Countertrade Strategy: International Comparison and Indian Perspective

Working Paper No: 100

India Exim Bank

EXPORT-IMPORT BANK OF INDIA

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COUNTERTRADE STRATEGY: INTERNATIONAL COMPARISON AND INDIAN PERSPECTIVE

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Executive Summary

Background

Global economic growth has suffered seismic changes since the start of 2019, as economies have been compelled to adapt to geopolitical challenges and associated uncertainties across value chains. With the COVID-19 pandemic, the global economy faces unprecedented pressure, leading to a potential recession in many countries. The Pandemic has more acutely affected developing countries, especially the least developed countries (LDCs) that depend critically on primary commodity exports for foreign currency. Many of these economies were already facing severe pressure due to declining commodity prices, and the fall in global demand has further aggravated the impact on the revenues of such economies. As a result, several countries have had to realign their existing fiscal expenses to support their respective economies.

Given the present situation of depressed economic activity coupled with the uncertainty around recovery, servicing the external debt obligations is a challenge for several developing countries. According to a recent study by the IMF, around half of low-income countries (36 of 70 countries) were at high risk of debt distress or already in debt distress.

In the post-COVID-19 world, tepid demand and low commodity prices, coupled with budgetary support required to combat the economic impact of the COVID-19 crisis, would continue to affect the debt servicing ability of countries, and in turn affect the financiers of critical developmental projects in these countries. Furthermore, if this crisis prolongs and countries are further strained, there may also be a need for restructuring the debt going forward.

Against this background, countertrade presents an effective way of mitigating risks associated with financing developmental projects in countries at risk of debt distress, and concomitantly providing the fiscally constrained countries with financial support for achieving their developmental goals. It can be an effective mechanism for recovery of dues or securing future repayments from resource-rich borrower countries, including those having significant strategic resources that could aid Indian businesses in their production processes. Furthermore, countertrade can also serve as an effective market diversification strategy as it can open opportunities for Indian companies in lesser explored geographies facing restrictions in outward remittances.

While in the past India has used countertrade as an intermittent measure, the need to evolve a countertrade strategy would be worth considering both from the view point of recovery of dues under the Government of India (GOI) assisted Lines of Credit/Concessional Financing/Buyer's Credit Programmes and easing the pressure of repayments by the debt-ridden countries affected by the Pandemic. This mechanism could also help increase India's project exports to lesser explored / high risk markets.

Countertrade Arrangements

Countertrade refers to the exchange of goods and services in whole or part, with other goods and services as payment, rather than with money. It has time and again emerged as an important mode of international transactions for countries facing currency or payment challenges. Countertrade may take a variety of forms, but basically it is a barter or a quasi-barter arrangement that explicitly links import and export transactions. It involves trading arrangements between private firms and/or government entities, such as foreign trade organizations, by which the seller is obligated to accept, as a partial or total settlement for his exports of goods (or in some instances services, such as technology or industrial licenses), specified goods or services from the buyer.

There are several distinct types of countertrade transactions, viz. Barter, Counter-purchase, Offset, Buyback (Compensation), Switch trading, Clearing Arrangements, and Debt-for-Goods. Of these, debt-for-goods model presents enormous scope for India's engagement with countries in need for developmental finance. Debt-for-goods is an arrangement whereby a debtor country offers its goods or services to avail funding or to cover full or partial repayment of an outstanding debt.

Rationale for Countertrade

Though countertrade arrangements currently account for a negligible share in the global trade, the mechanism is particularly advantageous in situations where there are challenges related to currency-based trading mechanism, especially when countries face issues of depleting foreign exchange reserves.

Several countries have resorted to countertrade in the past, which included

- using countertrade as a debt conversion tool in the wake of balance of payments difficulties and rising external debt-servicing burden;
- using countertrade to tackle excess capacity in manufacturing or to generate steady demand, and thereby stabilise the price level;
- to overcome the challenges associated with the protective trade policies of some countries – like sanctions, currency restrictions, non-tariff barriers, etc.;
- to circumvent challenges associated with outward remittance of foreign exchange, where conventional means of payment is non-existent or complex for a variety of reasons;
- to ensure financing for critical infrastructure required in an economy, without resorting to debt; and
- to hedge against currency risk, among others.

Comparison of Existing Countertrade Policies

A comparative analysis of existing countertrade policies in India and other countries like Philippines, Indonesia and China is undertaken in the Study, to understand the modalities of countertrade policies in these countries, as also identify lessons and areas for improvement for India. In the case of Indonesia, analysis in the Study indicates that despite having enormous opportunities for countertrade, the implementation of countertrade in the country has not yet reached its optimum levels, due to the challenge of ascertaining a mutually agreeable set of products for exchange under the countertrade arrangements. This highlights the need for coinciding demands and adequate supply of products offered under countertrade arrangements.

China's experience in countertrade has been a win-win scenario for both the parties in the countertrade transaction. The countertrade model followed by China is the Resource Financed Infrastructure (RFI) model, which is a type of Debt-for-Good Model. The RFI model is a relatively new form of financing infrastructure in countries with abundant natural resources—typically hydrocarbons or metal ore—but poor overall infrastructure. China has been extensively adopting this model over the past two decades, for financing critical infrastructure, including industrial and trade-related infrastructure projects in developing countries, especially Africa, in exchange for rich mineral resources. This approach has led Chinese companies to penetrate complex natural resource markets as also gain competitive advantage over other competitors in the extractives industry.

Notwithstanding the advantages of the RFI model, according to a recent study by David Mihalyi, Aisha Adam and Jyhjong Hwang (2020), it is often considered exploitative in nature. First criticism pertains to a lack of transparency surrounding RFI Agreements. Further, a lack of competition in RFI arrangements, and the way these arrangements are tied to upstream rights of the resource could significantly expose the borrower country to the risk of completely losing control of their strategic resources. Also, since RFIs are repaid in-kind (through resource), and have collateral attached, restructuring of such debt can be complicated during difficult times, which would in turn heighten the debt distress for the borrower country.

India, on the other hand, has had a mixed bag of experiences in countertrade arrangements, with a number of important lessons that emerge from both success stories as well as challenges faced by India in the past. India's countertrade arrangement with Iran including the rupee-rial trade mechanism can serve as a template for future arrangements. The information gap between the Indian and Iranian businesses was one of the impediments for bilateral trade under the arrangement, that was addressed through an online portal to enable information dissemination relevant to Indo-Iran Trade, and to provide an e-marketplace for the buyers and sellers of the two countries. More of such initiatives need to be developed to promote and facilitate countertrade arrangements with other countries as well.

The sustenance of countertrade arrangement also requires concomitant demand for products from both partners. The Indian experience highlights the possible challenges that may arise due to dip in imports from either side. Countertrade mechanisms therefore may need to be altered in ways that ensures the continuity of countertrade transactions between partner countries.

The imports of palm oil by India under a countertrade arrangement with Malaysia also faced severe criticism from domestic edible oil companies. Therefore, it is also essential to be mindful of the domestic industries' competitiveness while entering into such arrangements.

Further, analysis in the Study also highlights the need to revisit the offset policies of India and proactively engage in identifying opportunities for utilizing offsets linked with defence acquisitions to organically enhance exports. The offset policy may also need to be tweaked for ensuring compliance and providing adequate bargaining power to the Indian government.

Countertrade Arrangement Strategy in the Indian Context

The vision of the countertrade strategy in India could be twofold—(i) for extending development finance assistance to the needy developing countries, thereby ensuring sustained capacity to support developmental projects in other developing countries, especially during global downturns; and (ii) to tap lesser explored geographies having potential to trade with India but facing challenges in foreign exchange availability.

i. **Debt-for-Goods: Trade Model**

(i) **Key Products and Markets:** An initial step for the countertrade strategy would be focusing on countries with restrictions on outward remittances of foreign currency, and with countries who require development financing from India. A list of countries have been identified to start with, and the potential items of import from those countries under a countertrade arrangement have been identified in the Study.

The Study also estimates indicative debt servicing capacity through countertrade for select countries. The Study identifies potential products that could be exported by the borrower countries, through a countertrade arrangement, so that the debt burden is minimised

(ii) **Process Flow:** India Exim Bank, either through a separate division or a subsidiary, can bring together a multi-disciplinary team for undertaking countertrade related business in the nature of debt-for-goods. Countertrade can serve as a fall back option for repayments and recovery. Public sector units, especially trading houses such as the Minerals and Metals Trading Corporation (MMTC) and the State Trading Corporation (STC), could also explore opportunities for countertrade through other aforementioned models, especially in countries where it makes economic sense to engage in such arrangements.

Further, the government could explore the prospect for countertrade arrangement with the interested borrowing governments that seek development assistance from India and identify the prospective list of products which could be traded under the arrangement. After the identification of products by the government of partner country, India Exim Bank would assess the demand for the products, and consult buyers of the product in India and abroad for engagement in the countertrade. Some of the Indian companies importing select potential products have been identified in the Study.

To encourage participation in the transaction, the GOI could provide duty waivers for imports by the buyers in India, on case by case basis. Involvement of PSUs could also be encouraged by the GOI.

There may be a possibility that the goods identified for countertrade by the borrowing government may not have sufficient demand in India. In such a scenario, a hybrid of the switch trade model and debt-for-goods model can be adopted for countertrade. An international trading house can be engaged to serve as a switch trader, and the borrowing government could sell the negotiated value of goods to the switch trader. The payment for the goods can be credited to India Exim Bank by the switch trader, which would be utilized to service the debt of the borrowing country.

ii. **Debt-for-Goods: Investment Model**

(i) **Key Products and Markets:** Several sectors such as space industry, electronics, information technology and communications, energy sector, electric batteries, among others, are significantly dependent on various critical minerals and rare earths, which are in limited supply in India, leading to significant import dependence. Securing these mineral resources are important for India to meet some of its developmental objectives. In this regard, the countertrade strategy could support India's quest for ensuring access to strategic minerals. To that end, the Study identifies a list of minerals that can be considered under this investment model.

(ii) **Process Flow:** Developing countries that are in need of development assistance could share their unexplored mineral assets. In assets which are offered for exploration and mining by borrowing governments or government owned agencies, prospective Indian companies can be approached by the GOI or India Exim Bank for considering the proposal. Based on analysis of the feasibility report, any Indian company can consider acquisition of the assets, and enter into a negotiation with the borrowing government. Upon negotiations, a tripartite agreement can be finalised for a debt-for-goods arrangement through the investment route. The license fee/ cost of acquisition/loyalty/revenue share payable by the Indian entity to the host government could support the funding or could be used for repayment. The investment route can also be adopted for acquisition of industrial units that require technical or managerial expertise.

To address the borrowing countries' concerns associated with unequal bargaining strengths, rent-sharing, transfer pricing practices, and environmental and social costs, the process of repayments through the investment route, as in the case of trade route, should be based on a mutually consultative process. Further, for the arrangement to be viewed more favourably, the terms of the acquisition should ensure long-term and sustainable development gains for the local community from the extractive activities.

iii. Regulations for Countertrade

As per RBI Master Circular on Exports of Goods and Services, notified vide Notification No. FEMA 23/2000-RB dated May 3, 2000, amended from time to time, countertrade proposals involving adjustment of value of goods imported into India against value of goods exported from India are considered by the RBI subject to certain conditions. The Study briefly highlights the current regulatory paradigm for countertrade in India.

Way Forward

Countertrade is a specialized area requiring across-the-board engagement of several stakeholders. For conceptualisation and operationalisation of a Countertrade strategy, a Task Force can be set up with representation from Ministry of Finance, Ministry of External Affairs, Ministry of Commerce and Industry, Directorate General of Foreign Trade, Reserve Bank of India, Commercial banks such as SBI and UCO Bank, Development Financial Institutions such as India Exim Bank, and Public Sector Trading Companies. Based on the recommendations of the Task Force, a roadmap could be worked out, and a few countries could be identified to start with to explore the Countertrade option. India Exim Bank can act as an Empowered Institution for operationalising Countertrade, subject to the approval of GOI and RBI.

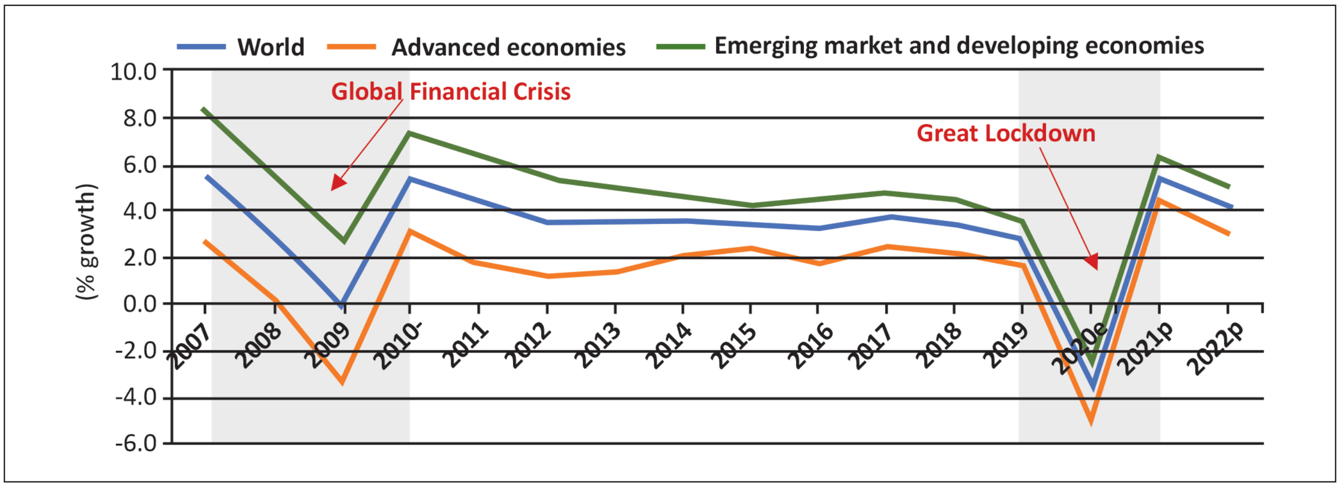
1 Background

1.1 Background

Global growth in 2019 was at its slowest pace since the 2008 financial crisis, as unilateralism and trade restrictive measures created uncertainties across production value chains. The trend is estimated to have worsened in 2020 with the rapid spread of the novel coronavirus, COVID-19, undermining global growth, causing disruptions in the value chains, and leading to a potential recession in many countries.

Apart from battling the Pandemic, nations are suffering a setback due to lockdowns that have disrupted normal lives, affecting world markets, stalling global trade, and hampering economic growth. Unlike the 2008 crisis where emerging market economies were much more insulated, the Great Lockdown 2020 had equally impacted both emerging market economies and advanced economies (**Figure 1**).

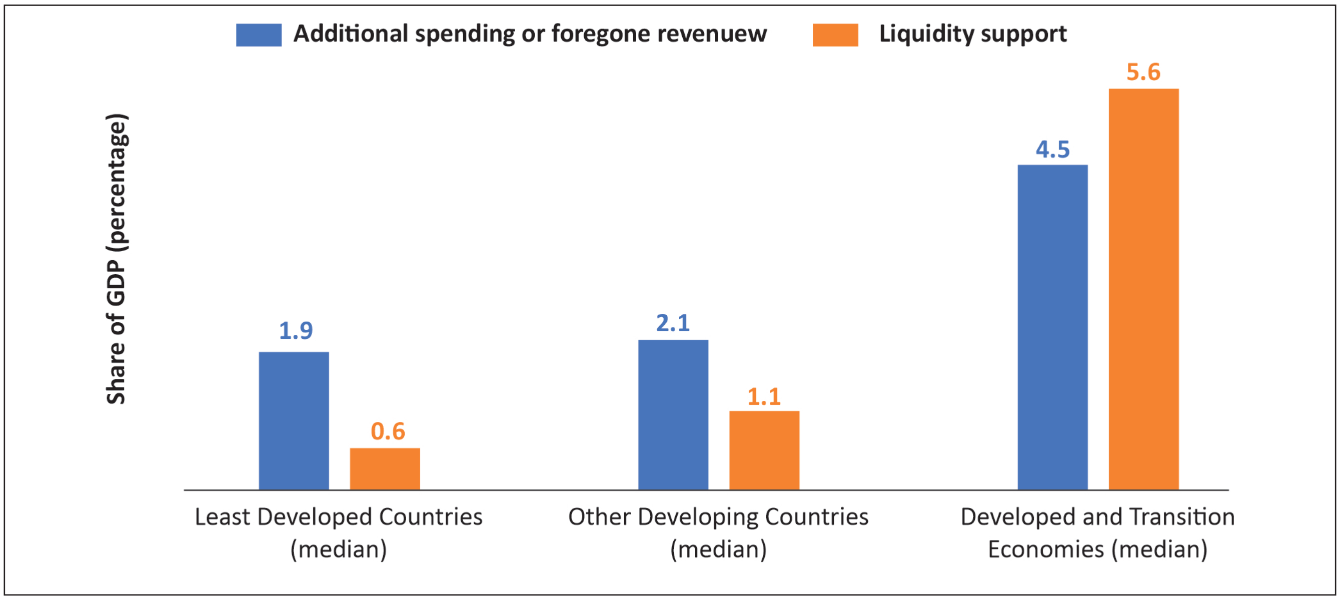
Figure 1: Growth during Global Financial Crisis and Great Lockdown



e- Estimates; p- Projections
Source: IMF WEO October 2020 and January 2021 Update

The COVID-19 crisis shall more acutely affect developing countries, especially the least developed countries (LDCs). The LDCs depend critically on primary commodity exports for foreign currency. Even before the Pandemic, commodity prices had been declining, which was aggravated with the fall in global demand due to the Pandemic. This has largely impacted revenues of such economies. As a result, fiscal measures, in response to the Pandemic and the recessions due to the lockdown, have been limited by fiscal capacities, which have been strained further (**Figure 2**).

Figure 2: Fiscal Measures in Response to the Pandemic by Country Group (% Share of GDP)

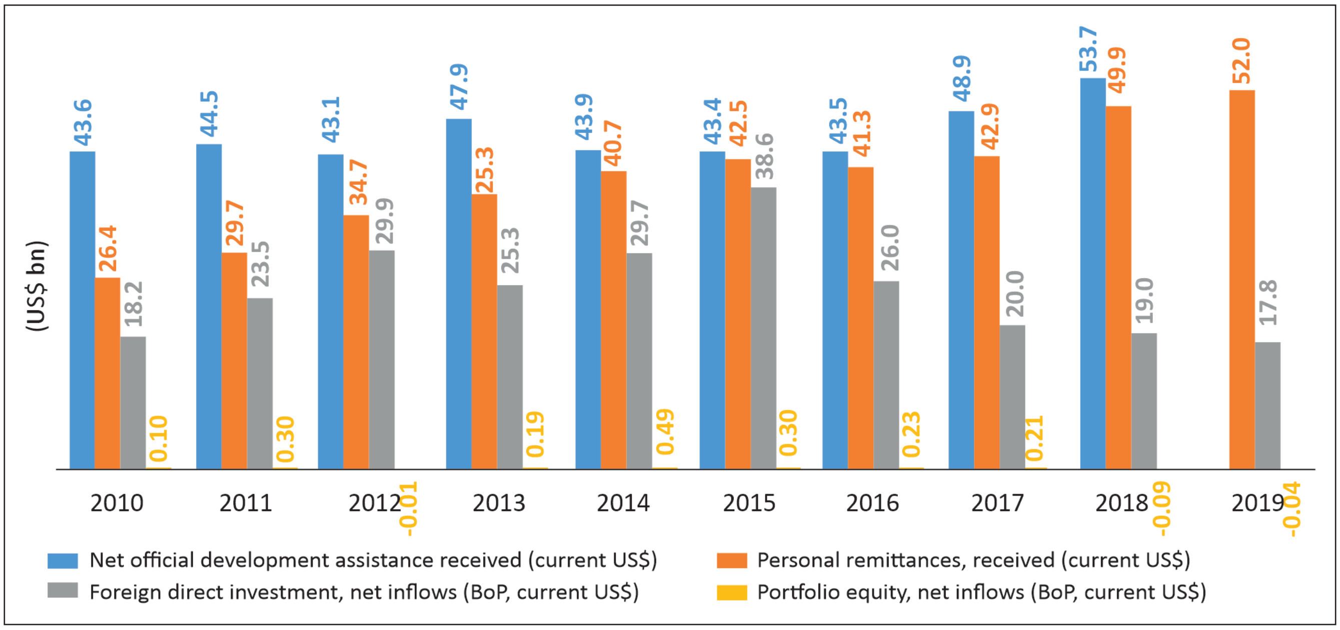


Source: UNCTAD (As on November 2020)

Most low- and middle-income economies, particularly LDCs, have realigned their existing fiscal expenses to support their respective economies. These are giving rise to unsustainable debt burdens, further endangering their efforts toward achieving Sustainable Development Goals (SDGs). According to the UNCTAD, by 2019, a number of economies had already reached unsustainable debt burden levels, making further borrowing for health-related, social and economic spending to combat the impact of the Pandemic, an unviable option. According to a study by the IMF, around half of low-income countries (LICs) (36 of 70 countries) were at high risk of debt distress or already in debt distress[1]. The availability of external finance to LDCs has increased significantly largely because of the rising share of remittances, FDI and external debt. An analysis of the sources of external finances to LDCs highlights that ODA remains the most important source of external finance for LDCs (**Figure 3**). The rise in ODA flows to LDCs only indicate the need for monitoring issues of debt sustainability and related systemic issues. In the post-COVID-19 scenario, decreasing demand and falling commodity prices, coupled with budgetary support required to combat the economic impact of the COVID-19 crisis in terms of stoppage of, or slowdown in economic activities, would diminish the debt servicing ability of such countries, and in turn affect the financiers of critical developmental projects in these countries.

