarding waste trade are uncovered through this reduced form analysis, the quantification of the welfare consequences of global waste trade requires a structural quantitative framework.

Figure 1.1: Value-to-Weight Ratios for Waste Categories



In Chapter 2, the welfare effects of international trade in waste are quantified. Building on the empirical findings of the preceding chapter, a structural gravity framework is developed in which waste generation is treated as a by-product of manufacturing, and waste itself is used as an input in recycling. In the presence of negative environmental externalities from waste, the direction of waste flows across countries is governed by both comparative advantage, arising from technological differences, and the pollution

haven effect, resulting from differences in environmental regulations. Additionally, countries are assumed to differ in their abilities to generate and reprocess high-quality waste like metals and low-quality waste like plastics. The quantitative framework, combined with waste trade data, reveals that existing patterns of waste trade make countries at all income levels better off. However, trade in low-value waste, which generates large negative externalities relative to its private value, renders middle-income countries worse off. Further, it is found that China's 2018 ban on low-value waste imports improved welfare for China and several lower-income countries. Depending on the type of waste trade restricted, manufacturing production is also affected differently: a high-value waste trade ban reduces manufacturing output in rich countries, whereas a low-value waste trade ban reduces output in lower-income countries.

Global waste generation is projected to increase by 69% by 2050, with most of this growth expected to occur in lower-income countries experiencing income gains. These countries are characterized by much higher rates of open dumping, which contribute substantially to the environmental costs of waste. The findings demonstrate that targeted waste trade policy could address this issue by inducing both scale and compositional changes in waste generation. Thus, in the absence of a first-best policy, such as a domestic tax on manufacturers for waste disposal, waste trade policy may serve as a second-best instrument. A ban on low-value waste trade is found to benefit lower-income countries, implying that regulation of low-value waste flows could facilitate a more equitable distribution of the global waste burden. Even less radical measures, such as China's 2018 ban on low-value waste imports, are shown to improve welfare in lower-income countries, albeit at the expense of richer countries, which are then required to reprocess a larger share of polluting low-value waste domestically.

The impact of regulation on economic outcomes is recognized as a central concern in policymaking. On the one hand, the adoption of regulations may be perceived as hindering competition by negatively affecting trade, technology diffusion, and production. On the other hand, regulation is viewed as essential for achieving social objectives, such as the protection of human health and the environment and may also generate efficiency gains. Incentives for unilateral adoption of regulations that constrain domestic producers are generally limited when competition occurs against non-regulated foreign producers. However, when compliance with such regulations is required for export markets, the

domestic adoption of these regulations may yield benefits that outweigh their costs. Consequently, stricter standards adopted by one country may indirectly encourage their adoption by exporting countries, facilitating the broader diffusion of such policies.

In Chapter 3, network effects in the diffusion of regulatory standards through international trade are explored. The factors that promote the propagation of such standards, such as regulation types and countries' levels of economic openness, are also examined. The NTM codes classify the TBTs based on compliance requirements with product characteristics or production processes. The study adopts data on the following NTMs: B210-Tolerance limits for residues or contamination by certain substances, B220 Restricted use of certain substances, B310-Labeling requirements, B320-Marking requirements, B330-Packaging requirements, B410-TBT regulations on production processes, B420-TBT regulations on transport and storage, and B700-Product quality, safety or performance requirements.

The results of analysis in the third chapter indicate that countries are more likely to domestically adopt regulations with which they must comply when exporting. Moreover, diffusion is observed primarily for regulations concerning product attributes rather than production processes. Product regulations, such as labelling and packaging requirements, are more cost-effective than process regulations, which involve modifications to production processes. Because conformity with product standards can be verified by regulatory bodies, non-complying products can be discriminated against, giving a competitive advantage to compliant exporters. In contrast, compliance with process standards, such as those related to labour rights or pesticide use, is difficult to verify in final products, meaning that domestic adoption of such standards provides little competitive advantage in global markets.

