

A LACONIC REFLECTION OF EXIM BANK'S ENDEAVORS FOR ENHANCING INDIA'S TRADE WITH BRICS NATIONS

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ABSTRACT

Brazil, Russia, India, China and South Africa (BRICS) – the five emerging global powers from the continents of Asia, Africa and Latin America – are incrementally increasing their global engagements. India's participation in the formation of Brazil, Russia, India and China (BRIC) forum with these emerging powers shows its willingness for multilateral cooperative arrangements to solve shared problems and challenges of globalization. Today, BRICS economies together account for 22.5 per cent of the global output, 17.2 per cent of global trade, and over 40 per cent of the global population. Exim India is the nominated member development bank from India under the BRICS Interbank Cooperation Mechanism. BRICS economies is a focus region for EXIM Bank and the major component of its strategy is to promote and support two-way trade and investment. As a partner institution to promote economic development, the commitment towards building relationships with the BRICS economies is reflected in the various activities and programmes initiated by EXIM bank.. The objective of this paper is to analyze contribution and efforts of Exim bank for enhancing economic cooperation with BRICS countries.

Keyword: BRICS countries, Exim Bank of India, India's Trade, Economic Cooperation, World economy.

I. INTRODUCTION

Since 1990, India's foreign policy has gone through a major transformation for adjusting ourselves with the changing global scenario. Serious domestic and international issues force Indian economy to introduce drastic changes in foreign policy. India always focus and believe to work & develop successful strategies for BRICS countries i.e Co-operation on economic front. The MOC has been signed between Exim Bank india and others

to develop cross border transactions and projects of common interest; strengthen and enhance trade and economic relations between BRIC countries and its enterprises; and finance the investment projects and to work towards economic development of BRIC countries. Towards fostering institutional linkages, the Bank entered into a Framework Agreement on Financial Cooperation with BNDES, Vnesheconombank, CDB, and DBSA at the third BRICS Summit. The Agreement aims to facilitate financial cooperation among the partner development banks of the BRICS countries, with a view to promoting trade and investment for economic development. India's competitiveness improved the fastest in 2015-16, after announcing transparency in the financial system, goods market efficiency, business sophistication, and innovation. The significance of international trade among BRICS countries was highlighted during the Sixth BRICS Summit in Fortaleza, Brazil in 2014. During this Summit the BRICS countries adopted a key decision on launching comprehensive talks regarding the BRICS Strategy for Economic Partnership and a draft BRICS Roadmap for BRICS Trade, Economic and Investment Cooperation.

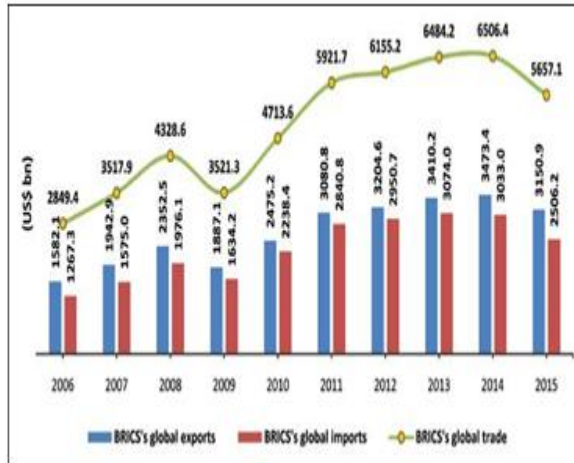
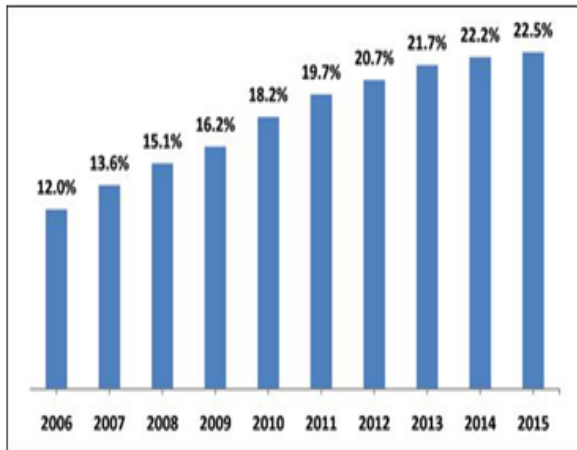
II. POTENTIAL FOR ENHANCING INDIA'S TRADE WITH BRICS

India's trade deficit with rest of BRICS increased from US\$ 8.7 billion in 2006, to US\$ 58.4 billion in 2015. To further enhance India's trade with the BRICS countries, and at the same time to address the rising trade deficit, an important strategy would be to focus on India's export potential to these countries. While India's current global capability could be matched with the import demand of BRICS countries, leading to enhanced exports from India, strategy to promote bilateral trade relations could also encompass the case for enhancing domestic production in India to cater to the large demand existing in other BRICS countries.