[1] International Monetary Fund and World Bank, 2020. 'The Evolution of Public Debt Vulnerabilities in Lower Income Economies', Policy Paper No. 20/003. (Washington).

Figure 3: Select External Finance Indicators of Least Developed Countries



Note: Data for Net ODA received is not available for 2019
Source: World Bank

1.2 Debt Service Suspension Initiative (DSSI)

Given the present situation of depressed economic activity coupled with the uncertainty to recovery, servicing the external debt obligations is also a challenge. The Group of 20 (G-20) and the Paris Club on April 15, 2020, offered a suspension, earlier till December 2020 and recently extended to June 2021, on debt service payments on official bilateral loans. This suspension is extended to 73 developing countries, who are the recipients of International Development Association (IDA) financing and UN Least Developed Countries, with the exception of countries with protracted arrears to official and private creditors[2]. As of late October 2020, 44 of the 73 eligible countries (about 60 percent) have made formal DSSI requests. According to G-20 creditor data as of October 23, 2020, the requests from countries to benefit from the DSSI, received thus far, would amount to an estimated US$ 5.0 billion of 2020 debt service to be deferred.

Furthermore, if this crisis prolongs and countries are further strained there may also be a need for restructuring of the debt going forward. In fact, with the onset of the Pandemic, a number of countries have announced their intention to seek debt restructurings, while some have already concluded debt restructurings – Argentina and Ecuador, while countries such as Lebanon and Zambia are undergoing restructuring of their debts. Thus indicating the need to ensure the sustainability of the external debt for such developing countries.

1.3 External Debt of Low- and Middle-Income Economies – An Examination

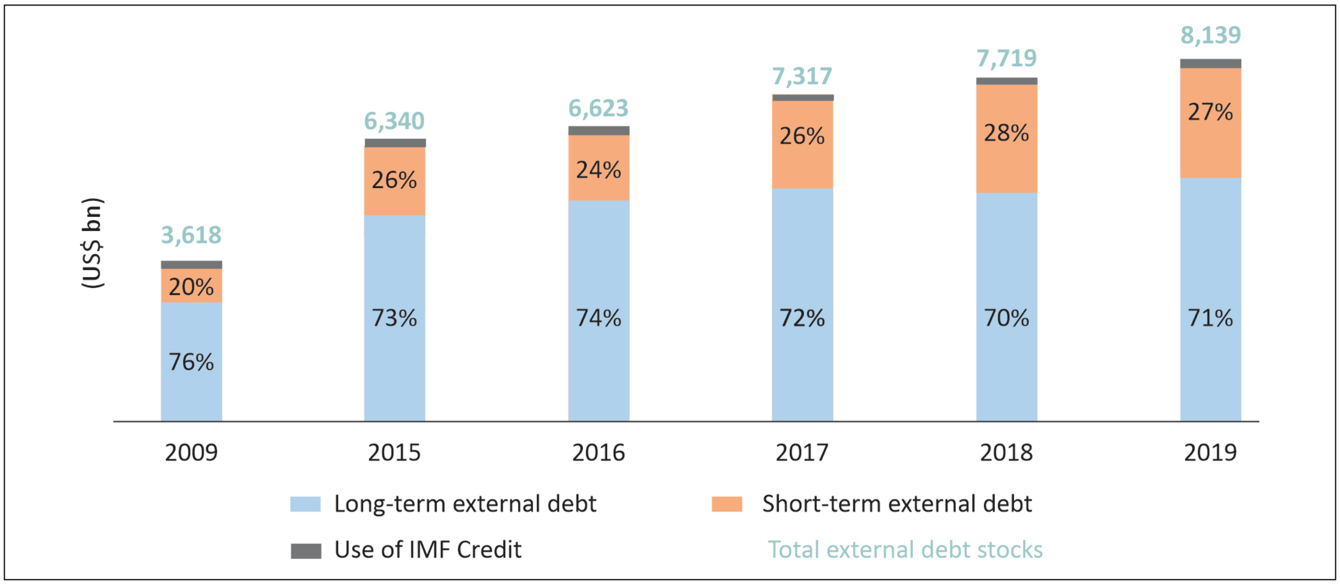
The total external debt stocks of low- and middle-income countries peaked at an estimated US$ 8.1 trillion in 2019. This is more than double the level recorded at the outbreak of the global financial crisis, when total external debt stocks amounted to US$ 3.6 trillion. Consequently, ratios of external debt to GNI have also undergone a steady increase from 2009 to 2019, from an average of 22.4 percent to an estimated 25.9 percent, indicating the higher

[2] Although the DSSI covers 77 countries, four countries (Eritrea, Sudan, Syrian Arab Republic and Zimbabwe) are in arrears to IDA and thus are ineligible.

level of growth of external debt vis-à-vis global income of low and middle-income countries. This ratio is expected to worsen as global GDP levels decline and financing requirements increase.

In addition to the rising level of debt, the structure of debt of low- and middle-income countries has shifted in ways that expose these countries to additional vulnerabilities. For example, the average share of short-term debt in total debt has steadily increased from 20 percent in 2009 to an estimated 27 percent in 2019. Increased exposure to short-term maturities increases the rollover risk associated with refinancing. Further, developing countries are historically vulnerable to external shocks owing to narrow export bases, particularly dominated by primary commodities, and less diversified economies.

Figure 4: External Debt in Low- and Middle-income Countries

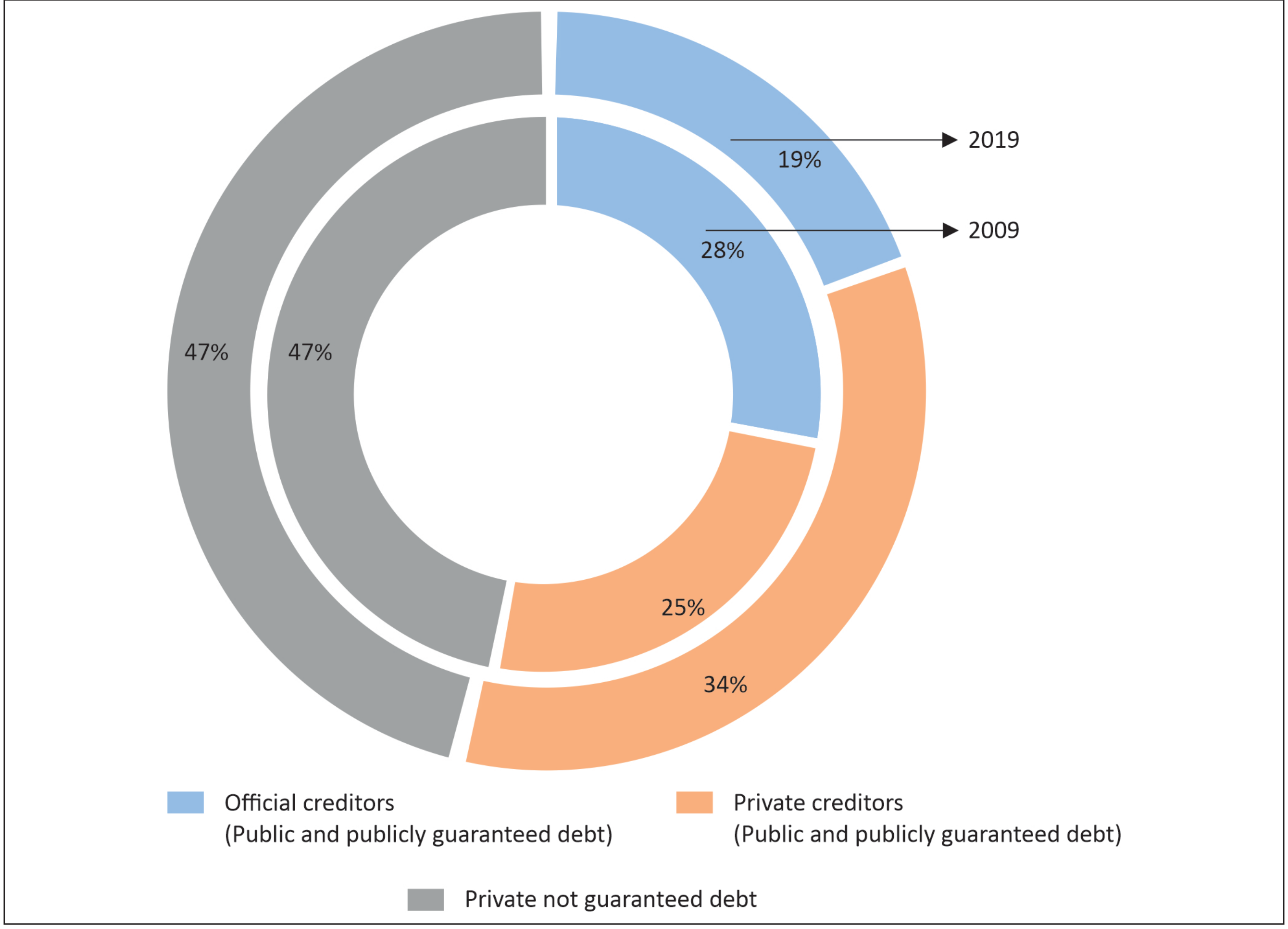


Source: World Bank

An analysis of the long-term external debt stock for low- and middle-income economies reveals that the share of long-term private non-guaranteed debt has been significant (**Figure 5**). This could pose additional challenges to sustainable debt management in the face of exogenous shocks. The currency denomination of debt is also critical. For example, when private non-guaranteed debt is denominated in a foreign currency, which in most cases is, it essentially represents a claim on the country's international reserves, particularly when private entities are unable to hedge their foreign currency liabilities against foreign currency assets. In the case of private non-guaranteed debt denominated in local currency that is held by external creditors, sudden reversals of external credit flows can undermine a country's debt sustainability. Private non-guaranteed debt denominated in local currency and held by domestic residents represents a contingent liability on public sector finances and can lead to widespread bankruptcies in the face of exogenous shocks or the widespread deterioration of the creditworthiness of borrowers.

Further, these have been accompanied by changes in the creditor composition of the external long-term debt that is public and publicly guaranteed. The share of official creditors, mainly for which DSSI is applicable, has reduced from 28 percent in 2009 to 19 percent in 2019, and has been replaced mainly by private creditors.

Figure 5: Long-Term External Debt Stock of Low- and Middle-Income Countries by Creditor Type



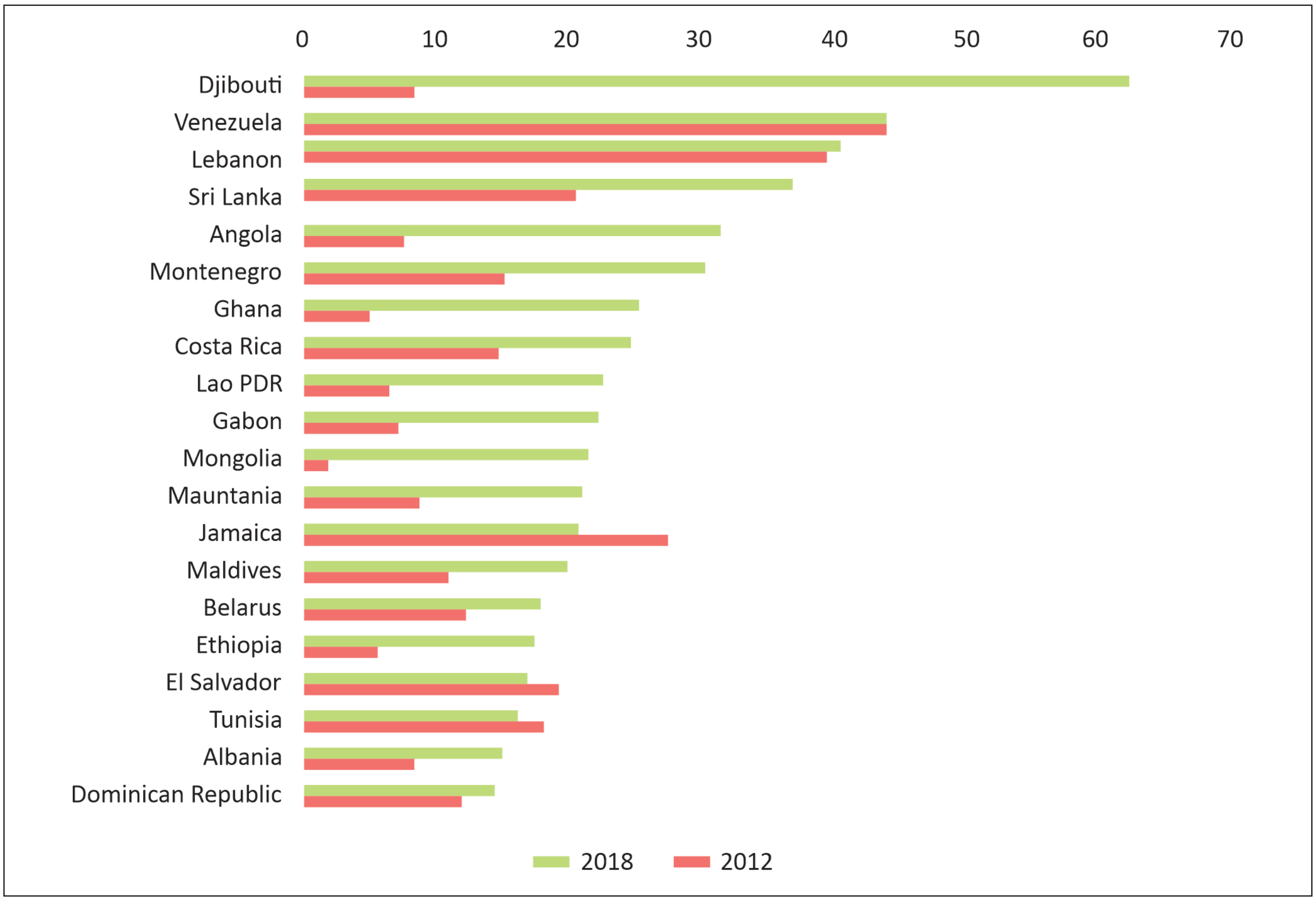
Note: Official Creditors include multilateral and bilateral creditors; private creditors include debt from bondholders, commercial banks and others that is public or publicly guaranteed; and Private not guaranteed debt includes debt from bondholders, commercial banks and others

Source: World Bank

In the wake of these developments, much of the higher-risk borrowing by sovereigns has been accompanied by rising debt servicing costs with a negative impact on the fiscal space of many countries, compounded by a slowdown in growth, relative to the period before the Global Financial Crisis of 2008- 09, as well as by commodity price slumps.

Figure 6 depicts the distribution of debt service burdens, as a share of government revenues, across select developing countries in 2012 and 2018 (*as per latest calculations available*). As highlighted in the Figure, a significant portion of the fiscal revenues are absorbed by debt servicing, and this has been increasing. The top 20 economies include a number of oil exporters that are facing a particularly difficult moment given the collapse in oil prices, or have witnessed a sharp outflow of portfolio capital since the start of the crisis.

Figure 6: Ratio of Debt Service on Public and Publicly Guaranteed External Debt to Government Revenues, top 20 Developing and Transition Countries, 2018



Source: UNCTAD[3]; and India Exim Bank Analysis

1.4 Implications of DSSI

The DSSI initiative is a welcome move, especially given the current crisis and the limited fiscal space available to low- and middle-income economies. Though this would provide some temporary relief for the crisis-ridden low- and middle-income economies, they do not constitute debt relief of any kind. On the contrary, by linking eligibility to new or ongoing borrowing, even if on concessional terms, the initiative prioritizes concessional lending, implying a new debt burden over the existing debt relief. It may also be noted that debt, even though concessional, would be subject to certain conditionalities. In this case, it would typically be debt being sustainable or on track to be sustainable. Moreover, suspending debt repayments only for a few months (up to June 2021) relies on the basic assumption that the COVID-19 shock will be short-term in nature, and that economic activity will resume to pre-COVID-19 levels by end-2021, to the extent that developing countries joining the scheme will be in a position to bear the suspended debt service repayments over the next few years. As examined in the previous sections, the Pandemic has come at a time when few countries had already reached their debt distress levels, apart from facing issues such as low export revenues, commodity prices, government revenues and reserve holdings.

A well-designed debt relief is thus essential to not only address the immediate liquidity pressures but also have the potential to resolve issues of structural insolvency and long-term debt sustainability.

[3] UNCTAD (April 2020). From the Great Lockdown to the Great Meltdown: Developing Country Debt in the Time of Covid-19.

At the same time, given such uncertainty globally, there is a need for lending countries such as India to position themselves to ensure the availability of smooth system of payment and repayment mechanisms, while factoring in the possible challenges that could have been faced by the borrowing countries. This would facilitate the requirements of both countries to sustain their developmental partnership as well as commercial engagements, which could be a win-win for both. The Government of India (GOI), through its development assistance programmes such as the Lines of Credit (LOC), Concessional Financing Scheme (CFS) and Buyer's Credit under National Export Insurance Account (BC-NEIA), is actively engaged in supporting the industrial and infrastructural development in other developing countries. Many of the recipient countries are highly indebted poor countries (HIPC) and low-income countries (LICs) facing deep financial distress. Clearly, there is a looming risk of default by a large number of borrowing governments, and the G20 countries have already agreed to suspend debt service payments for low income countries. As on December 31, 2020, the loan outstanding under the GOI supported LOCs, CFS and BC-NEIA stood at US$ 6 billion, US$ 1 billion, and US$ 1.38 billion, respectively.

Countertrade could present an effective way of mitigating payment risks when countries are facing such challenges including foreign exchange crisis. It can be an effective mechanism for recovery of dues or securing future repayments in the case of LOCs/CFS/BC-NEIA where the borrowing countries are typically well endowed in commodities (agricultural, energy, minerals and metals, etc) and other natural resources, including those having strategic significance, which can be used by Indian businesses in their production processes. Concomitantly, through export of these goods, borrowing countries can meet their debt service obligations without dipping into their scarce forex reserves.

1.5 Countertrade – Mitigating risks

Countertrade can also serve as an effective market diversification strategy as it can open opportunities for Indian companies in lesser explored geographies facing restrictions on outward remittances. While in the past India has used countertrade as an on and off measure, given the present crisis there is a need to evolve a countertrade strategy both from the view point of recovery of dues under GOI assisted Lines of Credit/Concessional Financing/ Buyer's Credit Programmes and also easing the payment pressure of the debt-ridden countries affected by the Pandemic. This mechanism would also help increase India's project exports to lesser explored / high risk markets. A sectoral group constituted by the Ministry of Finance to examine the issue of export finance, highlighted the need for a countertrade scheme, as many traditional markets of Indian exporters have been impacted by the COVID-19 crisis and their ability to allocate foreign exchange for paying Indian exporters is constrained.

Most countertrade is for short-term trade purposes, in the form of barter trade, counter purchase, compensation, tolling and switch trading, although such transactions may take place under a longer-term arrangement (e.g. a Government-to-Government clearing account). Countertrade also has project financing applications, through offsets and buy-backs, which will be discussed in the relevant sections.

Because of their self-liquidating, off-balance-sheet financing characteristics, countertrade and project finance deals have the potential to complement each other when integrated into a single project's financial package. Countertrade, if integrated into project finance structures, can also provide countries with an opportunity to finance infrastructure projects with their exports, to mitigate risk and to secure repayment.