Consistent with the presence of network effects, the findings reveal that countries more open to international trade serve as primary drivers of regulatory diffusion. Moreover, the estimated network effect increases monotonically with a country's degree of trade openness. In the analysis of diffusion across individual features of labelling regulations, the most prevalent category in the data, requirements ensuring product safety are found to propagate most strongly, and countries tend to adopt features similar to those imposed by their trading partners. Overall, the results support the argument that economic integration facilitates the strengthening of regulatory standards. ■

India Exim Bank Lines of Credit

Contributed by: **Lines of Credit Group**

India Exim Bank Lines of Credit

The Government of India (GOI), with a view, inter-alia, to promote India's trade and economic relations with developing countries in particular, launched the India Development Initiative (IDI), later renamed as the Indian Development and Economic Assistance Scheme (IDEAS), through General Budget for fiscal year 2003-04. The Bank, as a policy institution, serves as the financing instrumentality for the LOCs extended to overseas countries under the IDEA scheme. The latest IDEAS guidelines have been revised and effective from March 31, 2022. Under the revised IDEAS guidelines, the Concessional Financing Scheme (CFS) of GOI, has been subsumed under the scheme.

Since 2003-04, the LOCs extended to sovereign governments or their nominated agencies are being routed by the GOI, through Export-Import Bank of India (India Exim Bank). LOCs enable Indian exporters to enter new geographies or expand their business in existing export markets without any payment risk from overseas importers.

Exim Bank extends LOCs to sovereign governments, overseas financial institutions, regional development banks and government nominated entities overseas. Under the LOCs, Exim Bank reimburses up to 100% value of contract on FOB/CFR/CIF/CIP basis to the Indian exporters. Goods and services (including consultancy services) for minimum 75% of the value of the contracts covered under these loans must be sourced from India (relaxation of 10% may be considered on a case-to-case basis). LOCs have enabled India to demonstrate its project execution

capabilities in the emerging markets and have helped to gather considerable momentum in the recent years, especially in the developing countries of Africa, Asia, Latin America, Oceania and the CIS. LOCs also help to create the requisite political goodwill for India in the beneficiary countries besides promoting India's political, strategic and commercial interests while projecting India's growing economic strength as well as its willingness to contribute to infrastructure development and capacity building in the recipient developing countries. The Indian exporters obtain payment of eligible value from India Exim Bank, without being exposed to risk on the buyer or the buyer's country, against negotiation of shipping documents / provision of services (as per approved payment terms).

As on December 22, 2025, the Bank has extended 293 LOCs, covering 62 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of around US\$ 26.12 billion and ₹ 4,850 crore (pertains to Rupee denominated Umbrella LOC to Govt. of Maldives), available for financing exports from India. LOCs are thus an effective instrument for promoting and facilitating India's exports of projects, goods and services.

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Success Story

India Exim Bank's GOI supported LOC of US\$ 50 million to the Government of Guyana

India Exim Bank has extended a GOI-supported LOC of US\$ 50 million to the Government of Guyana (GO-GUY) for design, supply of goods, works and related services for construction of Phase-I of East Bank-East Coast Road (Ogle to Haags Bosch, Eccles) in Guyana. The length of the main alignment to be constructed is 7.8 km (4 lanes) and the Connector Road is 3.8 km (4 lanes).

Total project value is around US\$ 107 million comprising of US\$ 50 million funded under GOI supported Exim Bank's LOC and balance amount of US\$ 57 million funded by the GO-GUY. The LOC agreement was signed on March 16, 2016. The EPC contractor is Ashoka Buildcon Limited [ABL] and the DPR & PMC Contractor is RITES Ltd. The PMC contract is funded by GO-GUY.

The project has been completed on May 30, 2025 and has been handed over to Ministry of Public Works (MOPW), Govt. of Guyana. The Completion Certificate dated June 24, 2025 has been issued by the Project Authority i.e. MOPW. The inauguration ceremony for the above handing over of the project was held on June 30, 2025. The project was designed with an objective of better connectivity by way of road infrastructure; leading increased economic activities and improvement in livelihood, better public infrastructures such as education, health & welfare and improved access to social services, facilitating overall community and economic development. ■



Aerial view of U Turn at 5+708 in main alignment

The Quarter That Was

Contributed by: Corporate Communications Group

Secretary, DFS Highlights New Credit Guarantee Scheme for Exporters at India Exim Bank Seminar in Kochi

Shri M. Nagaraju, Secretary, Department of Financial Services, Ministry of Finance, Government of India highlighted Government of India (GOI)'s new Credit Guarantee Scheme for Exporters (CGSE) to strengthen exporters' resilience amid global trade uncertainties, at Export-Import Bank of India's (India Exim Bank's) Seminar on 'Redefining Growth: Strategies for Inclusive and Resilient Economic Development in Asia-Pacific' on November 17, 2025, in Kochi, Kerala. He outlined other targeted measures introduced by the Government of India to strengthen India's export competitiveness, particularly for MSMEs, first-time exporters, and labour-intensive sectors.