Given India's expertise in several manufactured products, and technology which is affordable and adaptable, other BRICS countries would also stand to gain with increased import of such items from India.

This would also help in further strengthening bilateral ties, and resulting in a mutually rewarding long-term partnership.

Share of BRICS Countries in World GDP



Source: IMF, World Economic Outlook, April 2016 and July 2016 Update; and Exim Bank Analysis.

III. INITIATIVES OF EXIM BANK FOR ENHANCING INDIA’S TRADE WITH BRICS COUNTRIES

With the initiative of Exim Bank few agreement has taken place from last few years to enhance its trade with BRICS countries are listed below:

- **India-MERCOSUR PTA:** India has entered into a preferential trade agreement (PTA) with MERCOSUR (comprising Brazil, Argentina, Uruguay and Paraguay). The PTA came into effect on June 1, 2009.
- **Asia Pacific Trade Agreement (APTA):** The Asia Pacific Trade Agreement (earlier known as Bangkok Agreement) is an initiative under the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) for trade expansion through exchange of tariff concessions among developing country members of the Asia Pacific Region.
- **Global System of Trade Preferences (GS TP) :** These agreements are partial in their scope and cover very few tariff lines. India is a recipient of preferences under the Generalized System of Preferences from several countries including Russia.
- **India, Brazil and South Africa (IBSA):** India, Brazil and South Africa (IBSA) agreed to set up a Dialogue Forum as a part of the IBSA initiative. Cooperation in IBSA is on three fronts:

- i) for consultation and coordination on global and regional political issues
- ii) Trilateral collaboration on concrete areas/ projects, through fourteen working groups and six People-to-People Forums, for the common benefit of three countries To further enhance India's trade with the BRICS countries, and at the same time to address the rising trade deficit, an important strategy would be to focus on India's export potential to these countries. Such a strategy would also contribute to the overall efforts to enhance India's trade with BRICS. This would also help in further strengthening bilateral ties, and resulting in a mutually rewarding long-term partnership.

Major Exports to BRICS Countries

Region/Country	HS Code	Product label	in India's exports to region/Country in 2015	in India's exports to world in 2015
BRICS	TOTAL	All products	100.0%	6.8%
	27	Mineral fuels, oils and its distillation products	12.1%	7.0%
	52	Cotton	11.2%	27.1%
	29	Organic chemicals	7.7%	12.3%
	74	Copper and its articles	7.1%	46.8%
	87	Vehicles other than railway	6.1%	7.8%
Brazil	TOTAL	All products	100.0%	1.2%
	27	Mineral fuels, oils and its distillation products	25.6%	2.5%
	29	Organic chemicals	10.8%	3.0%
	38	Miscellaneous chemical products	8.2%	8.4%
	30	Pharmaceutical products	7.0%	1.7%
	84	Machinery and equipment	6.6%	1.5%
Russia	TOTAL	All products	100.0%	0.6%
	30	Pharmaceutical products	22.1%	2.8%
	84	Machinery and equipment	9.7%	1.2%
	09	Coffee, tea, maté and spices	7.0%	3.9%
	88	Aircraft, spacecraft, and its parts	5.9%	2.5%
	21	Miscellaneous edible preparations	3.7%	10.7%
China	TOTAL	All products	100.0%	3.6%
	52	Cotton	20.7%	26.6%
	74	Copper and its articles	13.2%	46.5%
	29	Organic chemicals	9.1%	7.7%
	27	Mineral fuels, oils and its distillation products	6.3%	1.9%
	25	Salt, sulphur, lime and cement	5.9%	32.0%
South Africa	TOTAL	All products	100.0%	1.4%
	27	Mineral fuels, oils and its distillation products	20.6%	2.5%
	87	Vehicles other than railway	20.1%	5.4%
	30	Pharmaceutical products	12.9%	3.9%
	84	Machinery and equipment	4.3%	1.2%
	89	Ships, boats and floating structures	3.8%	3.6%