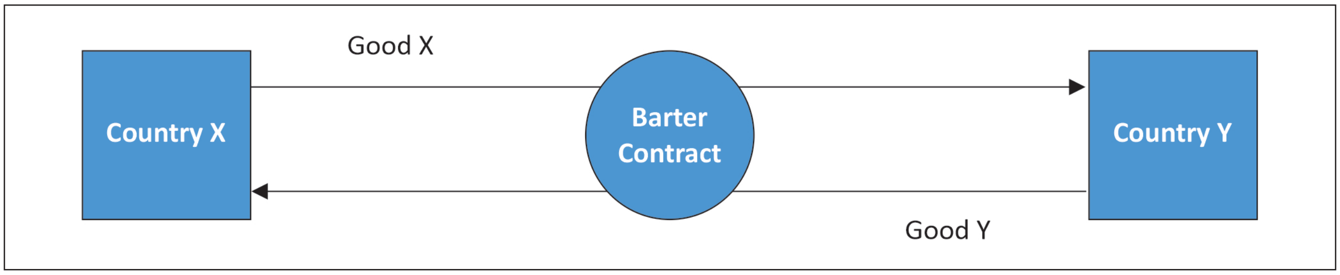
2 Countertrade Arrangements: An Introduction

Countertrade refers to the exchange of goods and services in whole or part, with other goods and services as payment, rather than with money. It has time and again emerged as an important mode of international transactions for countries facing currency or payment challenges. Countertrade may take a variety of forms, but basically it is a barter or a quasi-barter arrangement that more or less explicitly links import and export transactions. It involves trading arrangements between private firms and/or government entities, such as foreign trade organizations, by which the seller is obligated to accept, as a partial or total settlement for his exports of goods (or in some instances services, such as technology or industrial licenses), specified goods or services, from the buyer. There are a number of distinct types of countertrade transactions, some of which are delineated below:

2.1 Barter

Barter is one of the oldest forms of trade, wherein the transaction is contained in a single contract and there is no exchange of money between the parties in a transaction. Sometimes a small amount is paid to cover special costs, or a down payment is made as a guarantee. These are usually short-term product exchanges, involving a limited number of products and without the participation of a third party.

Figure 7: Graphical Representation of Barter Trade



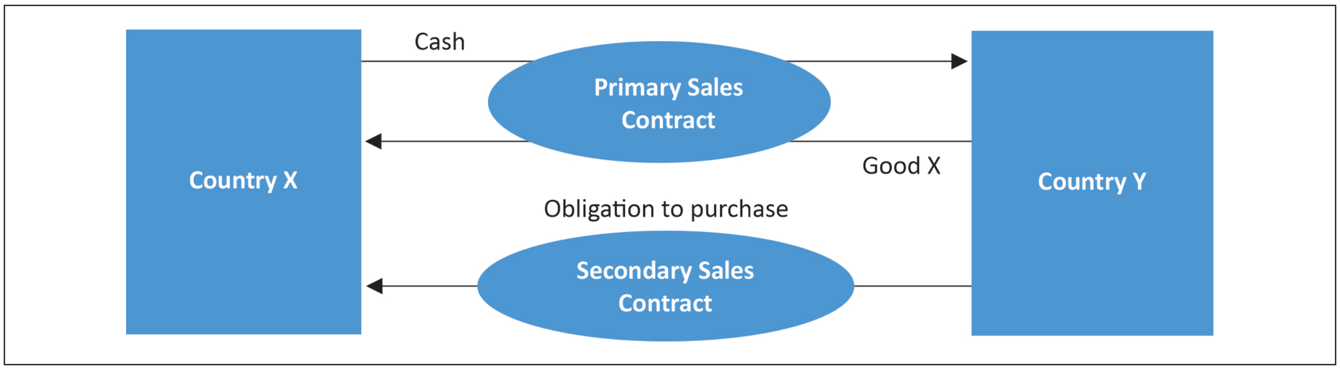
Example of Barter Trade (India and Iraq: Oil-for-Food): In 2000, India and Iraq agreed on an "oil for wheat and rice" barter deal to facilitate daily delivery of 300,000 barrels of oil to India at a price of US$ 6.85 a barrel. Iraq's sales to Asia at that time were valued at about US$ 22 a barrel. In 2001, India agreed to swap 1.5 million tonnes of Iraqi crude under the oil-for-food program. Several Indian companies including Reliance Industries Ltd. and the State Trading Corporation of India (STC) were engaged in transactions under the program. The mechanism benefited several exporters of rice and wheat from India.

2.2 Counterpurchase

In a counterpurchase transaction, the first party agrees to sell goods to the second party, and under a separate but related agreement, the first party undertakes to purchase other, unrelated products of equal value from the second party. The two obligations should be viewed as distinct transactions with separate contracts and separate currency payments.

Under this arrangement, the exporter sells goods, technology, or services to an importer, and agrees to purchase from the latter, within a specified period, which is normally 1-5 years, a specific total value of goods selected from a list that excludes those produced by the technology being exported. The exporters may not use these goods themselves, and may undertake onward sales to a third party. The counterpurchase contract allows company to assign its counterpurchase obligation to a third party, a trading house or another foreign buyer.

Figure 8: Graphical Representation of Counterpurchase



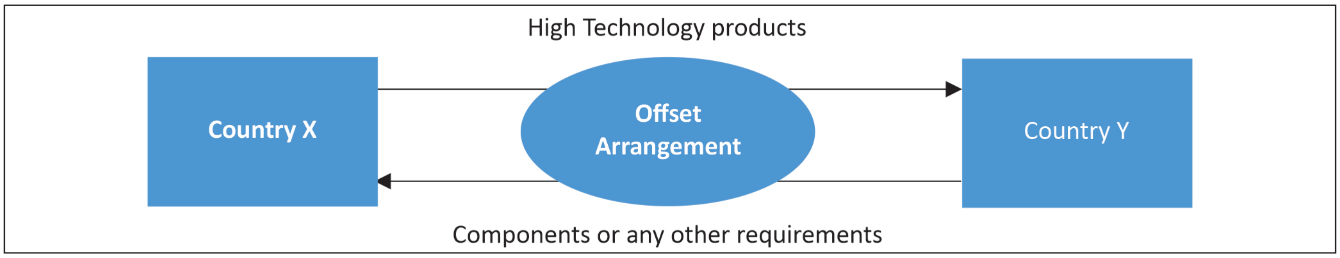
Example of Counterpurchase (India and Malaysia): As part of an MoU signed by the Government of Malaysia with IRCON International Ltd. in 2001, a rail construction project, valued US$ 120 million, was undertaken by IRCON International Ltd. The Ministry of Transport, Government of Malaysia engaged IRCON for execution of the project. Payments to IRCON was through supply of palm oil of equivalent value. The Ministry of Primary Industries, Government of Malaysia appointed the Malaysian Palm Oil Board as managing agent for payments made to the Malaysian palm oil exporters for palm oil delivery to India. Payments were disbursed based on work progress carried out under the works agreement. The Minerals and Metals Trading Corporation of India (MMTC) acted as the trade facilitator under the arrangement, and was the agency responsible for import of palm oil under the arrangement.

Example of Counterpurchase (India and Iraq: Project Exports): Indian project exporters had secured contracts of around US$ 2 billion in Iraq. With the commencement of the Iran-Iraq war in 1980, payments from the Iraqi clients stopped in 1982. In order to solve the payment problems, the Government of India entered into Deferred Payment Arrangements (DPA) with the Government of Iraq covering 55 projects being executed by 24 project exporters. Under the umbrella arrangement of DPA, Indian Oil Corporation Ltd. (IOC) entered into an agreement with the State Oil Marketing Organization of Iraq (SOMO) for purchase of crude oil from Iraq, and India Exim Bank entered into an agreement with the Central Bank of Iraq for working out the banking arrangements. Payments towards oil imports by the IOC were made into a designated account of India Exim Bank, which were used to pay the running bills of the Indian project exporters on behalf of their Iraqi clients.

2.3 Offset

In an offset agreement, importers require the contractors to purchase a predetermined level of components from subcontractors located within the importing country, or to fulfil other portions of the private firm's international purchasing requirements from firms within the importing country, or even to assist the importing country in selling its unrelated products to third countries.

Figure 9: Graphical Representation of Offset

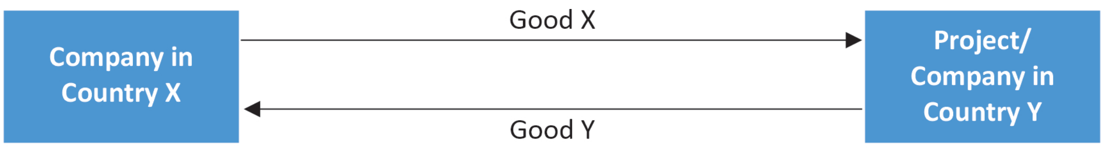


Example of Offset Arrangement (Defence Sector): India has a well-defined offset policy for its defence imports. Under India's offset policy, foreign defence entities have to invest at least 30 percent of the total defence contract value in India through procurement of components or setting up of research and development facilities. As of March 2020, the Ministry of Defence, GOI has signed 55 Offset contracts valued at US$ 11.8 billion to be discharged through Indian Offset Partners[4]. An example of offset arrangement is the setup of electrical harness manufacturing capacity by Pilatus Aircraft Ltd., Switzerland at the Bharat Electronics Ltd. (BEL)'s Bangalore Complex. Locally made harnesses from the facility are being used for the global supply chain of Pilatus. Pilatus Aircraft Ltd had supplied 75 PC-7 Mk II Turboprop Basic Trainer Aircraft to the Indian Air Force.

2.4 Buyback (Compensation)

Buyback or Compensation is a countertrade mechanism where supplier of plant/equipment to project/company in another country assures buyback of certain quantities of products made with that plant/equipment. In such transactions, the first party agrees to sell machinery, equipment, technology, or a turnkey project (equipment/ technology) to the second party and the first party separately agrees to accept as a partial or full payment from the second party a predetermined amount of the product manufactured from the equipment/technology supplied by the first party. The value of goods received by the first party frequently exceeds the value of the original equipment/technology. The contract period of buy-back arrangements is, by necessity, considerably longer than that of counterpurchase arrangements.

Figure 10: Graphical Representation of Buyback



(Either 100% of the value of X or a certain percentage of the resultant production from the equipment/ technology, with the remaining amount paid in foreign currency)

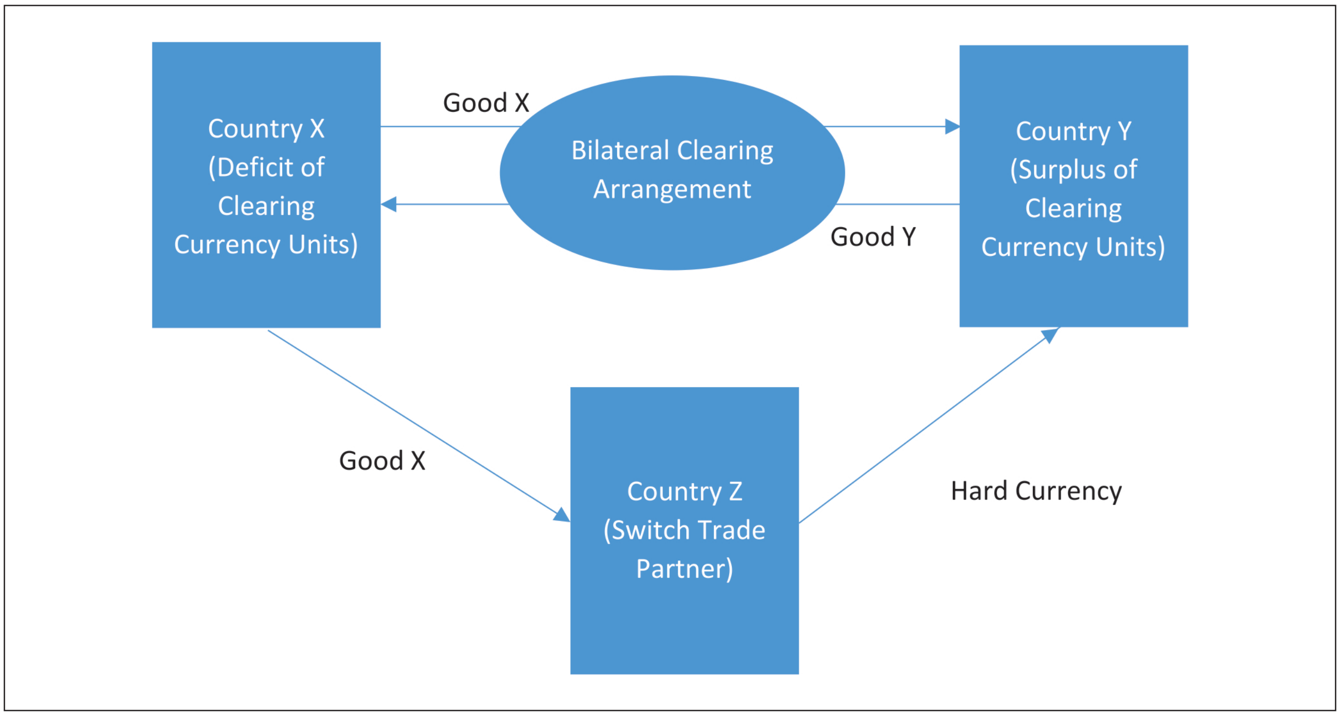
[4] Report of the Standing Committee On Defence titled "Capital Outlay On Defence Services, Procurement Policy, Defence Planning And Married Accommodation Project", (Seventeenth Lok Sabha), March 2020

Example of Buyback (India and the Erstwhile Soviet Union): National Textiles Corporation Ltd. (NTC) of India signed a buyback agreement of Rs. 200 million with the erstwhile Soviet Union to buy 200 sophisticated looms. The buyback ratio was 75 percent of the textile produce from the looms and the remaining was in cash.

2.5 Switch trading

Switch trading is a practice in which one company sells to another its obligation to make a purchase in a given country. For example, if country Y has a credit in its account against country X (arising through compensation or other payments arrangements), then Y identifies a country Z, which is interested in purchasing the products of X. Country Y sells its obligation at a discount to country Z to receive hard currency.

Figure 11: Graphical Representation of Switch Trading

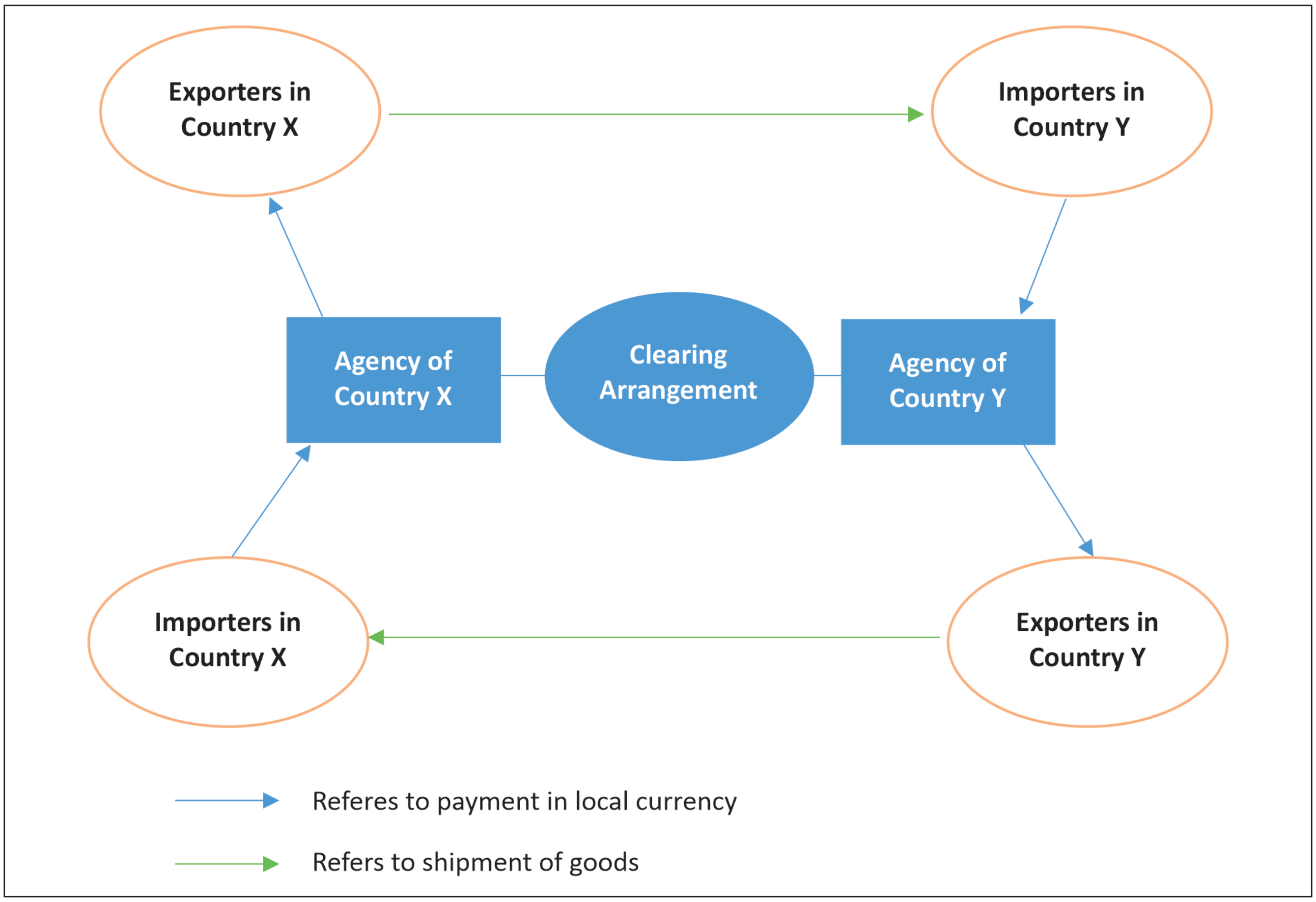


Example of Switch Trading (Poland and Greece): Poland and Greece had a counterpurchase agreement that called for Poland to buy the same value of goods from Greece that it sold to the country. However, Poland did not have enough demand for Greek goods, leading to a dollar denominated counterpurchase balance in Greece that it was unable to use. A switch trader bought the right to counterpurchase dollars from Poland and sold them to a European merchant, who used the right to purchase grapes from Greece.

2.6 Clearing Arrangements

Clearing agreements are entered when two nations encounter a coincidence of needs. They must determine the type and quantity of goods that they wish to obtain from each other, and establish an exchange ratio to be used over the specified life of the contract. Agreed volume of goods are imported and exported by the countries over a specific time period without the payment of foreign currencies. If a country does not purchase enough goods to balance its accounts within the set time limitation, it receives clearing credits. Although stated in terms of currency, clearing credits cannot be redeemed for currency.