In his keynote address, Shri Nagaraju mentioned that the GOI's Credit Guarantee Scheme for Exporters (CGSE) provides 100% credit guarantee coverage, enabling institutions to extend additional facilities worth ₹20,000 crore to eligible exporters, including MSMEs. He emphasised that the said initiative would enable greater access to finance for small exporters and catalyse growth in labour-intensive sectors.

Amid growing global trade disruptions and heightened policy uncertainty, the Government of India has introduced a comprehensive set of measures to strengthen the export ecosystem. Key initiatives include the Export Promotion Mission announced in the Union Budget 2025–26 with revised outlay of ₹25,060 crore, the RBI's Trade Relief Measures Directions, 2025, which ease credit access and repayment for tariff-affected exporters, and the recently announced expanded credit guarantee scheme to support MSMEs and first-time exporters.

Complementing the national initiatives, Shri A.P.M. Mohammed Hanish, Principal Secretary (Industries), Government of Kerala, in his special address, highlighted Kerala's recent achievements in governance and business reforms, including securing the top rank in Ease of Doing Business reforms. He also outlined the Kerala Export Promotion Policy 2025, which aims to transform the state into a globally competitive export hub with an ambitious target of US\$20 billion in exports by 2027–28.

The seminar featured two panel discussions on critical themes: 'Navigating Trade Dynamics: Balancing Protection and Opportunities in Asia-Pacific Markets'; and 'Fostering Sustainable Investment: Unlocking Growth in Key Sectors for Inclusive Development'. These sessions brought together thought leaders and experts from the public sector, industry, academia, and multilateral institutions to share insights on building inclusive and resilient growth strategies for the region.

India Exim Bank forecasts India's merchandise exports to amount to US\$ 114.2 billion and Non-oil exports to US\$ 99.8 billion for Q3 (October-December) of FY2026

India Exim Bank forecasts India's total merchandise exports to amount to US\$ 114.2 billion, witnessing a year-on-year (y-o-y) growth of 5%, while non-oil exports are forecast to increase to US\$ 99.8 billion, growing at 3.9%, during Q3 (October-December) of FY2026. Non-oil and non-gems and jewellery exports are forecast to amount US\$ 88 billion, with an almost flat y-o-y growth (-0.6%) during the same quarter. India's export growth is expected to be driven by a favourable domestic macroeconomic environment, marked by sustained low inflation and a competitive exchange rate as a result of rupee depreciation. Increased geographical diversification of exports and favourable prospects of current trade negotiations with several countries is also expected to contribute to positive exports' growth. However, there are downside risks to these growth projections on account of higher tariffs and continued global trade policy uncertainty and possible disruptions to global supply chains.

Forecast of growth in India's total merchandise exports, non-oil exports and non-oil and non-gems and jewellery exports are released by India Exim Bank on a quarterly basis, during the first fortnight of the months of May, August, November, and February for the corresponding quarters, based on its Export Leading Index (ELI) model. The next growth forecast for India's exports for the fourth quarter of FY 2026 (i.e., January-March 2026) would be released during the first fortnight of February 2026.

India Exim Bank Announces the Winner of IERA Citation 2024

Dr. Prakrati Thakur was declared the winner of India Exim Bank's International Economic Research Annual Citation (IERA Citation) 2024 for her doctoral thesis titled "Essays on Trade, Environment and Regulation". India Exim Bank's IERA Citation 2024 was presented to the winner by Ambassador Namgya Khampa, Deputy Chief of Mission, Embassy of India, Washington D.C. on December 22, 2025. The Citation comprises prize money of ₹ 3.5 lakh and a citation. India Exim Bank's occasional paper based on Dr. Prakrati Thakur's Citation-winning thesis was also released by Ambassador Khampa.