India's Major Imports to BRICS Countries

Region/Country	HS Code	Product label	Share of product in India's imports from region/ country in 2015	Share of product in India's imports from world in 2015
BRICS	TOTAL	All products	100.0%	19.6%
	85	Electrical machinery and equipment	25.4%	54.2%
	84	Machinery and equipment	14.2%	33.8%
	29	Organic chemicals	8.4%	40.3%
	27	Mineral fuels, oils and its distillation products	6.4%	4.7%
	31	Fertilisers	5.5%	56.1%
Brazil	TOTAL	All products	100.0%	1.1%
	27	Mineral fuels, oils and its distillation products	32.5%	1.3%
	15	Animal or vegetable fats and oils	13.0%	5.1%
	17	Sugars and its confectionery	12.1%	85.0%
	26	Ores, slag and ash	10.5%	7.3%
	72	Iron and steel	6.4%	2.3%
Russia	TOTAL	All products	100.0%	1.2%
	71	Pearls, precious or semi-precious stones	30.1%	2.3%
	31	Fertilisers	14.4%	8.8%
	27	Mineral fuels, oils and its distillation products	9.0%	0.4%

	72	Iron and steel	7.9%	3.1%
	74	Copper and its articles	6.0%	8.2%
China	TOTAL	All products	100.0%	15.8%
	85	Electrical machinery and equipment	31.4%	53.9%
	84	Machinery and equipment	17.2%	33.0%
	29	Organic chemicals	10.0%	38.7%
	31	Fertilisers	5.7%	47.3%
	72	Iron and steel	3.9%	20.6%
	South Africa	TOTAL	All products	100.0%
27		Mineral fuels, oils and its distillation products	38.7%	2.3%
71		Pearls, precious or semi-precious stones	31.3%	3.3%
26		Ores, slag and ash	9.8%	10.4%
72		Iron and steel	7.0%	3.8%
47		Pulp of wood or of other fibrous material	2.4%	9.2%

Exim

India's Association with BRICS Exim India is the nominated member development bank from India under the BRICS Interbank Cooperation Mechanism.

- The MOC has been signed between Exim Bank India and others in the presence of Heads of four States/ Governments seeks to develop cross border transactions and projects of common interest; strengthen and enhance trade and economic relations between BRIC countries and its enterprises; and finance the investment projects and to work towards economic development of BRIC countries.
- Towards fostering institutional linkages, the Bank entered into a Framework Agreement on Financial Cooperation with BNDES, Vnesheconombank, CDB, and DBSA at the third BRICS Summit. The Agreement aims to facilitate financial cooperation among the partner development banks of the BRICS countries, with a view to promoting trade and investment for economic development.
- Exim India signed two multilateral financial cooperation agreements with other member development banks. The Bank also hosted the Annual Meeting and Financial Forum under the BRICS Interbank

Cooperation Mechanism coinciding with the Fourth BRICS Annual Summit at New Delhi. The two agreements signed during the occasion are: (i) BRICS Multilateral Infrastructure Co-financing for Africa; and (ii) BRICS Multilateral Cooperation and Co-financing Agreement for Sustainable Development. These two agreements are aimed at setting broader agenda for cooperation in these key areas; and are expected to enhance cooperation among BRICS development banks to promote intra-BRICS trade.

- Exim India has entered into a Cooperation Agreement on Innovation with the four major development banks of other BRICS countries, which was signed in the presence of Heads of States/Governments of the BRICS countries. The Agreement is expected to enhance cooperation among BRICS development banks in the field of innovation and to promote intra-BRICS cooperation in innovation financing
- Financing and other programmes of Exim India in BRICS Exim India plays a major role in partnering Indian industries, particularly the Small and Medium Enterprises through a wide range of products and services. Exim India's flagship financial programmes include:
 - **Lines of Credit:** To enhance bilateral trade and investment relations, Exim India has in place several Lines of Credit (LOCs) extended to a number of institutions/agencies in BRICS countries. These LOCs supplement the Government of India (GOI)'s programmes and are extended especially to priority sectors, identified by GOI for mutual cooperation and benefit. Besides these operating LOC extended at the behest of GOI, Exim India extends its own commercial LOCs to various financial institutions and other entities. Exim India has extended its commercial LOC to Vnesheconombank, Russia amounting to US\$ 100 million.
 - Buyer's Credit under National Export Insurance Account (NEIA): In order to provide further impetus to project exports from India on medium- or long-term basis, especially in the infrastructure sector.
- a product called Buyer's Credit under National Export Insurance Account (BC-NEIA) was introduced. Under this programme, Exim India facilitates project exports from India by way of extending credit facility to overseas sovereign governments and government owned entities for import of goods and services from India on deferred credit terms. Indian exporters can obtain payment of eligible value from Exim India, without recourse to them, against negotiation of shipping documents.