Figure 12: Graphical Representation of Clearing Arrangement

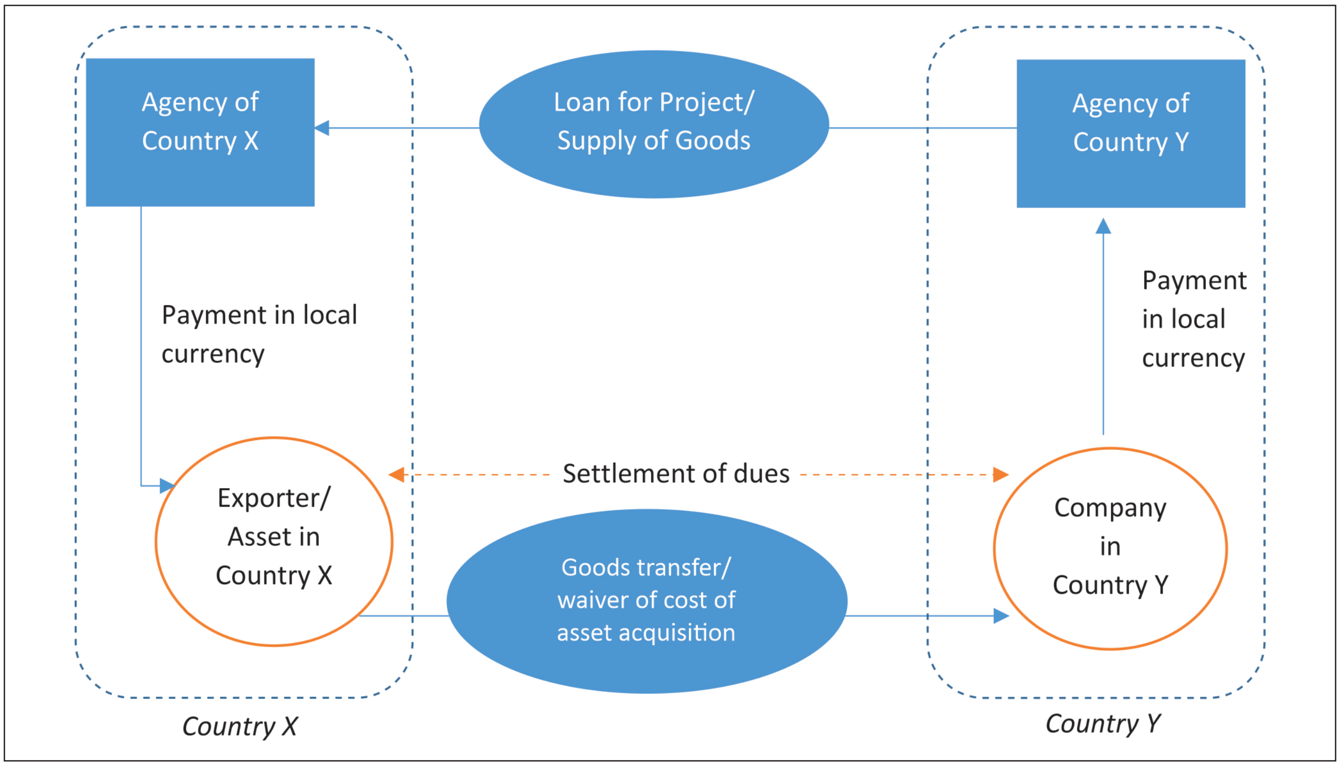


Example of Clearing Arrangement (India and Iran): India-Iran Rupee payment mechanism was established in view of the US sanctions on Iran in 2012. Under this mechanism, few Iranian Banks opened Indian Rupee Vostro Accounts with UCO Bank. The payments towards imports of crude oil by the Indian oil importing companies are credited to this account in Indian Rupee. As per this arrangement, 50 percent of the payment towards oil imports can be used towards payment to Indian exporters for their exports of various items to Iran. Iran could not actually take the Indian Rupee which was parked in Special Non-Resident Rupee Vostro Account — but could use it to buy Indian goods.

2.7 Debt-for-Goods

Debt-for-goods is a countertrade transaction whereby a debtor country offers its goods or services to avail funding or to cover full or partial repayment of an outstanding debt. Under this, the countertrade route can be utilized for repayments of funded facilities extended to overseas entities or the countertrade terms can be part of the initial negotiations. Debt-for-goods could be in the form of import of goods from the debtor country or acquisition of available assets in the country. Interestingly, debt-for-goods is a part of Philippines' national Figureer for countertrade.

Figure 13: Graphical Representation of Debt-for-Goods



Example of Debt-for-Goods (India and Vietnam): A case in point is the legacy case of India Exim Bank's Commercial Line of Credit to Vietnam in the 1980s, where, in lieu of payment towards servicing the loan, Food Corporation of India imported rice from Vietnam but paid to IDBI/India Exim Bank for the imports.

Example of Debt-for-Goods (Philippines): Philippines has a Countertrade policy, which includes debt-for-goods arrangements. Under debt-for-goods arrangements, as on February 2014 Philippines concluded three transactions involving three countries, Romania, China and Iraq:

- For the purchase of machinery and equipment under soft loan package, its own company National Power Corporation (NPC) incurred a debt of US$ 8.85 million, and Philippines settled the debt by exporting merchandise products such as crude coconut oil, garments, personal care products, tropical fruit juices etc. of equivalent value to Romania.

- For the purchase of mini-hydro equipment from China by the National Electrification Administration (NEA), Philippines incurred a debt of US$ 11.5 million, and settled by supplying equivalent value of copper cathodes to China.

- To settle an obligation of unfinished road project in Iraq valued at US$ 20 million, Philippines exported sugar, pharmaceuticals and coconut oil to Iraq.

Debt-for-Goods by Export Credit Agencies: Several Export Credit Agencies (ECAs) have utilized countertrade arrangements as a debt conversion tool. While some of the loan facilities extended by the ECAs are in the nature of countertrade arrangement from the outset, several others are restructured into countertrade arrangements in case of debt distress.

Some key examples of ECAs engaging in countertrade arrangements are:

i. **China Exim Bank**: The Government of DR Congo allocated extraction licenses for its cobalt and copper mines to a Chinese consortium led by state-owned China Railway Engineering Corporation in exchange for the consortium's commitment to secure financing of US$ 6.6 billion for infrastructure projects of a public good nature, and another US$ 3 billion of investment in the mining project itself. The Chinese consortium reimbursed its main financier, the Export-Import Bank of China (China Exim Bank), for the cost of financing the infrastructure with the revenue from the mines.

ii. **UK Export Finance**: UK Export Finance's debt conversion scheme allows a proportion of outstanding debts owed to UK Export Finance by a number of countries to be converted into local currency at a discount for investment in local projects approved by UK Export Finance and the government of the country concerned. The scheme is applicable for the countries of Bosnia, Ecuador, Egypt, Indonesia, Kenya, Pakistan, Serbia, and Vietnam.

3 Rationale for Countertrade Arrangement

3.1 Background

Globally, countries are constrained by lower economic activity, limited revenues, exports and foreign exchange reserves, due to the COVID pandemic. As highlighted earlier, countries eligible for DSSI are already facing severe fiscal strains and have high and increasing risks of default.

3.2 Export Product Concentration

A peculiar characteristic of most of these LDCs is that they are resource rich and primary sector dominant economies. An analysis of the export basket of LDCs vis-à-vis other regions highlights that though the export product concentration of LDCs has declined substantially over the years, it is far higher than the global average (**Figure 14**). The product concentration index of exports[5] shows the extent to which the exports of individual economies, or groups of economies, are dominated by a few products rather than being distributed among several products.

LDC export concentration in primary commodities and fuels, has always been a cause for concern, making these economies vulnerable to commodity price fluctuations. The recent commodity price decline and fall in global demand has led to the deterioration of trade balance of LDCs. Countertrade, to an extent, can bridge this gap, by ensuring a steady demand for their resources at a stable contracted price, and thus, the countries may not

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[5] Herfindahl-Hirschmann index (Market HHI) is used to measure the degree of market concentration.

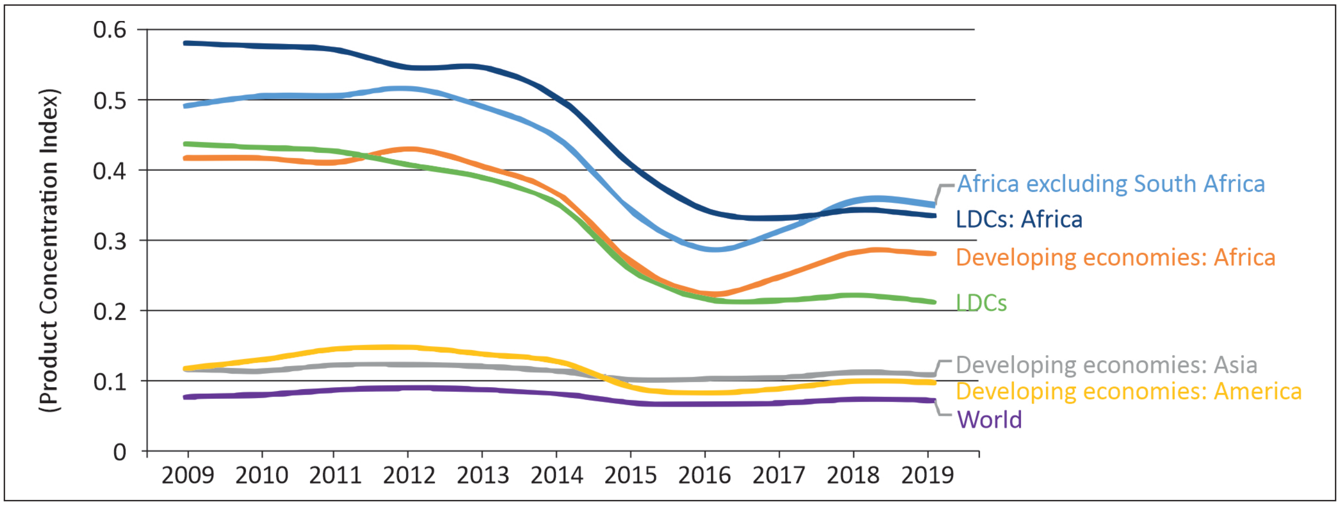
$$H_i = \frac{\sqrt{\sum_{j=1}^{n} \left(\frac{x_{ij}}{X_i}\right)^2} - \sqrt{\frac{1}{n}}}{1 - \sqrt{\frac{1}{n}}}$$

where - Hi = value of concentration index for product I; xij = value of export for country j and product i; n = number of individual markets (countries).

Index values closer to 1 indicate highly concentrated export or import markets. On the contrary, a value closer to 0 reflects a more homogeneous distribution of market shares among countries.

deplete their scarce external reserves. Further, the lack of diversification in exports from these economies is also linked to lack of industrial capacity. Countertrade also has the ability to increase productive capacities of these economies and promote value-addition.

Figure 14: Product Concentration Index of Exports



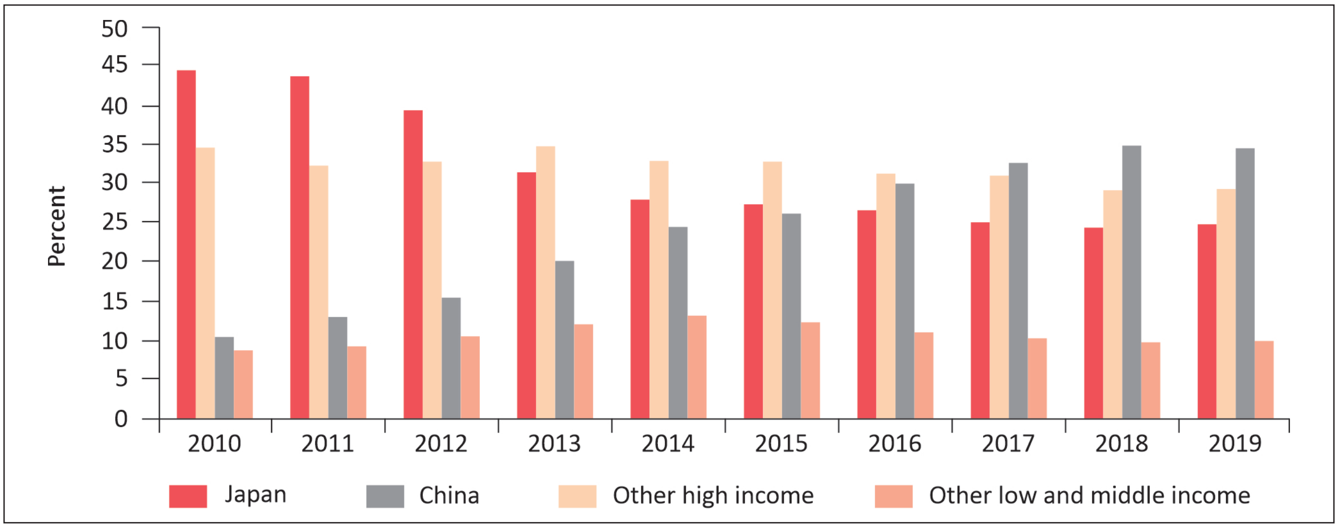
Source: UNCTAD

3.3 Debt Dependence

An analysis of the debt dependency of low- and middle-income economies highlights that China has emerged as the largest creditor, with its share increasing by over three-fold within a decade (**Figure 15**). Over the same period, the share for Japan has declined significantly. These skewed debt trends suggest that future sovereign debt restructurings will be more complex for many of the poorest countries.

This will now be accompanied by the risk of having increasing the number of poorer countries due to the COVID-19 crisis. To build durable economic recoveries, countries will need to achieve long-term debt sustainability. This could gradually happen with a greater level of productive investment and financing—for infrastructure, health, education, and employment.

Figure 15: Creditor Composition of Debt Owed to Bilateral Creditors, 2010-2019



Source: International Debt Statistics Report 2021

3.4 Rationale for Countertrade

The present multilateral trade and payment systems have evolved over several years of practice, deliberation and innovation. It affords transparency and economic efficiency to all stakeholders. It is, therefore, not surprising that countertrade arrangements form a small and insignificant share of the overall global trade.

Countertrade arrangement could be used in situations where there are challenges to use the currency-based trading mechanism. As cited earlier, where the countries are facing issues of depleting foreign exchange, which is a prime consideration for cash-strapped nations, countertrade provides an alternative to traditional financing that may not be feasible. Countertrade could ensure the conservation of foreign currency, along with generating employment, higher sales, better capacity utilization, and ease of entry into challenging markets.

Some of the other reasons that prompted countries to resort to countertrade include:

- To overcome the balance of payments difficulties arising from sluggish export growth and a rising external debt-servicing; under such circumstances countertrade could serve as a debt conversion tool;
- To overcome the challenge of over-capacity in the manufacturing sector due to greater emphasis on the growth, which was originally aimed at promoting import-substitution;
- To generate steady demand both for the products manufactured by developed economies and the natural resources available with developing economies, and thereby stabilise the price level;
- To overcome the challenges associated with the protective trade policies of some countries – like currency restrictions, non-tariff barriers etc;
- To circumvent challenges associated with outward remittance of foreign exchange, where conventional means of payment is non-existent or complex for a variety of reasons;
- To generate financing to create the critical infrastructure that are required in a developing economy, without resorting to debt; and
- To hedge against currency risk. Hedging currency risks through countertrade rather than financial instruments may be desirable because (a) purchasing financial instruments requires an upfront financial payment; and (b) the hedging instruments like futures/forwards for hedging currency risk (for the overseas countries) may not be available for longer tenors given the depth of financial markets in such HIPCs and LICs. However, the effectiveness of hedging will vary based on the structure of the transaction adopted, with hedging being most effective in Barter Trade and Buy Back transactions.

The terms of payment in countertrade transactions depend on the structure of the deal, and the participation of the banks may be totally different compared to ordinary transactions with payment in currency. In real barter-trade situations, only a designated clearing account may be needed to register the value of the transactions and the net balance of the flow of goods. When it comes to other forms of countertrade, the banks often have a more central role, often through the use of L/Cs, all of them being structured to come into force simultaneously when all other arrangements are in place and approved by the individual trading partners. But thereafter they could either be handled as one deal with separate payment flows or as completely individual transactions, with each L/C being settled separately.

The seller seldom acts alone in countertrade, but normally through or in cooperation with specialized trading houses or international banks that have the expertise to operationalise the transactions. There are also a number of domestic or regional countertrade associations offering the same services, but the trading parties are generally advised to check with their bank or their trade council or export organization to find a partner that has the relevant knowledge and reputation.

Apart from these, a few areas for consideration before entering into a countertrade agreement include legal implications, time frame involved in the transaction, insurance facility, among others.

4 Comparison of Existing Countertrade Policies

4.1 Philippines

In Philippines, the countertrade policy was announced in 1993. The policy directs the government, and its departments, bureaus, agencies and offices, to adopt countertrade as a supplemental trade tool in connection with transactions involving the importation or procurement of foreign capital equipment, machinery, products, goods, and services entailing the payment of at least US$ 1 million or its equivalent in Philippine Peso (PHP) and to negotiate and conclude, on a best efforts basis, agreement or arrangements on countertrade with respect to such importation[6].

The Philippine International Trading Corporation (PITC) is the sole implementing agency of this program on behalf of the Department of Trade and Industry. By leveraging on government procurement of imported equipment with reciprocal benefits to be provided by foreign suppliers, PITC generates additional exports and creates opportunities to fast-track the inflow of investments, technology, industrial cooperation, specialized training and skills.

4.1.1 Examples of Countertrade in Philippines

Acceptable forms of countertrade in Philippines include counter-purchase, direct and indirect offsets, buy-back arrangements, and debt-for-goods, among others. Some of the countertrade transactions are given as under:

Offsets

As per the policy, acceptable offsets under the countertrade agreement are investments, technology transfer, grants, research, training and other related activities such as donation for the benefit of procuring government agency or any other government agency. Exports of Philippine merchandise and services are also acceptable.

[6] Counter-trade Policy Brief, Philippine International Trading Corporation

As per the policy, a multiplier is applied to the actual value of certain offset transactions to calculate the credit value earned by the firms, in order to incentivize firms to offer offsets that benefit targeted areas of economic growth. Multipliers are only applied to offset activities and to exports. There are two multipliers in place, as under:

- Multiplier value of 10 for offset activities that are beneficial directly to the procuring government agency; or
- Multiplier of 7, if beneficial to other government agency(s) or other institutions.

Some of the investments made under offsets agreement include:

- In July 2010, Bureau of Jail Management and Penology (BJMP), Philippines, imported 156 units of Prisoners' Van from United Asia Automotive Group Inc. (UAAGI), China. The two entities entered into an offset agreement, valued at US$ 1.3 million, covering 50 percent of the value of the Supply Contract. The offset components under this agreement included a sponsorship worth US$ 0.011 million for BJMP; donation of Armoured Personnel Carrier worth US$ 0.57 million to the Philippines Army; sponsorship worth US$ 0.042 million for Philippine Practical Shooting Association; donation of a Foton View Ambulance 2011, worth US$ 0.18 million to the Commission on Election, Philippines; and investment worth US$ 0.53 million by Beiqi Foton Motor Co., Ltd. (a Chinese company which designs and manufactures trucks, buses, sport utility vehicles and agricultural machinery) for establishing a Foton Subic Showroom in Philippines, to be managed by UAAGI.
- In August 2011, GIGI Industries (Trust Trade) entered into an offset agreement with BJMP worth US$ 2.2 million, for a transaction involving supply of 500 units of Caliber 5.56 x 45mm Rifles and 690 units of Short Firearms (9mm Pistols). GIGI industries subsequently conducted various specialized training events for government agencies as part of the offset agreement. This included, a GLOCK Armourer's Course conducted for the Philippine National Police (PNP) valued at US$ 1.83 million; GLOCK Tactical Pistol Course for the PNP (Luzon) valued at US$ 0.17 million; GLOCK Tactical Pistol Course for the PNP (Visayas & Mindanao) valued at US$ 0.09 million, among others.

Counterpurchase (Counter Exports)

In counterpurchase arrangement, the primary supplier accepts parallel obligations to purchase products and/or services from the buyer's country. As per latest available data, there have been about 105 counterpurchase transactions in Philippines since 1989 till February 2014[7]. An example of counterpurchase includes:

- In 2003, the PITC and Vinafood II (Vietnam) entered into a counterpurchase agreement worth US$ 32.8 million wherein Vietnam agreed to supply long-grain white rice to the Philippines through the National Food Authority in exchange for fertilizers equivalent to at least 50 percent of the total rice shipment value.

Debt-for-Goods

Philippines has, in the past, also entered into debt-for-goods arrangement. Under debt-for-goods arrangements, Philippines has concluded transactions involving countries such as Romania, China and Iraq. This included:

- NPC, Philippines purchased machinery and equipment under soft loan package worth US$ 8.85 million from Romania, in return for which products such as crude coconut oil, garments, personal care etc. of equivalent value were exported to Romania.

[7] Philippine International Trading Corporation: Summary Of Completed Countertrade Transactions - As of February, 2014

- For the purchase of mini-hydro equipment, NEA Philippines borrowed a loan of US$ 11.5 million from China, which was settled through exports of copper cathodes of equivalent value.

4.1.2 Modalities of the Countertrade Policy in Philippines

There are certain rules and regulations governing the countertrade policy in Philippines. As per the policy, the adoption of countertrade arrangement is applicable for government's importations and procurement of services from foreign suppliers entailing payment of at least US$ 1 million, or its PHP equivalent. Under the arrangement, foreign bidders/suppliers are required to sign an undertaking to pursue countertrade which commits them to perform countertrade once they are awarded the supply contract for capital goods, equipment, machinery, products, goods and services. Within 90 days of the contract award, the bidders are required to sign a supplemental contract i.e., a Countertrade Agreement with PITC outlining the terms and conditions of its countertrade performance. The countertrade obligation/commitment of foreign suppliers should cover at least 50 percent of the value of the supply contract. Suppliers are given 2 years from the date of the Supply Contract to perform their countertrade obligations. Confidentiality clauses and performance bond are also included in the contract. In case of non-fulfilment of the countertrade obligation, the policy has in place a penalty to the tune of 5 percent of the value of the unfulfilled Countertrade obligation.