India Exim Bank's IERA Citation represents the Bank's ongoing efforts at promoting research and analysis in the area of international economics, trade and development and related financing. IERA Citation, instituted in 1989, is given to Indian nationals for their outstanding doctoral dissertations in the area of international economics, trade, development and related financing from Indian or foreign universities. The Bank has opened entries for the 2025 edition of the Citation. ■

Country Scan

Contributed by: **Research & Analysis Group**

Bolivia



Bolivia is a landlocked, lower-middle-income South American country with natural gas, minerals and agriculture as major export. Declining gas output, low incomes, political instability, weak infrastructure and an unfavourable business climate limit growth. After over two decades of left-wing governance, political power shifted as centrist Mr. Rodrigo Paz assumed office in November 2025. The new regime inherited a huge debt burden (95% of GDP) and a large fiscal deficit. Bolivia is now expected to adopt more market-oriented policies, emphasizing fiscal discipline and pragmatic stance toward attracting foreign investment, in strategic sectors such as natural gas and lithium. Real GDP growth is forecast to contract to -0.3 % in 2025, and further to -1% in 2026, reflecting weakness in domestic demand, supply conditions, and falling gas output. Inflation is projected to rise sharply from 5.1% in 2024 to 19.9% in 2025 and 22% in 2026, before easing to 10.3% in 2027 reflecting persistent supply shortages and disruptions, and the gradual rollback of subsidies. Under new regime, a devaluation of the currency from its de facto peg of Bs6.91:US\$1 is anticipated, projected around Bs9.9: US\$1 by end-2026 and it's expected that a managed exchange-rate band supported by a stabilisation fund is likely to be pursued.

Sri Lanka



Sri Lanka is an emerging middle-income economy with a nominal GDP of US\$ 99 billion in 2024, driven by strong exports of ready-made garments and tourism services. According to the World Bank, GDP growth is projected at 4.6% in 2025, supported by a modest industrial rebound and steady service sector growth, before easing to 3.5% in 2026. Sri Lanka's public debt fell to 103.9% of GDP in 2024 from 119.2% in 2022. Despite signs of recovery, growth remains below pre-crisis levels, and poverty is significantly elevated. The country is highly vulnerable to climate-related shocks, as seen with Cyclone Ditwah, which inundated nearly 20% of its land causing severe damage to infrastructure and essential services. Consumer inflation is expected to rise to around 4% in 2026, up from 0.3% in 2025, yet remain within Central Bank limits. Sri Lankan rupee has broadly remained stable supported by improving economic outlook and its positive impact on investors' assessment of Sri Lanka's risk premium. The current account remains in surplus, supported by service exports and remittances, even as the merchandise trade deficit widened and debt servicing resumed. This has kept the gross usable reserves broadly stable at US\$ 4.7 billion (about three months of imports) for most of the year.

Hungary



Hungary has an export-driven economy, deeply embedded in European supply chains, attracts substantial FDI, and focuses on vehicle manufacturing, electronics, and services. Hungary's economy has stagnated since mid-2022, it expanded just four times in the past 13 quarter with sluggish expected recovery. Over the past 21 months, ruling party has seen its popularity erode, owing to a stagnant economy, policy missteps and voter fatigue. Hungary's ties with the EU remain strained due to rule-of-law concerns, with European Court Justice (ECJ) fines imposed and about €20bn in EU cohesion and recovery funds still frozen. Real GDP growth of Hungary is forecasted to ease to from 0.6% in 2024 to 0.2% in 2025, before recovering to 2.8% by 2030. Inflation is expected to rise from 3.7% in 2024 to 4.4% in 2025, and averaging to 2.9% by the end of decade. Inflationary pressures remain elevated, with services-sector price pressures expected to keep inflation above NBH's target band until late 2025, despite intermittent food price controls. The currency is expected to appreciate to Ft 348.5:US\$ 1 in 2026 and thereafter depreciate to Ft368:US\$1 by 2027. The current account balance is projected to moderate from 2.6% in 2025 to 1.9% in 2026 and averaging to 0.8 % by 2029.