- NEIA is a Trust, set up by Ministry of Commerce and administered by ECGC. As on March 31, 2016, a positive list of 78 countries have been identified by ECGC for which Indian exporters can avail Buyer's Credit under NEIA. Among BRICS countries, Brazil and Russia are in this positive list of countries eligible for financing under this programme.
- Overseas Investment Finance Further, Exim India supports Indian companies in their endeavor to globalise their operations, through overseas joint ventures (JVs) and wholly owned subsidiaries (WOS). Such support includes loans and guarantees, equity finance and in select cases direct participation in equity along with Indian promoters to set up such ventures overseas. Among BRICS countries, Exim India has supported several such ventures in countries such as Brazil, China, Russia and South Africa, across a range of sectors like agriculture and food processing, pharmaceuticals, engineering goods, power, packaging, metals and metal processing, chemical and dyes, and auto and auto components. These ventures serve to promote value addition, as also contribute to capacity building and capacity creation in host countries.
- Global Network of Exim Banks and Development Finance Institutions (G-NEXID) In 2006, Exim India had entered into a Memorandum of Understanding (MOU) with four Exim Banks and Development Financial Institutions (DFIs) to form Global Network of Exim Banks and Development Financial Institutions (G-NEXID). The five signatories include Export-Import Bank of India, Export-Import Bank of Malaysia, African Export-Import Bank, Andean Development Corporation and Export-Import Bank of Slovakia. G-NEXID was formally launched at its inaugural meeting at UNCTAD, Geneva on March 13, 2006. Annual Meetings are held to deliberate upon measures to foster long-term relationship, share experience and strengthen financial cooperation to promote trade and investment relations between developing countries. G-NEXID has been granted 'observer' status by UNCTAD. Currently, G-NEXID has 25 member institutions across the globe. Among BRICS countries, members of the G-NEXID include institutions such as: • Brazilian Development Bank (Brazil) • China Development Bank (China) • Development Bank of Southern Africa (South Africa) • Export-Import Bank of China (China) • Export-Import Bank of India (India) • Industrial Development Corporation (South Africa)
Institutional Linkages Exim India has been consciously forging a network of alliances and institutional linkages to help further economic co-operation with BRICS countries. These endeavours are supplemented by the various Memoranda of Cooperation (MOCs) / Memoranda of Understanding (MOUs), the Bank has in place, with key

institutions in BRICS including: • BRICS Multilateral Letter of Credit Confirmation Facility Agreement among BRICS member development Banks • China Development Bank, China ,Brazilian Development Bank, Brazil • China National Technical Import & Export Corporation, China • Export-Import Bank of China, China • Export-Import Bank of the Russian Federation, Russia

- Framework Agreement on Financial Cooperations within the BRICS Interbank Cooperation Mechanism
- Master Agreement on Extending Credit Facility in Local Currency among BRICS member development Banks Vnesheconombank, Russia Exim India as an International Consultant Exim India is uniquely placed as a key financial institution, with experience as an actual practitioner, to synthesise the needs of a newly industrialised economy with contemporary experience from developing and developed countries. The Bank is registered with the World Bank and Asian Development Bank as a consulting organisation. Exim India has rendered assistance to a number of institutions in the developing world.

IV. CONCLUSION

Exim India, with its comprehensive range of financing, advisory and support services, seeks to create an enabling environment for enhancing two-way flow of trade, investment and technology between India and other BRICS countries. Underlying the robust trend in bilateral trade between India and rest of BRICS countries, has been the rising trend in India's trade deficit with these countries. India's trade deficit with rest of BRICS increased from US\$ 8.7 billion in 2006, to US\$ 58.4 billion in 2015. India maintained the largest trade deficit with China (US\$ 52 billion), followed by Russia (US\$ 2.9 billion), South Africa (US\$ 2.5 billion), and Brazil (US\$ 1 billion). Given India's expertise in several manufactured products, and technology which is affordable and adaptable, other BRICS countries would also stand to gain with increased import of such items from India. Moreover, matching India's capability in high value-added production and manufacturing with an increasing import demand for such products and technology, could prove to be a win-win situation for both India and other BRICS countries. This would also help in further strengthening bilateral ties, and resulting in a mutually rewarding long-term partnership.

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