4.2 Indonesia

Countertrade in Indonesia was officially introduced for government contracts in 1982 to expand exports and as a response to protectionism in industrialized countries. The common countertrade methods that are still being used in Indonesia include barter, buyback, and offsets.

4.2.1 Examples of Countertrade in Indonesia

In the defence sector, Indonesia has a long history of countertrade arrangements for the procurement of defence platforms from Russia. For instance, in 2003, Indonesia acquired the Russian Sukhoi SU-27SK and SU-30MK combat aircraft. This deal involved down-payment of 13.5 percent of the total contract value of US$ 192 million, while the remaining was settled through the countertrade of commodities.

Indonesia has also been exploring countertrade opportunities with Argentina, in order to double the value of bilateral trade, in the wake of growing trade uncertainties globally. Additionally, the Indonesian government is looking forward to more countertrade arrangements for its defence imports to ease the economic constraints triggered by the COVID-19 pandemic.

4.2.2 Modalities of the Countertrade Policy in Indonesia

While Indonesia had detailed guidelines in place for its countertrade operations, it lacked, until recently, a formalized policy for countertrade/ offsets, despite having decades of experience. The regulations governing countertrade were initially spelt under the Ministry of Trade's document entitled "Guidelines for Implementation of Linking Government Procurement with Indonesian Non-Petroleum Exports". The guidelines were applicable to government procurement done through international tender for projects valued more than IDR 500 million, and excluded procurement under soft loans and credits from international institutions like the World Bank, the Asian Development Bank and the Islamic Development Bank. Under the countertrade agreements, the foreign suppliers were required to sign a Letter of Understanding, to purchase Indonesian products equal to the FOB value of the products supplied. This was submitted to the Director General of External Trade for approval. The actual transactions were, however, carried out directly between the foreign importers and Indonesian exporters. While the aim of the countertrade guidelines was to benefit Indonesian exports, the execution of countertrade was free in terms of which commodities they want to buy and which country they want to ship their goods. An example of this type of agreement was the state trading agreements between Indonesian tea exporters and Pakistani importers through the Trading Corporation of Pakistan[8]. This involved a special trading agreement worth US$ 20 million between Pakistan and Indonesia for the import of tea in lieu of exportable goods.

Currently, the provisions on countertrade are regulated under the Government's Regulation No. 29 of 2017 regarding 'Payment of Goods and How to Deliver Goods in Export and Import Activities' and Regulation Number 28/M-Dag/Per/5/2017 of the Minister of Trade, concerning 'Changes With regard to Regulation of the Minister of Trade No. 44/M-Dag/6/2016 concerning Provisions for Purchase Returns for Procurement of Imported Government Goods'. These policies govern the use of countertrade for payment of goods in import activities, excluding defence-related imports.

Indonesia has also established a policy for offset requirements in procurements from foreign defence suppliers with the introduction of its defence law in 2012 and subsequent implementing regulations in 2014. For trade in defence equipment, the Government of Indonesia has a mechanism in place under the Government Regulation No. 76 of 2014 concerning the 'Trade Return in the Procurement of Foreign Defence and Security Equipment Tools' and the Minister of Defence Regulation No. 30 of 2015 concerning 'Trade Returns, Local Content, And Offset in the Procurement of Defence and Security Equipment Tools from Overseas', both of which regulate the reciprocal trade activity between Indonesia and foreign parties with regard to the procurement contract for defence and security equipment tools. These policies authorize Indonesian end users to procure defence articles from foreign suppliers, only if those articles cannot be produced within Indonesia. Further, such procurements are also subject to Indonesian local content and offset policy requirements. For instance, according to the 2014 legislation and subsequent implementing regulations, an initial 35 percent of any foreign defence procurement or contract must include local content, and this 35 percent local content threshold would increase by 10 percent every five years following the 2014 release of the implementing regulations until a local content requirement of 85 percent is achieved by 2039[9]. These policies also include other types of counter-trade agreements, transfer of technology agreements, or other mechanisms, all of which are negotiated on a per-transaction basis. Decisions regarding authorized local content, and other key aspects of the law pertaining to countertrade arrangements in defence articles are in the hands of the Defence Industry Policy Committee (Komite Kebijakan Industri Pertahanan (KKIP)), an entity comprising Indonesian interagency representatives and defence industry leadership. The KKIP's task is to develop the capabilities in the overall domestic defence industry, with regard to both defence equipment and non-defence equipment. It may be noted that the rules for offsets and local content apply to major new acquisitions only, and do not apply to routine or recurring procurements such as those required for maintenance and sustainment.

Like several other countries, Indonesia also uses multipliers for its offset discharge obligations. The aforementioned regulation 76/2014 pertaining to defence items refers to multiplier factors that can be applied to increase a given offset valuation depending on various factors such as technology, design and engineering capabilities, impact on the national economy, availabilities of facilities and infrastructure, marketing development, among others. A standardized multiplier value schedule is published by the KKIP chair, after conducting an industry-wide gap analysis study. The multiplier values are also determined by the KKIP chair on a case-by-case basis.

In July 2020, the Indonesian Ministry of Trade issued a statement indicating that the country is undertaking discussions with several partner countries for expanding the scope and applications of countertrade in defence purchases, and exploring the possibility for exchange of locally produced commodities with military suppliers. To that end, the country is looking at countertrade arrangements for its exports of local commodities such as palm

[8] Countertrade: Policies And Practices In OIC Member Countries, Islamic Development Bank, 2002

[9] 2020 Investment Climate Statement for Indonesia, the USA Deptartment of State; "Offsets in the Aerospace and Defence Industry", IFBEC

oil, rubber, machinery, coffee, cocoa, textile products, tea, footwear, fish products, plastics, resins, paper and spices, among others[10].

4.2.3 Lessons from the Indonesian Experience

Despite having enormous opportunities for countertrade, the implementation of countertrade in Indonesia has not yet reached its optimum levels, which indicate the limitations and risks in any countertrade arrangement. A case in point is the purchase of the 11 Sukhoi SU-35 aircraft from Russia valued at US$ 1.14 billion in exchange for products such as rubber, coffee, palm oil, tea and other strategic product. This countertrade deal included an offset arrangement of 35 percent and also provided export opportunities for Indonesia of nearly 50 percent of the value of the purchase, worth US$ 570 million. This deal also included the establishment of maintenance, repair and overhaul facilities in Indonesia, as part of the offset arrangements, which would have enabled the country to maintain its fleet of Sukhoi jet fighters, and also help the country emerge as a potential regional maintenance hub for Sukhoi fleets for neighbouring countries like Malaysia and Vietnam. However, there were several challenges in the implementation of this countertrade arrangement. The most crucial challenge was pertaining to a mutually agreeable set of commodities for countertrade. The Russian government had sought to buy raw rubber, but Indonesia favoured trade in finished rubber goods such as tires, with a view to improve the domestic industry[11]. Clearly, a mutually agreeable set of products for exchange is a challenge for countertrade arrangements.

4.3 China

The most common countertrade arrangement for China in recent times is a type of Debt-for-Good Model. Commonly referred as the Resource Financed Infrastructure (RFI) model, it is a relatively new form of financing infrastructure in countries with abundant natural resources—typically hydrocarbons or metal ore—but poor overall infrastructure. In this model, a resource-rich country's government usually grants a resource development and production license to a private developer, in return for infrastructure, pursuant to a financing mechanism linked to the resource activity. The emergence of the RFI model is partly attributable to the existing gap in risk tolerance and expected return between the extractive and the infrastructure sectors. On the one hand, traditional sources of long-term finance have been increasingly sceptical to finance infrastructure, particularly in developing countries; on the other hand, aid flows to developing countries have also been declining. In this scenario, to access sources of finance for investment, several countries have been using their natural resources as collateral, countervailing barriers to conventional bank lending and capital markets. The RFI is one such contractual arrangements emerging from this context, and increasingly being sought by China.

The World Bank defines an RFI arrangement as, "a loan for current infrastructure construction securitized against the net present value of a future revenue stream from resource extraction, adjusted for risk". Disbursement of this loan typically commences when a joint infrastructure-resource extraction contract is signed between the host country and the overseas construction company, and the amount – usually equal to the construction costs - is paid directly to the construction company. The revenues from the resource extraction are disbursed directly to the financing institution, after initial capital investments for the extractive project have been recovered, which usually takes about a decade or more[12].

China has been extensively adopting this model over the past two decades, for financing critical infrastructure, including industrial and trade-related infrastructure projects in developing countries, especially Africa, in exchange for rich mineral resources. Using this model, the Chinese government has been able to internationalise

[10] Indonesia looks to expand countertrade options, July 17, 2020, JANES
[11] Countertrade Mechanism of Global Arms Trade: Case Study of Indonesia, Zainal Arifin, Agus Suman & Moh. Khusaini, October 2019
[12] Resource Financed Infrastructure: A Discussion On A New Form Of Infrastructure Financing, World Bank, 2014

its state-owned enterprises, by encouraging national companies to expand overseas and capture market share in resource industries through foreign direct investments, and help build infrastructure in developing countries, especially in Africa, which in turn has supported extracting of minerals. This approach has led Chinese companies to penetrate complex natural resource markets as also gain competitive advantage over other competitors in the extractives industry.

4.3.1 Examples of Countertrade in China

The China Exim Bank began financing this type of contract in 2004, starting with Angola. RFI became a key channel for financing the post-war reconstruction efforts in Angola. In the case of Angola, China's large loans were channelized to the development of infrastructures and repaid through the exports of natural resources. Following this model, the Angolan Cabinet signed several infrastructure contracts with Chinese corporations, to be implemented in several phases using financial support from China Exim Bank **(Table 1)**.

Table 1: Angolan Infrastructure Contracts with Chinese Corporations

Infrastructure projects/contracts	Description
Rehabilitation of the City of Luanda	Rehabilitation of the City of Luanda and five municipalities, namely Kilamba Kiaxi, Rangel, Ingombota, Cazenga and Sambizanga
Rehabilitation of infrastructure in Cazenga-Cariango	Construction of the principal channels and the branches of the drainage system as well as the construction of infrastructures in the municipalities
Construction of a draining system and rehabilitation of infrastructures in Precol and Suroca	Construction of the principal system of rehabilitating the infrastructures in Suroca and Precol.
Construction of a central draining system and rehabilitation on Senado Street of Câmara, Rio Seco and Maianga	Construction of the principal system of ramification (i.e. branches) of infrastructures on Senado Street of Câmara, Rio Seco and Maianga
Distribution project for water supply	Renovation of 300 kilometers of water supply, 300 fountains, 2800 valves, 30,000 meters, 13 pumps and 5 control stations
Construction of 215,500 houses in 24 cities and 18 provinces	Construction of 215,500 housing units with total construction area of 31,436,709 m^2
Rehabilitation of the road Luanda-Sumbe-Lobito	Rehabilitation consisting of a total of 497 kilometers of roads, including reconstruction of roads, bridges and ditches
Rehabilitation of the road Malanje-Saurimo and Luena-Dundo	Rehabilitation of roads with a total length of 1,107 kilometers, including reconstruction of roads, bridges and ditches
Rehabilitation of the railway of Luanda	Rehabilitation of railways with a total length of 444 kilometers, including reconstruction of roads, bridges and ditches, and other installations

Infrastructure projects/contracts	Description
General rehabilitation of the railway of Benguela	Rehabilitation of railways with a total length of 1,547.2 kilometers, including reconstruction of roads, bridges, ditches and other installations
General rehabilitation of the railway of Moçamedes	Rehabilitation of railways with a total length of 1003.1 kilometers, including reconstruction of roads, bridges, ditches and other installations
New International Airport of Luanda	EPC, preparation, supply and construction contract for a new airport, including 'carport,' cargo areas and other constructions
Studies and Technical Projects	
1. Projects for the building of housing	Project for the construction of 215,000 housing units with a total construction area of 31,436,709 m^2
2. Rehabilitation of infrastructure	Project for the rehabilitation of five public infrastructures
3. General and urban planning of the new City of Luanda	General planning of one new city, including management and investment proposals and urban planning
4. General and urban planning of the administration center of Luanda	General planning of an administration center, including ministerial office buildings, a Supreme Court building, parliament, presidential house, etc.
5. Landscape project for Luanda	Landscape project for the administration center of Luanda

Source: On the Road to Post Conflict Reconstruction by Contract: The Angola Model, Dunia P. Zongwe,2010 (based on Angolan Govt. Cabinet Resolution "Resolução No. 61/06, de 12 de Julho de 2006, Diário da República de 4.9.2006. art. 1 (Angl.). Annex.")

The Angola model was a state-to-state contractual arrangement, wherein Angola repays China's infrastructure loans with future exports of primary commodities i.e., oil, which was the primary source for the repayment. For the purpose of repayment of the loan, a joint venture partnership was formed between Angola's parastatal oil company, Sonangol, with the Chinese state-owned oil corporation Sinopec. The JV came to be known as Sinopec Sonangol International Ltd. (SSI). The repayment mechanism was, in essence, a production sharing agreement (PSA), wherein the local partner (i.e. Sonangol) in the SSI joint venture awards to Sinopec licenses to drill oil. The Chinese partners exercise control of the operations and bear most of the commercial risks. The two parties to the PSA divide the product amongst themselves based on an agreed formula[13]. The projects covered under the arrangement included 31 contracts in the first phase, and 17 contracts in the second phase, spanning across sectors such as health, education, energy and water, agriculture, transport, social communication, public works, fisheries, and post **(Table 2)**.

[13] Note: Details of the exact formula is unavailable on public domain; however, research indicates that it is more likely that Chinese investors were the majority shareholders and consequently took the greater part of the oil products.

Source: On the Road to Post Conflict Reconstruction by Contract: The Angola Model, Dunia P. Zongwe, 2010

Table 2: Summary of Projects Financed by China Exim Bank in Angola

Sectors	Phase 1		Phase 2	
	Number of Contracts	Value of Contracts (US$ Mn)	Number of Contracts	Value of Contracts (US$ Mn)
Health	9	206.1	1	43.8
Education	8	217.2	3	229.6
Energy and water	8	243.8	3	144.9
Agriculture	3	149.8	1	54.0
Transport	1	13.8	-	-
Social communication	1	66.9	-	-
Public works	1	211.7	2	89.5
Fisheries	-	-	3	266.8
Post	-	-	4	276.3
Total	**31**	**1,109.3**	**17**	**1,104.9**

Source: On the Road to Post Conflict Reconstruction by Contract: The Angola Model, Dunia P. Zongwe, 2010

4.3.2 Modalities of the Countertrade Strategy in China

Loan Agreement: One of the important elements of the contract in the RFI model is the terms and conditions mentioned in the infrastructure loan agreement based on the intergovernmental framework agreement between the two countries. In the case of Angola, for example, China Exim Bank was the lender and the Sonangol-SSI joint venture was the debtor, as per the agreement. The total amount of the debt in terms of the RFI contract amounted to US$ 4.5 billion, in two separate loans of US$ 2 billion each[14], along with US$ 500 million worth of 'complementary actions finance', i.e., finance for projects that were not initially budgeted for in areas such as water and energy networks, water treatment plants, and new telecommunications lines. China Exim Bank's decision to grant a loan to the Sonangol-SSI joint venture took account of the venture's cash flow. Further, the contract had fixed a daily payment of 10,000 barrels. This indicates that at US$ 70 per barrel (the average crude spot price of January 2010), the total reimbursement would have required the export to China of around 642,857,140 barrels of crude oil.

Concessional Interest: In Angola, the loans were provided at concessional interest rates of London Inter-Bank Offered Rate (LIBOR) + 1.5 percent, with a grace period of up to 3 years, for the first loan of US$ 2 billion repayable over 17 years; and at the rate of LIBOR + 1.25 percent for the second loan of US$ 2 billion. The interest rates offered to Angola suggest that Chinese investors were either risk tolerant or estimated their investments in Angola to be low risk[15]. The low risk perception would possibly emerge from the direct role in the oil drilling operation, and a confirmed return on the investments in the form of oil supplies from Angola, which minimizes the commercial risk from the operation. This contract also made significant use of guarantees such as guarantees against political risks and sovereign guarantees.

[14] Note: There isn't adequate data in public domain to ascertain whether China and Angola entered into a second RFI contract for the second loan, or whether they used the same RFI contract by simply extending the initial US$ 2 billion with the same amount.

Source: Ibid.

[15] Ibid.

4.3.3 Lessons from the Chinese Experience

Overall, Angola's RFI experience with China has been a win-win scenario for both the parties in the sense that the loan agreements contained better terms for Angola in comparison to its traditional partners, which required Angola to pay higher interest rates. This is a unique and innovative countertrade contract that suits the circumstances of Angola.

The RFI mode of contracting has since been used in several other African countries by Chinese banks, such as China Exim Bank and China Development Bank. Nevertheless, according to a recent study by David Mihalyi, Aisha Adam and Jyhjong Hwang (2020), despite the unique benefits of the RFI model, it is often considered exploitative in nature. First criticism is that of a severe lack of transparency surrounding RFI Agreements[16]. The study suggests that information on loan collateral arrangements, mode and schedule of repayment under RFI arrangements by China, including key information like the contract document and key contractual terms are seldom transparent. It was also found that key information about the loan are only revealed once repayment problems emerge[17]. Further, a lack of competition in RFI arrangements, and the way these arrangements are tied to upstream rights of the resource mean that these may significantly expose the borrower country to the risk of completely losing control of their strategic resources. This is because, since the value of RFIs are often very large in proportion to the recipient country's economy, there are possibilities of serious debt problems, particularly since commodity prices are volatile in nature, which could further lead to financial distress in the recipient country. Also, since RFIs are repaid in-kind (through resource), and have collateral attached, restructuring of such debt can be complicated during difficult times, which would in turn heighten the debt distress[18].

4.4 India

As mentioned in Chapter 2, India has entered into several types of countertrade arrangements over the past, including barter trade agreement with Iraq, counterpurchase agreement with Malaysia, buyback arrangement with the erstwhile Soviet Union, debt-for-goods arrangement with Vietnam, and clearing arrangement with Iran, among others.

The countertrade model has been followed for a long time in India, which enabled several PSUs to expand their footprint in overseas markets. To foster cooperation for countertrade opportunities, in 2007, BHEL and MMTC signed an MoU to provide impetus to the export of equipment manufactured by BHEL, including power plant equipment in overseas markets using opportunities from countertrade/ bulk buying by MMTC[19].

4.4.1 Examples of Countertrade in India

An example of India's past countertrade arrangement in the infrastructure segment dates to May 2001, which involved a memorandum of understanding signed between the Government of Malaysia (Ministry of Transport) and IRCON International Ltd. As per the MoU, IRCON would execute the project of double tracking of a Railway Line of about 350 Kms length between Ipoh and Padang Besar in Malaysia. The estimated cost of this project was over US$ 1.5 billion. In execution of the contract, the Government of Malaysia and IRCON agreed on a countertrade arrangement involving import of palm oil by the MMTC on mutually agreed terms and conditions[20], while IRCON got its payments through the import proceeds. The arrangement was forged at a time when India was significantly reliant on import of edible oil, which amounted to nearly US$ 1.3 billion in FY2001, and accounted for a share of 2.6 percent of India's merchandise imports. This quid-pro-quo arrangement guaranteed imports

[16] Resource-Backed Loans: Pitfalls and Potential, February 2020
[17] Ibid.
[18] Ibid.
[19] BHEL Performance Highlights 2007-08
[20] MOU between Malaysia and Ircon International (Parliament Q&A), Ministry of External Affairs, December 13, 2001

of Malaysian palm oil to meet the domestic needs, while also supporting the internationalisation efforts of the Indian PSU IRCON. A similar deal with IRCON has been made in the recent times as well. During 2019-20, STC signed an MoU with IRCON for a barter trade of Palm Oil from Malaysia, against supply of equipment by IRCON.

India's trade with Iran is another successful example of a countertrade arrangement. India's trade with Iran, which was earlier routed through European banking channels, faced a severe hit after the sanctions imposed by the USA on Iran. In 2011-12, a rupee-rial mechanism was put in place whereby up to 45 percent of India's purchases of Iranian crude oil were paid in rupees, or in exchange for items like rice, wheat and medicines that were not sanctioned by the UN, while the remaining 55 percent in foreign currency was held up with the refiners for lack of an approved payment channel. According to the mechanism agreed by the two countries, Iranian banks would open Vostro accounts with a bank in India, and payments by Indian importers, including oil companies and exporters, will be deposited into these accounts in Indian rupees. This was routed through UCO Bank initially. Iran could not actually take the Indian Rupee which was parked in Special Non-Resident Rupee Vostro Account — but could use it to buy Indian goods. In 2018, an Iranian private bank Pasargad, opened a branch in Mumbai to facilitate Rupee-Rial trade, and later in 2019, even IDBI Bank was allowed to facilitate the trade.