Tunisia



Tunisia, a small country in North Africa, faces authoritarian rule since the adoption of new constitution in 2022, which shifted power from parliament to President. The president now controls the armed forces, government, and judiciary. Economically, Tunisia is a diversified economy but highly vulnerable to European slowdowns, political unrest, and new US tariffs. Despite high unemployment and inflation, real GDP growth is projected at 2.4% in 2025 and to average 2.4% annually in 2026-30, assuming stable harvests. Inflation may average to 5.6% in 2026-30, slightly above 2025 levels of 5.4%. Supply shortages are likely to persist, though easing energy prices and exchange-rate stability may come to rescue. The dinar is expected to average TD3.1:US\$1 in 2026, amid high risks and reliance on foreign reserves. The current account deficit is projected to remain at 2.1% of GDP, driven by rising import demand, partially offset by increased tourism earnings. Government debt may stay elevated due to the 2026-30 Economic Development Plan, at about 85% of GDP, which is a potential source of risk. With poor fiscal planning and limited access to external financing, the government is likely to rely heavily on domestic financing, making it vulnerable to sovereign default in medium run. ■

Currency Currents

Contributed by: Treasury & Accounts Group

Kuwaiti Dinar

KD The Kuwaiti Dinar (KWD) is the world's most valuable currency, backed by Kuwait's vast oil wealth, smart fiscal management via a massive sovereign wealth fund (Kuwait Investment Authority), and economic stability, with 1 KWD typically equating to over US\$ 3. In recent years, Kuwait has made strides toward diversifying its economy, investing in sectors such as finance, logistics, and tourism.

Kuwait's economy is poised for recovery in 2025, following a period of contraction. The oil sector, which faced a decline of 6.8% in 2024, is expected to rebound with a 3.4% growth in 2025. This recovery is likely to contribute to overall GDP growth of 3.0% in 2025, up from -2.4% in 2024. Meanwhile, the non-oil economy is projected to grow by 2.6%, reflecting a gradual shift towards diversification.

Expectations for the KWD vs. US\$ show relative stability with slight upward potential, driven by Kuwait's strong financial position, though forecasts vary, with some models seeing modest movement around the US\$ 3.25-3.26 range for late 2025/2026, but long-term outlooks suggest potential dips towards 3.22 by 2030, influenced by global oil prices, US monetary policy, and Kuwait's economic strength.

The closing rate of US\$/KWD as on December 23, 2025 was KWD 0.3070 per US\$.

Omani Riyal

OR The Omani Riyal (OMR) is a highly valued, stable currency, ranked as one of the world's strongest, largely due to its fixed exchange rate with the US Dollar and Oman's oil-based economy.

Oman moved from a massive pandemic-era contraction (-3.4% in 2020) to a record recovery in 2022. By late 2025, nominal GDP stabilized above US\$ 105 billion, with the non-oil sector's contribution rising to approximately 72.8% of total GDP. As the Central Bank of Oman (CBO) mirrors US Federal Reserve policy to protect its currency peg, rates peaked at 6.0% in 2024 and have begun a downward cycle in 2025 to roughly 4.25% to stimulate credit growth.

The OMR is pegged to the US dollar at a very stable rate (around 1 OMR = 2.6 US\$), so expectations are for minimal change, with forecasts generally seeing the US\$/OMR rate hovering near 0.3849, implying slight US dollar strength or stability against the OMR in 2025 and into 2026, driven by Oman's fixed exchange rate policy and stable economy. Major shifts are unlikely due to this peg, but slight fluctuations occur due to global US dollar strength, with some models predicting a small rise in US dollar against OMR.

The closing rate of US\$/OMR as on December 23, 2025 was OMR 0.3850 per US\$.

Australian Dollar

A\$ Established in 1966, the Australian dollar (AUD) is the official currency of Australia and several countries and territories, including Christmas Island, Cocos Islands, Norfolk Island, Nauru, Tuvalu, and Kiribati. The Australian dollar ranks as the 6th most traded currency in the world.

The Reserve Bank of Australia (RBA) maintained the official cash rate at 3.6% in its final meeting of 2025. Market sentiment has shifted from expecting further cuts to a potential rate hike in early 2026, NAB and Commonwealth Bank (CBA) project a 0.25% increase in February 2026, aiming to curb persistent underlying inflation. Australia remains a top-tier exporter of iron ore, coal, lithium, and gold, which together account for over two-thirds of total exports and 10% of GDP.