In 2013, a countertrade arrangement was established between India and Romania. Under this arrangement, exports from India to Romania may precede Romanian imports into India. The Reserve Bank of India (RBI) had also relaxed the conditions for trade transactions to facilitate countertrade between the two countries. Immediately after the establishment of this arrangement in 2013, exports to Romania surged by 38.2 percent in the following year.

Over the recent years, offsets have emerged as an increasingly important method for countertrade in India. As on March 2020, the Ministry of Defence, GOI has signed 54 Offset contracts valued at US$ 11.80 billion to be discharged through Indian Offset Partners over a period from 2008-2024[21].

4.4.2 Modalities of the Countertrade Policy in India

Indian exporters are permitted to enter into countertrade arrangements, subject to regulations by the RBI. The Indian exporters are required to open an escrow account with the authorised dealer bank (AD Bank) and are subject to certain conditions prescribed under the Master Direction - Export of Goods and Services, FED Master Direction No. 16/2015-16 (RBI/FED/2015-16/11), dated 1 January 2016 (updated as on 8 January 2021).

Export or import under countertrade may be carried out through an escrow account, buy-back arrangements, barter trade, or any similar arrangement. The balancing of exports and imports can wholly or partly be in cash, goods, and/or services. Escrow accounts are funded by proceeds of imports made by Indian parties and the funds in these accounts are utilised for payment to them for their exports under countertrade arrangements. Under the escrow account mechanism, the overseas importer or exporter is common while their Indian counterparts may be different.

While countertrade is permitted, India does not have an explicit official document to categorically enunciate its countertrade policy. There are also institutions such as the STC and MMTC for facilitating countertrade transactions forged by government or government owned entities. Apart from these two, the Project and Equipment Corporation of India Ltd. (PEC) has also been involved in countertrade transactions. Since inception, some of the important functions served by these nodal agencies for countertrade include, among others[22].

[21] Report of the Standing Committee On Defence (17^{th} Lok Sabha) Demand No. 20, March 2020
[22] "Counter Trade In India: Some Current Issues" Sage Publication, Raghav Chandra, 1995

i) Identification of sources for Countertrade purchases as per the buyer's choice;

ii) Liaising between various agencies involved, namely the foreign supplier and the Indian exporters;

iii) Providing guidance for quality, competitiveness and standards;

iv) Verifying bank documents to ensure that the amount is received; and

v) Ensuring that there is net additionality of exports for the country through countertrade exports.

In the pre-liberalization period, both STC and MMTC played a significant role as canalising agencies for exports and imports. STC was the canalising agency for import of oilseeds and edible oils, while MMTC was the canalising agency for import of fertilizers, bullion, metals, and export of mica waste and certain types of iron ore. Additionally, these public sector undertakings were also engaged in obtaining countertrade commitments on the strength of their bulk commercial purchasing power, by incorporating a clause in the tender documents specifying the conditions of offset or countertrade transaction. However, post the liberalisation of foreign trade since mid-1991, all export and import items that were earlier canalised through these trading houses were decanalised, which affected their turnover and profitability, and forced them to reorient their entire business profile. Presently, there is no item of export or import which is being canalized exclusively through STC, while MMTC continues as the canalized agency for export of iron ore, manganese ore and chrome ore.

The current business profile of STC broadly covers three areas viz. (i) import of items like edible oils, pulses and fertilizers on behalf of the Govt. of India, (ii) business carried out on behalf of business associates on back-to-back basis and (iii) direct buying and selling in items like tea, oilseeds, pulses, etc. Apart from this, STC is also engaged in facilitating India's trade with Iran. STC had exported steel plates to Iranian Gas Engineering & Development Co. (IGEDC, Iran) during 2014-15 to 2016-17 amounting to Rs. 2873.24 crore under a contract which expired in January 2017. During the year 2019-20, STC exported agro pesticides worth Rs. 11 crore to Iran.

Offsets Policy in India

Like several other countries, India has offset guidelines to enable it to leverage its huge arms imports for developing a robust defence equipment production industry in the country. Formal offset guidelines have been part of the Defence Procurement Procedure (DPP) since 2005. The offset policy guidelines, since inception, have undergone several revisions to keep pace with the emerging needs of the Indian industry, with the recent one being the introduction of the Defence Acquisition Procedure (DAP) in September 2020, which has replaced the DPP. India's offset policy aims to leverage the capital acquisitions and technology to develop Indian defence industry through the development of internationally competitive enterprises and enhancement of domestic capacity for Research, Design and Development related to defence products.

Since 2005, offset policy has helped to partially compensate for the massive outflow of India's resources and facilitated transfer of complex technology and added capabilities and capacities to domestic industry through reverse purchase of domestic products and services, and investment in local industry/ R&D.

A notable change in the new DAP is the removal of offset obligations for government-to-government contracts and single-vendor contracts for purchase of military equipment. The DAP 2020 document categorically mentions that offsets will not be applicable in any ab-initio Single Vendor Cases, including procurements based on inter-governmental agreements (IGA)/Foreign Military Sales (FMS)[23], indicating that the scope of the offset policy will now be limited only to those military contracts that involve competitive bidding.

[23] Defence Acquisition Procedure, 2020

4.4.3 Lessons from the Indian Experience

According to a recent report by the Comptroller and Auditor General (CAG), several offset contracts built into multiple defence deals had not contributed to transfer of high-end military technology into the country to the extent it was expected from them. The report noted that foreign vendors who made several offset commitments to qualify for a contract, could not fulfil their commitments. For instance, top companies like Dassault Aviation and weapons-supplier MBDA were yet to confirm the transfer of technology to the Defence Research and Development Organisation (DRDO), even though it was part of the offset contract. Similarly, the DRDO sought Technical Assistance for the indigenous development of engine (Kaveri) for the Light Combat Aircraft from Dassault Aviation, for which transfer of technology has not yet taken place. India presently lacks a technically competent system to plug the technology and industrial gaps in the defence industry. There is a need to systematically formulate offsets policies and proactively engage in identifying opportunities for utilizing offsets linked with defence acquisitions to organically enhance exports. The offset policy needs to be tweaked for ensuring compliance and providing adequate bargaining power to the Indian government. For example, India needs to reconsider the system of declaring a single L1 winner in competitive bidding, which leaves the government with little or no bargaining power. Instead, the government could identify at least two potential winners and negotiate simultaneously, covering all aspects including offsets and select the best possible deal.

Another important lesson emerges from the challenges faced by domestic industries due to countertrade deals. For instance, in the case of palm oil imports from Malaysia through barter trade arrangement, the Solvent Extractors Association of India have raised concerns that substitution of Indian edible oil with cheaper imported palm oil, particularly from countries like Malaysia or any effort to encourage subsidised imports through public sector undertakings could turn out to be counterproductive for the domestic producers in the industry[24], particularly for those who are engaged in oilseed production. Thus, it is essential to be mindful of the domestic industries' competitiveness which could be hampered through a countertrade deal. A similar issue has also been noted with regard to India's defence offset policies. Given the criticality of business viability and technological complexity in the sector, private sector players, particularly MSMEs could potentially benefit from offsets. An exemption to single vendors from the purview of offset, in addition to the existing exemptions to IGA/FMS, would severely impact the development of private capacities in the defence sector, especially in the MSME sector.

India's countertrade arrangement with Iran can serve as a learning template for future arrangements. The information gap between the Indian and Iranian businesses was one of the impediments for bilateral trade under the arrangement. To address the information gap, an online portal viz. Hind-Iran portal for facilitating trade between India and Iran was launched as a joint initiative of STC and Douman Queshm, Iran, to enable information dissemination relevant to Indo-Iran Trade, and to provide an e-marketplace for the buyers and sellers of the two countries. The portal aimed to bridge the communication divide which the business communities faced. More of such initiatives need to be developed to promote and facilitate countertrade arrangements with other countries as well.

The sustenance of countertrade arrangement also requires concomitant demand for products from both partners. The Indian experience also highlights the possible challenges that may arise due to dip in imports from either side. For example, since May 2019, the rupee-rial payment mechanism for exporters is facing severe setback owing to the reduced oil imports from Iran, which has led to loss of funds in the deposit accounts of the rupee-rial mechanism put in place for trade with Iran. The banks would be unable to extend support under the special mechanism until the funds are available. Therefore, countertrade mechanisms need to be sustained and altered in a way that ensures the continuity of countertrade transactions between partner countries.

[24] Article in the Hindu Business Line - 'Solvent extractors ask govt to stop pampering urban consumers, encourage oilseed farmers' dated November 4, 2020 (https://www.thehindubusinessline.com/markets/commodities/solvent-extractors-ask-govt-to-stop-pampering-urban-consumers-encourage-oil-seed-farmers/article33019297.ece)

5 Countertrade Arrangement Strategy in the Indian Context

The advantages of countertrade arrangements clearly underscore the need for a comprehensive countertrade strategy in the Indian context. The vision of the countertrade strategy could be two fold—(i) for extending development finance assistance to the needy developing countries, thereby ensuring sustained capacity to support developmental projects in other developing countries, especially during global downturns; and (ii) to tap lesser explored geographies having potential to trade with India but facing challenges in foreign exchange availability.

5.1 Objectives of Countertrade Arrangements

i. **Extending Sustainable Development Finance Assistance under India's Developmental Assistance Program:** The GOI provides development finance assistance to sovereign governments of developing countries through its various programmes, such as the LOC and CFS. The GOI also supports development projects in developing countries through programmes such as BC-NEIA. The LOC, BC-NEIA and CFS programmes, operated through India Exim Bank, provide concessional financing to developing countries, thereby fostering India's commitment to South-South cooperation and providing developing countries with resources to fulfil their developmental objectives. Many of the borrower countries benefitting from the developmental assistance, face huge trade deficits and shortage of foreign exchange reserves, and are classified as 'high risk' or 'in debt distress' by the IMF **(Annexure 1)**. Several countries are already under debt distress, and the coronavirus pandemic can potentially lead to a morass of debt distress in the short to medium term. Countertrade may offer a solution for recovery of some of the dues. Countertrade could also facilitate continuation of original repayment schedule, without the need for restructuring. From the perspective of future lending as well, countertrade can be used to secure repayments, and ensure sustainability of the development finance partnerships of India with developing countries.

ii. **Tapping Lesser Explored Geographies Having Potential to Trade but Facing Challenges in Foreign Exchange Availability:** Countertrade arrangement can alleviate currency and/or payment risks for exporters, thereby allowing them to trade with lesser explored geographies. This could especially be used in case of trade with countries that lack foreign exchange availability or have restrictions on outward remittance of foreign currency, but are otherwise acceptable in terms of macroeconomic conditions and debt levels. Such countries present considerable opportunities for Indian exporters. However, banks and financial institutions are reluctant to provide export credit and to deal with export documents or issue e-BRC pertaining to such countries. As banks are wary of facilitating such transactions, the possibility of countertrade arrangements can help establish stronger trade linkages with such countries.

5.2 Debt-for-Goods: Trade Model

5.2.1 Key Products and Markets

An initial step for the countertrade strategy would be focusing on countries with restrictions on outward remittances of foreign currency, and countries which require development financing but are under debt distress or facing high risk of debt distress. A list of countries have been identified to start with, and the potential items of import from those countries under a countertrade arrangement have been identified based on the following parameters (**Table 3** and **Annexure 2**):

i. Products of the countertrade partner should be in the category of mineral fuels or non-fuel primary commodities such as agricultural products and mineral resources. A long-term countertrade strategy can meet the resource needs of Indian industry, and also engender value chain linkages. [*Ensuring that the import is complementary, and not competing with manufacturing in India*]

ii. India should have existing global imports of at least US$ 10 million in the identified product categories. [*Evincing adequate domestic demand*]

iii. Product should feature among the top 10 exported products of the partner country. [*Indicating wherewithal for participation in a debt- for-goods arrangement]*

iv. Identification of products based on resource profiling of the countries. [*Includes products which are currently not traded, but access to the resources can be sought as part of the countertrade arrangement*]

Table 3: List of Select Countries for Countertrade along with Potential Products (All values in US$ Mn)

Country	Select Potential Products	Total Exports to India in 2019	Total Exports to World in 2019
Nigeria	Crude Oil, Natural Gas, Oilseed, Cashew Nut, Aluminium, Lead, Technically specified Natural Rubber, Urea, Cocoa beans, Hides and Skins	8264.4	53624.7
Libya	Crude Oil, Gold, Propane, Urea	81.8	27733.4
Iran	Crude Oil, Pistachios, Copper, Urea, Zinc, Dates, Grapes, Saffron	4089.6	26987.8
Venezuela	Crude Oil, Gold, Cocoa, Aluminium, Lead	5581.6	16296.5
Zambia	Copper, Rubies, Sapphires and Emeralds, Raw Cane Sugar, Cotton, Lead, Diamond, Wood and Wood Products	55.9	6962.5
Republic of Congo	Crude Oil, Copper, Wood and Wood Products	735.9	5575.9
Tanzania	Gold, Oilseeds, Copper, Pulses, Diamond, Cashew Nut, Cloves, Urea, Coffee	836.8	4924.0

Country	Select Potential Products	Total Exports to India in 2019	Total Exports to World in 2019
Mozambique	Coal, Aluminium, Titanium, Rubies, Sapphires and Emeralds, Natural Gas, Aluminium, Pulses, Oilseeds and Oil, Urea, Potassium Chloride, Wood and Wood Products	803.9	4722.3
Guinea-Bissau	Cashew, Wood and Wood Products, Cotton, Sesamum seeds	93.1	220.2
Belarus	Potassium Chloride, Crude Oil, Flax, Wood and Wood Products, Erucic Acid	389.1	32955.1
Sri Lanka	Tea, Rubies, Sapphires and Emeralds, Diamonds, animal feed, Cloves, Lead, Copper, Areca Nuts, Cinnamon	1010.9	11102.4
Sudan	Crude Oil, Sesamum seeds, Natural gum Arabic, Cotton, Melon seeds, Gold, Pulses, Lead, Oil and Oilseed	475.6	4117.3
Lebanon	Gold, Lead, Diamonds, Fruits (Apples and Pears), Nuts, Rubies, sapphires and emeralds, Unwrought Lead	11.8	3731.4
DR Congo	Copper, Cobalt, Crude Oil, Gold, Diamonds, Wood and Wood Products, Technically specified Natural Rubber	24.1	8367.9
Yemen	Crude Oil, Fish, Coffee, Lead, Hides and Skins, Onions and Shallots	23.1	1390.5
Chad	Crude Oil, Sesamum Seeds, Natural Gum Arabic, Cotton	193.3	1255.2
Gambia	Crude oil, Wood and Wood products, Cashew, Fish and Fish products, Sesamum seeds	1.4	24.6
Nicaragua	Gold, Coffee, Raw Cane Sugar, Palm Oil, Pulses, Frozen shrimps	3.1	5272.6
Comoros	Cloves, Scrap of iron & steel	9.6	49.6
Syria	Calcium phosphates and aluminium calcium phosphates, Spices, Barley, Pistachios, Almonds, Pulses, Aluminium, Wool, Hides and Skin, Cotton, Almonds, Apples, Lead	15.2	708.0
Somalia	Sesamum seeds, Lac, natural gums, resins, frozen fish, hides and skin	23.0	417.8
Fiji	Gold, Raw Cane Sugar, Turmeric, Wood and Wood Products	4.1	1033.4
Djibouti	Pulses, Oil seeds, Coffee	22.0	155.8
Central African Republic	Wood and Wood Products, Gold, Diamonds, Cotton	0.9	68.8
Zimbabwe	Diamonds, Platinum, Raw Cane Sugar, Chromium, Cotton, Oranges, Nickel	0.1	4269.0

Country	Select Potential Products	Total Exports to India in 2019	Total Exports to World in 2019
Cuba	Raw Cane Sugar, Crude Oil, Lead	1.9	1581.3
North Korea	Glass, Zinc, Oil seeds	1.4	261.3
Eritrea	Copper, Pepper	0.0	329.5
Burundi	Coffee, Tea, Lead, Hides and Skin, Gold	0.3	180.8
Seychelles	Crude Oil, Fish and Fish products	1.6	844.9

Source: Data for trade from ITC TradeMap, India Exim Bank Research

5.2.2 Debt Servicing Capacity for Select Countries

The aforementioned potential products could help the borrowing country to export and thereby repay their borrowings under the GOI's development assistance programmes. **Table 4** exhibits the indicative debt servicing capacity through countertrade for select countries, and the potential products that could be considered by the borrower countries under a countertrade arrangement, so that the debt burden is minimised.

Table 4: Scope for Loan Repayment through Countertrade for Select Countries (All Values in US$ Mn)

Country	Potential Products	Exports to India in 2019	Approx. Loan Servicing Capacity through Countertrade (Over a 10-year period)
Sudan	Petroleum oils and oils obtained from bituminous minerals, crude	252.9	2529.0
	Sesamum seeds, whether or not broken	130.9	1309.0
	Melon seeds	44.7	447.0
	Natural gum Arabic	9.5	95.0
	Cotton, neither carded nor combed	2.3	23.0
	Total of the Potential products	**440.3**	**4403.0**
Republic of Congo	Petroleum oils and oils obtained from bituminous minerals, crude	672.3	6723.0
	Tropical wood in the rough	0.6	6.0
	Total of the Potential products	**672.9**	**6729.0**
Zambia	Rubies, sapphires and emeralds	36.9	369.0
	Unwrought lead	0.2	2.0
	Copper, unrefined	0.1	1.1
	Copper, refined, unwrought	0.05	0.5
	Diamonds, worked	0.02	0.2
	Total of the Potential products	**37.3**	**372.8**

Country	Potential Products	Exports to India in 2019	Approx. Loan Servicing Capacity through Countertrade (Over a 10-year period)
Djibouti	Dried, shelled kidney beans	8.8	88.0
	Dried, shelled chickpeas “garbanzos”	5.1	51.0
	Soya beans, whether or not broken	4.1	41.0
	Coffee (excluding roasted and decaffeinated)	0.4	4.0
	Oil seeds and oleaginous fruits	0.4	4.0
	Total of the Potential products	**18.8**	**188.0**
Comoros	Cloves, whole fruit	86.1	861.0
	Waste and scrap of iron or steel	0.01	0.1
	Total of the Potential products	**86.1**	**861.1**
Guinea Bissau	Fresh or dried cashew nuts, in shell	92.2	922.0
	Waste and scrap of iron or steel	0.7	7.0
	Total of the Potential products	**92.9**	**929.0**
Suriname	Gold, incl. gold plated with platinum, in semi-manufactured forms, for non-monetary purposes	563.3	5633.0
Burkina Faso	Wood in the rough	9.3	93.0
	Fresh or dried cashew nuts, in shell	7.2	72.0
	Sesamum seeds, whether or not broken	1.3	13.0
	Silver, incl. silver plated with gold or platinum, semi-manufactured	1.0	10.0
	Soya beans, whether or not broken	0.6	6.0
	Oil seeds and oleaginous fruits, whether or not broken (excluding edible nuts, olives, soya	0.5	5.0
	Total of the Potential products	**19.9**	**199.0**
Myanmar	Dried, shelled beans of species “Vigna mungo”	200.6	2006.0
	Husked Brown rice	0.1	1.0
	Sesamum seeds, whether or not broken	0.1	1.0
	Broken rice	0.1	1.0
	Total of the Potential products	**200.9**	**2009.0**

Country	Potential Products	Exports to India in 2019	Approx. Loan Servicing Capacity through Countertrade (Over a 10-year period)
Mali	Cotton, carded or combed	44.3	443.0
	Live sheep	0.6	6.0
	Fresh or dried cashew nuts, in shell	0.5	5.0
	Live bovine animals (excluding cattle and buffalo)	1.3	13.0
	Sesamum seeds, whether or not broken	0.1	1.0
	Total of the Potential products	**46.8**	**468.0**
Ethiopia	Soya beans, whether or not broken	43.7	437.0
	Dried, shelled chickpeas	15.8	158.0
	Dried, shelled kidney beans	10.5	105.0
	Sesamum seeds, whether or not broken	1.0	10.0
	Total of the Potential products	**71.0**	**710.0**
Cote d'Ivoire	Fresh or dried cashew nuts, in shell	173.1	1731.0
	Cotton, neither carded nor combed	78.1	781.0
	Petroleum oils and oils obtained from bituminous minerals, crude	73.7	737.0
	Gold, incl. gold plated with platinum, unwrought	47.8	478.0
	Coffee (excluding roasted and decaffeinated)	11.9	119.0
	Cocoa beans, whole or broken, raw or roasted	11.0	110.0
	Total of the Potential products	**395.6**	**3956.0**

Source: Data for trade from ITC TradeMap, India Exim Bank Research

5.2.3 Process Flow

Countertrade is a specialized activity which would require expertise in commercial research, cross-border commodity trade, procurement law/policies, contract negotiations, international documentation, finance, insurance etc. India Exim Bank, either through a separate division or a subsidiary, can bring together a multi-disciplinary team for undertaking countertrade related business in the nature of debt-for-goods. Public sector units, especially trading houses such as the MMTC and the STC could also explore opportunities for countertrade through other aforementioned models, especially in countries where it makes economic sense to engage in such arrangements.

Countertrade could serve as an additional security for medium to long term financing facilities extended under the Government of India's development partnership programmes. It can serve as a fall back option for repayments and recovery. With respect to the debt-for-goods model, the blueprint for the arrangement should foster the values ensconced in India's development partnership. The Lines of Credit is a demand responsive program, and the countertrade arrangement should embody its ethos of non-intrusion, mutual benefit and collective development. For both existing and new LOCs, Ministry of External Affairs, GOI could discuss the prospect for countertrade arrangement with the borrowing government, and seek the prospective list of products which could be traded under the arrangement. The sellers of these products would also be identified by the borrowing government.

In case of other countries with restrictions in outward remittances of foreign currency as well, the identification of products for countertrade should be through mutual consultation.

After the identification of products by the government of partner country, India Exim Bank could assess the demand for the products, and consult buyers of the product in India and abroad for engagement in the countertrade. The buyers could be:

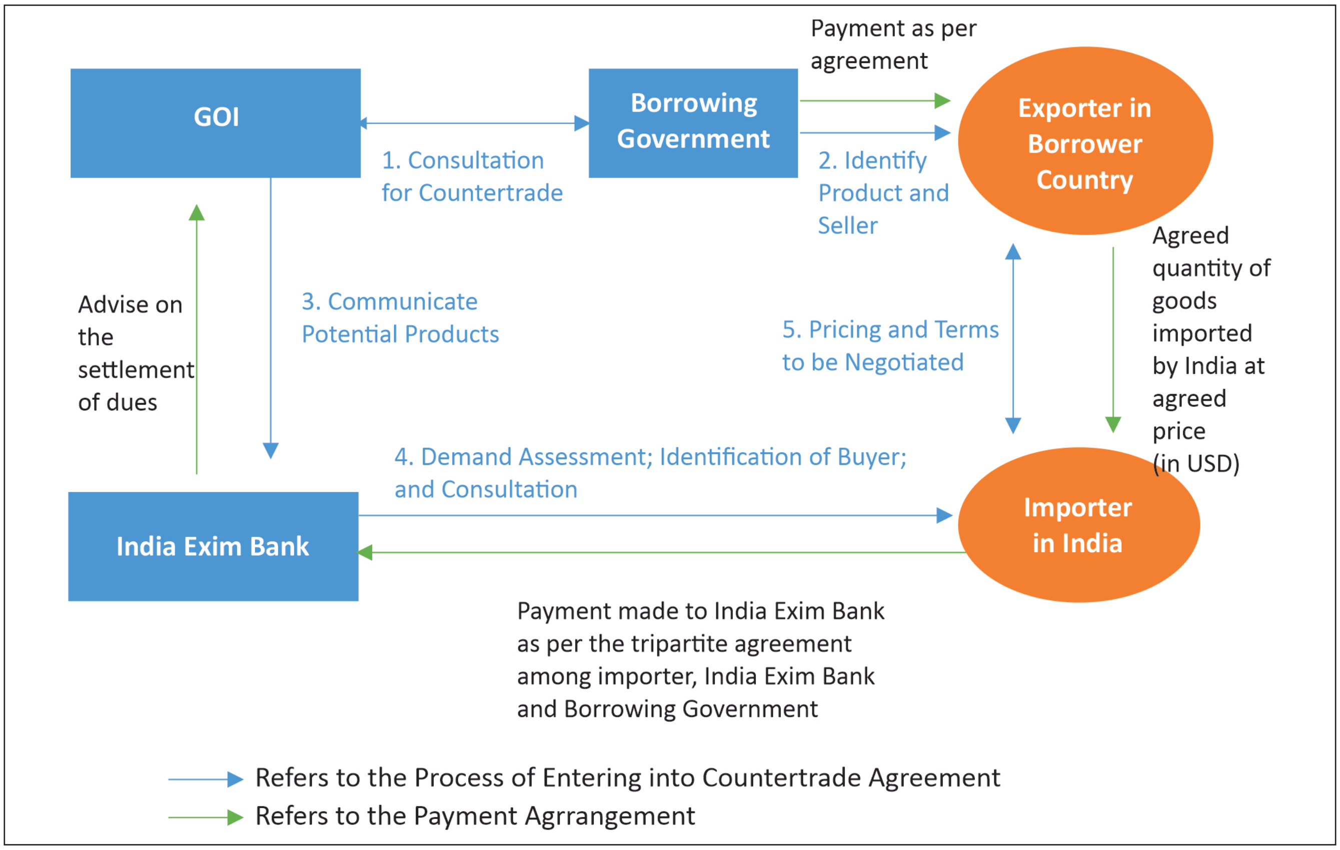
- Domestic trading houses like the MMTC, and the STC
- International trading houses like Olam, Cargill, COFCO and Wilmar
- Public sector units
- Large private sector entities with sizeable demand for the product
- Agencies which could engage in commodity auction in the domestic market

Some of the Indian companies importing select potential products have been identified at **Annexure 3**. For countertrade arrangement with international trading houses as buyers, a switch trading model can be adopted.

To encourage participation in the transaction, GOI could provide duty waivers for imports by the buyers in India, on case by case basis. Involvement of PSUs could also be encouraged by the GOI.

The pricing could be mutually agreed by the buyer and seller of the product, and should be reflective of the international prices at the time of purchase. The pricing could be indexed to the price on recognized commodity exchanges, and could be monitored for any marked deviations. The quantum of imports should also be in consonance with the debt obligations of the borrowing government. Whenever the borrowing countries are facing severe financial crunch (for example in situations during recession or pandemic) bulk imports could be adopted as one-time solution, and in other cases periodic trade could be used as the solution for debt repayments. In case the nature of the goods and demand from the buyer require large quantum of imports, bulk imports can be made by the Indian buyer and the Bank can consider remitting the excess recovery to the borrower. Performance risk in the transaction can be addressed through third party certifications. Approval from the RBI under FEMA may be required for such arrangement.

Figure 16: Proposed Process Flow under the LOC



There may be a possibility that the goods identified for countertrade by the borrowing government may not have sufficient demand in India. In such a scenario, a hybrid of the switch trade model and debt-for-goods model can be adopted for countertrade. An international trading house such as Olam, Cargill, COFCO and Wilmar, can be engaged to serve as a switch trader, and the borrowing government could sell the negotiated value of goods to the switch trader. The payment for the goods can be credited to India Exim Bank by the switch trader, which would be utilized to service the debt of the borrowing country.

5.3 Debt-for-Goods: Investment Model

5.3.1 Key Products and Markets

The space industry, electronics, information technology and communications, energy sector, electric batteries, nuclear industry, among others, are significantly dependent on various critical minerals and rare earths. India is endowed with a wide array of mineral resources, but some strategic minerals are in limited supply, leading to significant import dependence. Securing these mineral resources are important for India to meet some of its developmental objectives. For example, India has set a target of achieving an all-electric vehicle fleet by 2030, but it has marginal reserves of minerals such as lithium and cobalt which are critical for development of the industry.

The countertrade strategy can meld with India's quest for ensuring access to strategic minerals. **Annexure 4** provides an illustrative list of minerals produced in the countries taken into consideration.

5.3.2 Process Flow

Developing countries often lack the capital, technology and management skills to leverage their mineral resources, and offer the assets in their extractive industries to foreign companies. In this regard, the borrower countries that are facing high risk of debt distress could consider repayments through a resource for infrastructure model, explained in the earlier chapter. In assets which are offered for exploration and mining by borrowing governments or government owned agencies, prospective Indian companies can be approached by the GOI or India Exim Bank for considering the proposal. Based on the analysis of the feasibility report, any Indian company can consider acquisition of the assets, and enter into a negotiation with the borrowing government. Upon negotiations, a tripartite agreement can be finalised for a debt-for-goods arrangement through the investment route. The license fee cost of acquisition/loyalty/revenue share payable by the Indian entity to the host government could support repayments.

In the extractive industries, host countries often have concerns associated with unequal bargaining strengths, rent-sharing, transfer pricing practices, and environmental and social costs. Therefore, the process of repayments through the investment route, as in the case of trade route, should be based on a mutually consultative process. Further, for the arrangement to be viewed more favourably, the terms of the acquisition should ensure long-term and sustainable development gains for the local community from the extractive activities. For example, in the agreement between China and the DR Congo for development of infrastructure in return for copper and cobalt concessions, some terms and conditions are included which ensured positive spillover effect on the domestic economy. The agreement stipulated that only one in five workers can be Chinese. Further, in each of the projects, 0.5 percent of the investment had to be spent on transfer of technology and on training Congolese staff, 1 percent had to be spent on social activities in the region, and 3 percent to cover environmental costs. Apart from this, 10 to 12 percent of the work was to be subcontracted to Congolese companies.

5.4 Regulations for Countertrade

As per RBI Master Circular on Exports of Goods and Services, notified vide Notification No. FEMA 23/2000-RB dated May 3, 2000, amended from time to time, Countertrade proposals involving adjustment of value of goods imported into India against value of goods exported from India in terms of an arrangement voluntarily entered into between the Indian party and the overseas party through an Escrow Account opened in India in USD will be considered by the RBI subject to following conditions:

(i) All imports and exports under the arrangement should be at international prices in conformity with the Foreign Trade Policy and Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under.

(ii) No interest will be payable on balances standing to the credit of the Escrow Account but the funds temporarily rendered surplus may be held in a short-term deposit up to a total period of three months in a year (i.e., in a block of 12 months) and the banks may pay interest at the applicable rate.

(iii) No fund based/or non-fund based facilities would be permitted against the balances in the Escrow Account.

(iv) Application for permission for opening an Escrow Account may be made by the overseas exporter / organisation through his / their AD Category – I bank to the Regional Office concerned of the Reserve Bank.

Presently, the regulatory framework does not provide an outline to undertake Debt-for-Goods transactions and the lack of regulatory clarity is a hurdle for engaging in countertrade activities. For every such transactions, specific approvals from RBI will be required. Moreover, for the investment model as well, approvals will be required from the RBI and facilitation by banks/ financial institution in India.

6 Way Ahead

Countertrade could be an additional/alternative mechanism for providing payment and settlement solutions when there exist challenges to open trade due to reasons delineated in the chapters. At the same time, there is a need for factoring in specific challenges faced by the borrowing countries and the feasible options for facilitating the same with the partner countries, to sustain the developmental partnership as well as commercial engagements, which could be a win-win for both. It would, therefore, require across-the-board engagement with several stakeholders.

For conceptualisation and operationalisation of a countertrade strategy, a Task Force may be set up with representation from Ministry of Finance, Ministry of External Affairs, Ministry of Commerce and Industry, Directorate General of Foreign Trade, Reserve Bank of India, Commercial banks such as SBI and UCO Bank, Development Financial Institutions such as India Exim Bank, and Public Sector Trading Companies. Based on the recommendations of the Task Force, a roadmap could be worked out to explore the possibilities for countertrade with a few identified countries, to begin with.

Based on the repayment history under the GOI supported LOC/BC-NEIA Programmes piloted by India Exim Bank, the Standing Committee could examine the existing and new LOCs to explore opportunities under counter trade. Based on which, the Task Force could then identify and suggest country-specific models. Debt-for-goods is one such model that may be explored, and used as an additional security for medium to long term financing facilities. The Ministry of External Affairs, Government of India, could then discuss with the respective borrowing Governments on the repayments, based on the recommendations of the Task Force. India Exim Bank can act as an Empowered Institution for operationalising countertrade subject to the approval of GOI and RBI.

In case of other countries with restrictions in outward remittances of foreign currency as well, the identification of products for countertrade could be through mutual consultation.

There may also be a possibility that the goods identified for countertrade by the borrowing government may not have sufficient demand in India. In such a scenario, a hybrid of the switch trade model and debt-for-goods model can be adopted for countertrade. An international trading house can be engaged to serve as a switch trader, and the borrowing government could sell the negotiated value of goods to the switch trader. The payment for the goods could be credited to India Exim Bank by the switch trader, which would be utilized to service the debt of the borrowing country.

To further strengthen the opportunities under such countertrade arrangements, India may have to set a countertrade policy in place. The regulations pertaining to repatriation of money and exports of goods may also need to be reviewed and streamlined for undertaking countertrade activities. A formal institutional framework may also be worked out, along with formal counter trade laws in lines with the United Nations Commission on International Trade Law (UNCITRAL) guidelines.

Annexure 1

Countries Classified as 'High Risk' or 'In Debt Distress' by the IMF as On January 31, 2021

Country	Status as on Date (MM/DD/YY)	Distress [1/]
Afghanistan	11/13/2020	High
Burundi	04/01/2015	High
Cameroon [2/]	11/09/2020	High
Cabo Verde [2/]	11/10/2020	High
Central African Republic	04/28/2020	High
Chad	08/05/2020	High
Republic of Congo [2/]	01/27/2020	In debt distress
Djibouti	05/12/2020	High
Dominica [2/]	09/05/2018	High
Eritrea	…	…
Ethiopia	05/06/2020	High
The Gambia	04/23/2020	High
Ghana	04/16/2020	High
Grenada [2/]	07/03/2019	In debt distress
Haiti	04/20/2020	High

Country	Status as on Date (MM/DD/YY)	Distress [1/]
Kenya	05/11/2020	High
Kiribati	01/24/2019	High
Lao P.D.R.	08/08/2019	High
Maldives	04/23/2020	High
Marshall Islands	09/10/2018	High
Mauritania	09/16/2020	High
Micronesia	09/06/2019	High
Mozambique	04/29/2020	In debt distress
Papua New Guinea [2/]	06/26/2020	High
Samoa	04/28/2020	High
São Tomé and Príncipe	08/04/2020	In debt distress
Sierra Leone	06/10/2020	High
Somalia	11/30/2020	In debt distress
South Sudan	11/16/2020	High
St. Vincent and the Grenadines [2/]	05/29/2020	High
Sudan	10/23/2020	In debt distress
Tajikistan	05/07/2020	High
Tonga	02/01/2021	High
Tuvalu	07/05/2018	High
Zambia	08/02/2019	High
Zimbabwe [2/]	03/26/2020	In debt distress

Notes:

1. As of January 31, 2021 and based on the most recently published data, 7 countries are in debt distress, 28 countries are at high risk, 23 countries are at moderate risk, and 11 countries are at low risk of debt distress.
2. PRGT-eligible IDA-blend countries.

Source: IMF

Annexure 2

Product-wise Potential for Imports by India from Select Countries under Countertrade Arrangement (Values in US$ '000)

HS Code	HS Description	Country's Exports to India			India's Global Imports		Country's Global Exports			Category
		Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share of India in the country's exports (%)	Value in 2019	Share in world imports, %	Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share in world exports, %	
Libya										
TOTAL	**All products**	**81821**	**118**	**Neg.**	**480002972**	**3**	**27733435**	**44**	**Neg.**	
270900	Petroleum oils and oils obtained from bituminous minerals, crude	68467		Neg.	102306491	10	24844125	54	3	Mineral fuels
271012	Light oils and preparations, of petroleum or bituminous minerals	0		0	1656242	1	487937	40	Neg.	Mineral fuels
271019	Medium oils and preparations, of petroleum or bituminous minerals	151	74	Neg.	4707280	1	416013	26	Neg.	Mineral fuels
710812	Gold, incl. gold plated with platinum, unwrought	0		0	32083706	16	221950	41	Neg.	Non-fuel primary commodities
271112	Propane, liquefied	0		0	3396795	11	153100	23	1	Mineral fuels
720449	Waste and scrap of iron or steel	951	78	1	1830933	8	84849	79	Neg.	Non-fuel primary commodities
740400	Waste and scrap, of copper	544	11	1	965916	4	61069	14	Neg.	Non-fuel primary commodities
760120	Unwrought aluminium alloys	13	-75	Neg.	438784	2	3632	-10	Neg.	Non-fuel primary commodities
310210	Urea	0		0	3260212	23	2389	-51	Neg.	Non-fuel primary commodities
510119	Greasy wool	1067	6	98	161734	91	1089	5	2	Non-fuel primary commodities
780110	Unwrought lead, refined	90		57	194604	5	159	-1	Neg.	Non-fuel primary commodities

HS Code	HS Description	Country's Exports to India			India's Global Imports		Country's Global Exports			Category
		Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share of India in the country's exports (%)	Value in 2019	Share in world imports, %	Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share in world exports, %	
Iran										
TOTAL	**All products**	4089616	-3	15	480002972	3	26987768	-3	Neg.	
270900	Petroleum oils and oils obtained from bituminous minerals, crude	3487013	3	25	102306491	10	13801504	-3	2	Mineral fuels
80251	Fresh or dried pistachios, in shell	6485	-35	2	89552	3	428951	-14	15	Non-fuel primary commodities
740311	Copper, refined, in the form of cathodes and sections of cathodes	0		0	721774	1	397826	12	1	Non-fuel primary commodities
310210	Urea, whether or not in aqueous solution	59606	-34	30	3260212	23	200902	-19	2	Non-fuel primary commodities
790112	Unwrought zinc, not alloyed, containing by weight < 99,99% of zinc	0		0	104555	3	155465	13	5	Non-fuel primary commodities
80410	Fresh or dried dates	25761	18	25	188804	14	104014	7	7	Non-fuel primary commodities
80620	Dried grapes	209	122	Neg.	122416	7	65102	-6	4	Non-fuel primary commodities
91020	Saffron	27	-43	Neg.	18754	9	82749	4	42	Non-fuel primary commodities

HS Code	HS Description	Country's Exports to India			India's Global Imports		Country's Global Exports			Category
		Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share of India in the country's exports (%)	Value in 2019	Share in world imports, %	Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share in world exports, %	
Venezuela										
TOTAL	**All products**	5581591		34	480002972	3	16296452	-14	Neg.	
270900	Petroleum oils and oils obtained from bituminous minerals, crude	5558000		40	102306491	10	13813194	-11	2	Mineral fuels
271019	Medium oils and preparations, of petroleum or bituminous minerals	244		Neg.	4707280	1	733602	-32	Neg.	Mineral fuels
30617	Frozen shrimps and prawns	0		0	21590	0	138185	26	1	Non-fuel primary commodities
260111	Non-agglomerated iron ores and concentrates	0		0	196249	0	105917	-26	Neg.	Non-fuel primary commodities
710812	Gold, incl. gold plated with platinum, unwrought	0		0	32083706	16	69588	-47	Neg.	Non-fuel primary commodities
271012	Light oils and preparations, of petroleum or bituminous minerals	0		0	1656242	1	58563	-41	Neg.	Mineral fuels
180100	Cocoa beans, whole or broken, raw or roasted	0		0	55738	1	44048	6	Neg.	Non-fuel primary commodities
281820	Aluminium oxide	0		0	1006105	8	18505	-53	Neg.	Non-fuel primary commodities
760120	Unwrought aluminium alloys	0		0	438784	2	17069	-20	Neg.	Non-fuel primary commodities
780110	Unwrought lead, refined	0		0	194604	5	4901	-7	Neg.	Non-fuel primary commodities