The AUD broke a four-year losing streak in 2025, trading around AUD 0.6640 in late December (a ~7.3% increase year-to-date). The AUD is projected to strengthen toward 0.6900–0.7100 by mid-2026. This appreciation is expected due to stable commodity prices and interest rate differentials, as the US Federal Reserve is anticipated to cut rates further while the RBA remains restrictive.

The closing rate of US\$/AUD as on December 23, 2025 was AUD 0.6694 per US\$.

Singapore Dollar

S\$ The Singapore dollar (SGD) is the currency of the island state of Singapore. The currency is issued and monitored by the Monetary Authority of Singapore (MAS). From 1985 onwards, the Singapore Dollar has floated within an undisclosed bandwidth, closely monitored by the Monetary Authority of Singapore (MAS) to guard against imported inflation and ensure that Singapore's exports remain competitive.

Singapore's GDP growth was notably resilient in 2025, leading the Ministry of Trade and Industry (MTI) to upgrade its full-year forecast. The forecast for 2025 has been raised to around 4.0% (from an earlier 1.5–2.5% range) following a robust 4.2% year-on-year expansion in Q3 2025. Growth is primarily driven by the manufacturing sector, specifically AI-related semiconductors and servers along side wholesale trade and financial services. The overnight policy rate was approximately 1.05% as of November 2025.

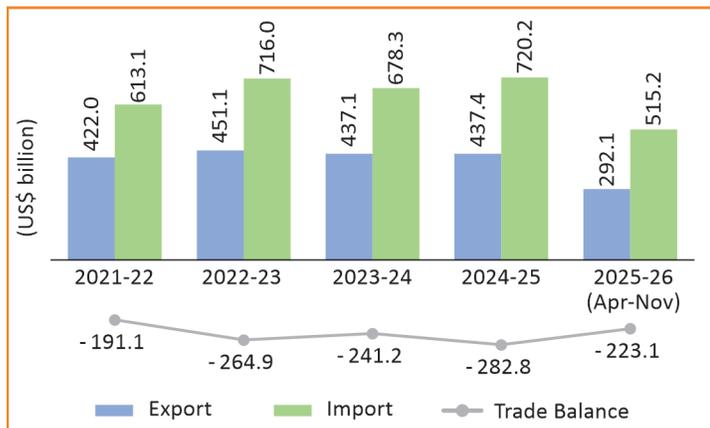
From 1985 onwards, the SGD has floated within an undisclosed bandwidth, closely monitored by MAS to guard against imported inflation and ensure that Singapore's exports remain competitive.

The closing rate of US\$/SGD as on December 23, 2025 was SGD 1.2847 per US\$. ■

Snippets on Indian Economy

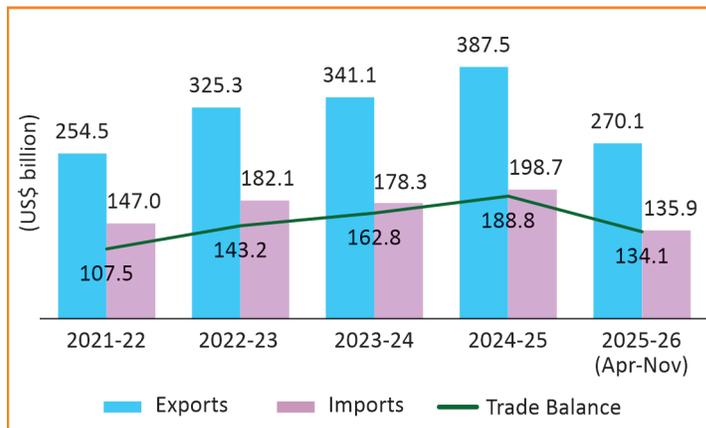
Contributed by: Research & Analysis Group

India's Merchandise Trade



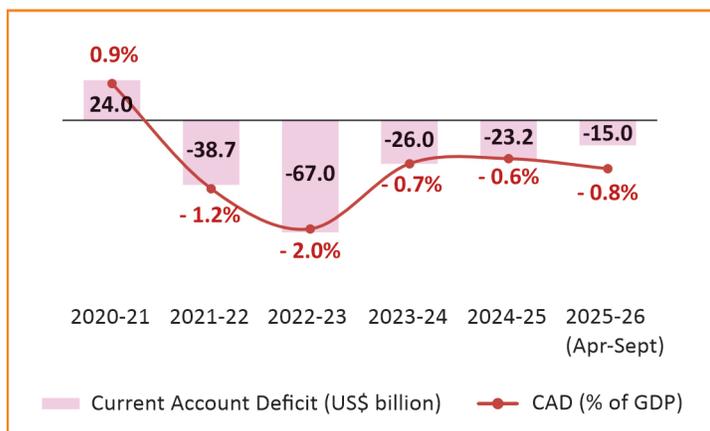
Source: Ministry of Commerce & Industry, Government of India

India's Services Trade



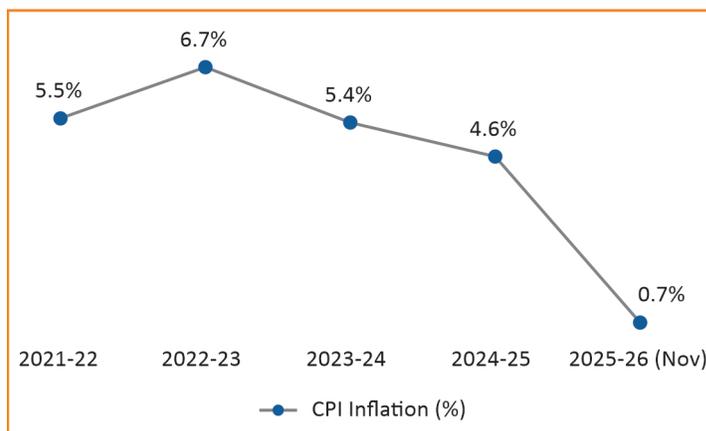
Source: Ministry of Commerce & Industry, Government of India

Current Account Deficit



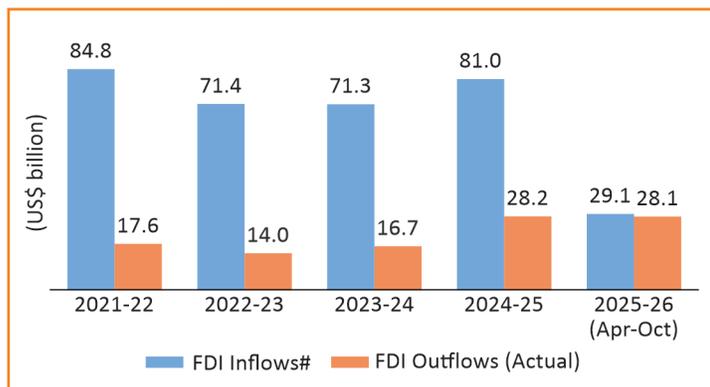
Source: Reserve Bank of India

Consumer Price Inflation



Source: Ministry of Statistics and Programme Implementation, Government of India

Foreign Direct Investment Flows

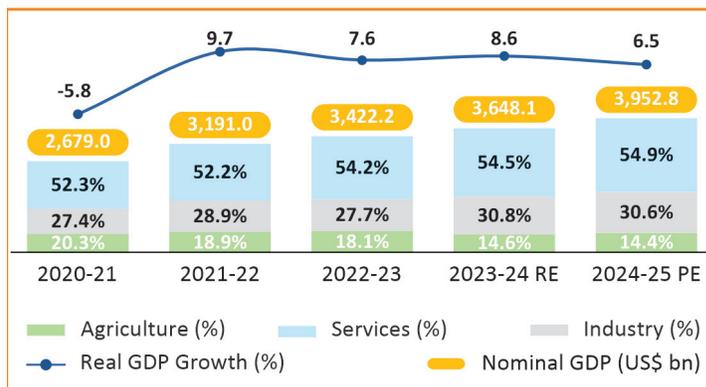


Note: *- FDI Outflows reflect FDI Outflows account for equity capital, reinvested earnings and repatriation/disinvestment. They do not include loans or guarantees issued.

- FDI Inflows include equity, re-invested earnings, other capital and repatriation/disinvestment.

Source: Reserve Bank of India

India's Economic Growth



Note: Sectoral percentage figures represent respective sectoral shares in the GDP. RE – Revised Estimates; PE – Provisional Estimates

Source: Institute of International Finance (IIF) and Ministry of Statistics and Programme Implementation, Government of India