HS Code	HS Description	Country's Exports to India			India's Global Imports		Country's Global Exports			Category
		Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share of India in the country's exports (%)	Value in 2019	Share in world imports, %	Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share in world exports, %	
Zambia										
TOTAL	**All products**	**55876**	**26**	**1**	**480002972**	**3**	**6962507**	**2**	**Neg.**	
740200	Copper, unrefined	110		Neg.	815079	8	3771226	51	39	Non-fuel primary commodities
740311	Copper, refined	0		0	721774	1	1116961	-19	2	Non-fuel primary commodities
710391	Rubies, sapphires and emeralds	36947	938	26	263928	6	142246	757	2	Resource-intensive manufactures
170114	Raw cane sugar	0		0	302075	3	83430	2	1	Non-fuel primary commodities
220290	Non-alcoholic beverages	0		0	126334	1	62986	41	1	Non-fuel primary commodities
520100	Cotton, neither carded nor combed	0		0	1050942	7	53106	-3	Neg.	Non-fuel primary commodities
740811	Wire of refined copper	0		0	503438	4	50937	-1	Neg.	Non-fuel primary commodities
440399	Wood in the rough	0		0	606680	12	4669	66	Neg.	Non-fuel primary commodities
780110	Unwrought lead, refined	150		12	194604	5	1216	-22	Neg.	Non-fuel primary commodities
440320	Coniferous wood in the rough	0		0	225319	2	397	243	Neg.	Non-fuel primary commodities
710239	Diamonds, worked	17		53	8313040	11	32	16	Neg.	Non-fuel primary commodities
740319	Copper, refined, unwrought	46		5	49400	4	921	-82	Neg.	Non-fuel primary commodities

HS Code	HS Description	Country's Exports to India			India's Global Imports		Country's Global Exports			Category
		Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share of India in the country's exports (%)	Value in 2019	Share in world imports, %	Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share in world exports, %	
Congo										
TOTAL	**All products**	735945	113	13	480002972	3	5575942	-5	Neg.	
270900	Petroleum oils and oils obtained from bituminous minerals, crude	672320	348	15	102306491	10	4409488	32	1	Mineral fuels
440349	Tropical wood	576	-45	Neg.	98736	12	191092	39	28	Non-fuel primary commodities
440890	Sheets for veneering, incl. those obtained by slicing laminated wood	14		Neg.	237392	9	8538	67	Neg.	Resource-intensive manufactures
271019	Medium oils and preparations, of petroleum or bituminous minerals	0		0	4707280	1	206978	734	Neg.	Mineral fuels
740311	Copper, refined	0		0	721774	1	83771		Neg.	Non-fuel primary commodities
440729	Tropical wood, sawn or chipped lengthwise	0		0	59201	4	46292	-1	4	Non-fuel primary commodities
440399	Wood in the rough	0		0	600014	12	932	-28	Neg.	Non-fuel primary commodities
740200	Copper, unrefined	0		0	815079	8	1		Neg.	Non-fuel primary commodities
440710	Coniferous wood sawn or chipped lengthwise	0		0	175225	1	0		0	Non-fuel primary commodities
440799	Wood, sawn or chipped lengthwise	0		0	180925	4	0		0	Non-fuel primary commodities

HS Code	HS Description	Country's Exports to India			India's Global Imports		Country's Global Exports			Category
		Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share of India in the country's exports (%)	Value in 2019	Share in world imports, %	Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share in world exports, %	
					Mozambique					
TOTAL	**All products**	803893	29	17	480002972	3	4722313	13	Neg.	
270119	Coal, whether or not pulverised, non-agglomerated	466775		46	20466577	58	1016658	418	6	Mineral fuels
760110	Aluminium, not alloyed, unwrought	0		0	106129	0	940188	50	4	Non-fuel primary commodities
270400	Coke and semi-coke of coal, of lignite or of peat	212076	10	100	1108444	14	212076	2	3	Mineral fuels
261400	Titanium ores and concentrates	10117	-64	5	67453	2	199308	16	9	Non-fuel primary commodities
710391	Rubies, sapphires and emeralds	685	-66	Neg.	263928	6	176986	23	3	Resource-intensive manufactures
271111	Natural gas, liquefied	0		0	9496095	7	171167	-7	Neg.	Mineral fuels
760511	Wire of non-alloy aluminium, with a maximum cross-sectional dimension of > 7 mm	369		Neg.	145770	6	100120	68	4	Non-fuel primary commodities
120740	Sesamum seeds, whether or not broken	443	16	1	215700	7	86106	46	3	Non-fuel primary commodities
80131	Fresh or dried cashew nuts, in shell	19830	69	66	932503	81	30258	110	3	Non-fuel primary commodities
440399	Wood in the rough	0		0	606680	12	24947	54	Neg.	Non-fuel primary commodities
71333	Dried, shelled kidney beans	3304	-40	37	104780	7	8919	-25	1	Non-fuel primary commodities
71331	Dried, shelled beans of species "Vigna mungo [L.] Hepper or Vigna radiata [L.] Wilczek"	2736	80	47	233120	29	5845	131	1	Non-fuel primary commodities
71360	Dried, shelled pigeon peas "Cajanus cajan"	1975	46	100	330290	94	1975	42	1	Non-fuel primary commodities
151211	Crude sunflower-seed or safflower oil	0		0	1786679	24	1826	-6	Neg.	Non-fuel primary commodities
310210	Urea	0		0	3260212	23	761	-21	Neg.	Non-fuel primary commodities
150710	Crude soya-bean oil	0		0	2050166	31	729	-4	Neg.	Non-fuel primary commodities
71310	Dried, shelled peas "Pisum sativum"	449	-22	73	261126	13	612	-14	Neg.	Non-fuel primary commodities

HS Code	HS Description	Country's Exports to India			India's Global Imports		Country's Global Exports			Category
		Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share of India in the country's exports (%)	Value in 2019	Share in world imports, %	Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share in world exports, %	
310420	Potassium chloride for use as fertiliser	0		0	1204509	8	332		Neg.	Non-fuel primary commodities
71340	Dried, shelled lentils	0		0	298538	18	1		Neg.	Non-fuel primary commodities
71339	Dried, shelled beans "Vigna and Phaseolus"	460	-6	100	23692	7	460	-8	Neg.	Non-fuel primary commodities
Guinea-Bissau										
TOTAL	**All products**	**93109**	**-18**	**42**	**480002972**	**3**	**220192**	**-13**	**Neg.**	
80131	Fresh or dried cashew nuts, in shell	92196	-18	99	932503	35	92687	-23	5	Non-fuel primary commodities
710813	Gold, incl. gold plated with platinum, in semi-manufactured forms	0		0	77634	Neg.	69249		Neg.	Non-fuel primary commodities
440399	Wood in the rough	0		0	600014	12	5954	15	Neg.	Non-fuel primary commodities
30389	Frozen fish	0		0	11922	Neg.	5447	1	Neg.	Non-fuel primary commodities
80132	Fresh or dried cashew nuts, shelled	0		0	41952	1	5212	33	Neg.	Non-fuel primary commodities
440349	Tropical wood	0		0	98736	12	2278		Neg.	Non-fuel primary commodities
120740	Sesamum seeds	0		0	215700	6	948	-44	Neg.	Non-fuel primary commodities
720449	Waste and scrap of iron or steel	722	89	100	1830933	8	722	32	Neg.	Non-fuel primary commodities

HS Code	HS Description	Country's Exports to India			India's Global Imports		Country's Global Exports			Category
		Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share of India in the country's exports (%)	Value in 2019	Share in world imports, %	Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share in world exports, %	
					Belarus					
TOTAL	**All products**	**389146**	**6**	**1**	**480002972**	**3**	**32955122**	**8**	**Neg.**	
271019	Medium oils and preparations, of petroleum or bituminous minerals	0		0	4707280	1	4088600	0	1	Mineral fuels
310420	Potassium chloride for use as fertiliser	346972	5	13	1204509	8	2766511	4	24	Non-fuel primary commodities
440710	Coniferous wood sawn or chipped lengthwise	182		Neg.	175225	1	456456	42	2	Non-fuel primary commodities
151411	Low erucic acid rape or colza oil	0		0	33555	1	202761	41	6	Non-fuel primary commodities
530129	Flax, hackled or otherwise processed	0		0	45883	28	19899	-6	7	Non-fuel primary commodities
440399	Wood in the rough	0		0	600014	12	3811	-64	Neg.	Non-fuel primary commodities
440320	Coniferous wood in the rough	0		0	225319	2	2547	-72	Neg.	Non-fuel primary commodities
					Sri Lanka					
TOTAL	**All products**	1010888	12	9	480002972	3	11102433	4	Neg.	
90240	Black fermented tea and partly fermented tea	18217	-7	4	49717	2	431435	4	17	Non-fuel primary commodities
710391	Rubies, sapphires and emeralds	869	2	Neg.	263928	6	207136	10	3	Resource-intensive manufactures
710239	Diamonds, worked	4727	311	4	8313040	11	105306	-1	Neg.	Non-fuel primary commodities
230990	Preparations of a kind used in animal feeding	76202	15	100	399576	3	76353	15	Neg.	Non-fuel primary commodities
90710	Cloves, whole fruit	19895	2	74	127556	46	27056	-3	9	Non-fuel primary commodities
780199	Unwrought lead	7853	11	100	241994	14	7853	8	1	Non-fuel primary commodities
740811	Wire of refined copper	6790	19	100	503438	4	6790	19	Neg.	Non-fuel primary commodities
80280	Fresh or dried areca nuts	24011	-26	100	38396	24	24011	-26	14	Non-fuel primary commodities
90619	Cinnamon and cinnamon-tree flowers	93		1	74744	26	7213	1	2	Non-fuel primary commodities

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					Sudan					
TOTAL	**All products**	**475604**	**40**	**12**	**480002972**	**3**	**4117270**	**4**	**Neg.**	
710812	Gold, incl. gold plated with platinum				32083706	13	1200009	-7	1	Non-fuel primary commodities
270900	Petroleum oils and oils obtained from bituminous minerals, crude	252900	114	30	102306491	10	855330	14	Neg.	Mineral fuels
120740	Sesamum seeds	130938	77	18	215700	6	731710	25	23	Non-fuel primary commodities
520100	Cotton	2333	21	2	1050942	7	130582	56	1	Non-fuel primary commodities
130120	Natural gum Arabic	9451	-19	10	26058	8	99173	-5	32	Non-fuel primary commodities
120770	Melon seeds	44725	13	82	48176	15	54706	17	16	Non-fuel primary commodities
71320	Dried, shelled chickpeas	24113	84	100	204827	16	24199	76	2	Non-fuel primary commodities
71360	Dried, shelled pigeon peas	6363	-27	86	330290	91	7377	-25	7	Non-fuel primary commodities
780110	Unwrought lead, refined	0		0	194604	5	1457	1	Neg.	Non-fuel primary commodities
230990	Preparations of a kind used in animal feeding	0		0	399576	2	427		Neg.	Non-fuel primary commodities
151211	Crude sunflower-seed or safflower oil	0		0	1786679	23	0		0	Non-fuel primary commodities
					Lebanon					
TOTAL	**All products**	**11829**	**-15**	**0**	**480002972**	**3**	**3731350**	**2**	**Neg.**	
710812	Gold, incl. gold plated with platinum	0		0	32083706	13	1134973	25	1	Non-fuel primary commodities
710239	Diamonds, worked	0		0	8313040	11	67482	-3	Neg.	Non-fuel primary commodities
740400	Waste and scrap, of copper	2155	-10	3	965916	4	64032	-7	Neg.	Non-fuel primary commodities
780110	Unwrought lead, refined	961	-44	2	194604	5	49553	100	1	Non-fuel primary commodities
200819	Nuts and other seeds	39		Neg.	18978	0	37276	-2	1	Non-fuel primary commodities
710391	Rubies, sapphires and emeralds	18	-71	Neg.	263928	5	10865	-17	Neg.	Resource-intensive manufactures
80810	Fresh apples	0		0	253054	3	8623	-8	Neg.	Non-fuel primary commodities
80830	Fresh pears	0		0	22950	1	2232	14	Neg.	Non-fuel primary commodities
720449	Waste and scrap of iron or steel	534		44	1830933	8	1201	0	Neg.	Non-fuel primary commodities
780199	Unwrought lead	0		0	241994	12	403		Neg.	Non-fuel primary commodities

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DR Congo										
TOTAL	**All products**	**24108**	**-26**	**Neg.**	**480002972**	**3**	**8367907**	**12**	**Neg.**	
740311	Copper, refined				721774	1	4109441	12	8	Non-fuel primary commodities
810520	Cobalt mattes and other intermediate products	855	-26	Neg.	55050	1	1913460	40	55	Non-fuel primary commodities
260300	Copper ores and concentrates				1203818	2	581028	14	1	Non-fuel primary commodities
270900	Petroleum oils and oils obtained from bituminous minerals, crude				102306491	10	528900	15	Neg.	Mineral fuels
740200	Copper, unrefined				815079	8	251255	2	3	Non-fuel primary commodities
710231	Non-industrial diamonds				13431378	40	168212	-8	1	Non-fuel primary commodities
710221	Industrial diamonds				96029	30	68858	14	4	Non-fuel primary commodities
710813	Gold, incl. gold plated with platinum, in semi-manufactured forms				77634	0	43241	113	Neg.	Non-fuel primary commodities
180100	Cocoa beans	13951	72	35	55738	1	39882	9	Neg.	Non-fuel primary commodities
440399	Wood in the rough	598	6	2	600014	12	24166	-9	1	Non-fuel primary commodities
440349	Tropical wood				98736	12	10843	-20	2	Non-fuel primary commodities
151110	Crude palm oil				3607687	37	5169	0	Neg.	Non-fuel primary commodities
710239	Diamonds, worked				8313040	11	2533	139	Neg.	Non-fuel primary commodities
400122	Technically specified natural rubber "TSNR"				576067	6	881	-16	Neg.	Non-fuel primary commodities

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Yemen										
TOTAL	**All products**	23121	-13	2	480002972	3	1390478	9	Neg.	
270900	Petroleum oils and oils obtained from bituminous minerals, crude				102306491	10	1060342	27	Neg.	Mineral fuels
30389	Frozen fish	119		Neg.	11922	0	30888	29	1	Non-fuel primary commodities
740400	Waste and scrap, of copper				965916	4	18568	18	Neg.	Non-fuel primary commodities
70310	Fresh or chilled onions and shallots				39373	1	17029	15	Neg.	Non-fuel primary commodities
30289	Fresh or chilled fish, n.e.s.				17850	1	12278	28	1	Non-fuel primary commodities
90111	Coffee (excluding roasted and decaffeinated)				110832	1	11703	15	Neg.	Non-fuel primary commodities
760200	Waste and scrap, of aluminium				2066776	15	9242	18	Neg.	Non-fuel primary commodities
81090	Fresh tamarinds, cashew apples, jackfruit, lychees, sapodillo plums, passion fruit, carambola				22469	1	8067	30	Neg.	Non-fuel primary commodities
780199	Unwrought lead	603	-28	30	241994	14	1993	-10	Neg.	Non-fuel primary commodities
780191	Unwrought lead, containing by weight antimony as the principal other element				34443	4	1796	33	Neg.	Non-fuel primary commodities
120740	Sesamum seeds, whether or not broken				215700	7	1398	118	Neg.	Non-fuel primary commodities
410510	Skins of sheep or lambs, in the wet state	19		4	55513	25	540	122	Neg.	Resource-intensive manufactures
121190	Plants, parts of plants, used primarily in perfumery, in pharmacy or for insecticides				32038	2	493	61	Neg.	Non-fuel primary commodities

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					Chad					
TOTAL	**All products**	**193332**	**0**	**15**	**480002972**	**3**	**1255183**	**-12**	**Neg.**	
270900	Petroleum oils and oils obtained from bituminous minerals, crude	190847	3	20	102306491	10	935034	-15	Neg.	Mineral fuels
120740	Sesamum seeds, whether or not broken				215700	6	34124	9	1	Non-fuel primary commodities
130120	Natural gum Arabic	2341	12	11	26058	8	20829	-6	7	Non-fuel primary commodities
520100	Cotton, neither carded nor combed				1050942	7	1419	-53	Neg.	Non-fuel primary commodities
130190	Lac; natural gums, resins				168552	28	243	33	Neg.	Non-fuel primary commodities
					Gambia					
TOTAL	**All products**	**1441**	**-18**	**6**	**480002972**	**3**	**24602**	**-39**	**Neg.**	
271019	Medium oils and preparations, of petroleum or bituminous minerals	0		0	4707280	1	11509	-1	Neg.	Mineral fuels
80131	Fresh or dried cashew nuts	1409	-19	92	932503	35	1532	-23	Neg.	Non-fuel primary commodities
150420	Fats and oils of fish and their fractions	0		0	14595	1	362		Neg.	Non-fuel primary commodities
230120	Flours, meals and pellets of fish or crustaceans	0		0	18412	0	217		Neg.	Non-fuel primary commodities
120740	Sesamum seeds	12		16	215700	6	75		Neg.	Non-fuel primary commodities
440710	Coniferous wood sawn or chipped lengthwise	0		0	175225	1	0		0	Non-fuel primary commodities
440729	Tropical wood	0		0	59201	4	0		0	Non-fuel primary commodities

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					Nicaragua					
TOTAL	**All products**	**3131**	**7**	**0**	**480002972**	**3**	**5272553**	**2**	**Neg.**	
710812	Gold, incl. gold plated with platinum	0		0	32083706	13	498974	10	Neg.	Non-fuel primary commodities
90111	Coffee	0		0	110832	1	458282	4	3	Non-fuel primary commodities
30617	Frozen shrimps and prawns	0		0	21590	0	158997	3	1	Non-fuel primary commodities
71333	Dried, shelled kidney beans	0		0	104780	6	76011	3	5	Non-fuel primary commodities
151110	Crude palm oil	0		0	3607687	37	33628	5	Neg.	Non-fuel primary commodities
170114	Raw cane sugar, in solid form	0		0	302075	3	10474	24	Neg.	Non-fuel primary commodities
230990	Preparations of a kind used in animal feeding	0		0	399576	2	3030	2	Neg.	Non-fuel primary commodities
440399	Wood in the rough	985		76	600014	12	1288	102	Neg.	Non-fuel primary commodities
					Comoros					
TOTAL	**All Products**	**9623**	**40**	**19**	**480002972**	**3**	**49638**	**32**	**Neg.**	
90710	Cloves, whole fruit, cloves and stems	8605	33	58	127556	41	14765	17	5	Non-fuel primary commodities
720449	Waste and scrap of iron or steel	9		100	1830933	8	9		Neg.	Non-fuel primary commodities

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					Syria					
TOTAL	**All products**	**15212**	**-23**	**2**	**480002972**	**3**	**708027**	**-4**	**Neg.**	
80252	Fresh or dried pistachios, shelled				84730	14	27484	15	5	Non-fuel primary commodities
80810	Fresh apples				253054	3	23319	-18	Neg.	Non-fuel primary commodities
90961	Juniper berries and seeds of anise, badian, caraway or fennel, neither crushed nor ground				50932	22	14015	-1	6	Non-fuel primary commodities
80212	Fresh or dried almonds, shelled	4539	-18	39	51971	1	11591	-7	Neg.	Non-fuel primary commodities
251010	Natural calcium phosphates and natural aluminium calcium phosphates				401178	30	11469	39	1	Non-fuel primary commodities
71340	Dried, shelled lentils				298538	17	11423	-4	1	Non-fuel primary commodities
100390	Barley (excluding seed for sowing)				47723	1	10117	2418	Neg.	Non-fuel primary commodities
760120	Unwrought aluminium alloys				438784	2	5340	338	Neg.	Non-fuel primary commodities
510129	Degreased wool, non-carbonised	4280	-16	81	56380	61	5267	-7	12	Non-fuel primary commodities
80251	Fresh or dried pistachios, in shell				89552	3	4019	-4	Neg.	Non-fuel primary commodities
80211	Fresh or dried almonds in shell				810975	53	2507	16	Neg.	Non-fuel primary commodities
410510	Skins of sheep or lambs	1197	-35	48	55513	24	2484	-26	1	Resource-intensive manufactures
510119	Greasy wool	1823	-31	100	161734	86	1831	-29	3	Non-fuel primary commodities
520100	Cotton				1050942	7	1733	-30	Neg.	Non-fuel primary commodities
780110	Unwrought lead, refined	15212	-23	2	194604	5				Non-fuel primary commodities

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Somalia										
TOTAL	**All products**	**23012**	**3**	**6**	**480002972**	**3**	**417760**	**-8**	**Neg.**	
120740	Sesamum seeds	21200	2	48	215700	3	44204	2	1	Non-fuel primary commodities
130190	Lac; natural gums, resins	217	-4	1	168552	6	36136	35	9	Non-fuel primary commodities
30389	Frozen fish				11922	28	7706	9	Neg.	Non-fuel primary commodities
410621	Hides and skins of goats	2	-59	0	22057	0	768	-17	1	Resource-intensive manufactures
410510	Skins of sheep or lambs	40	-47	40	55513	25	101	-31	0	Resource-intensive manufactures
Fiji										
TOTAL	**All products**	**4069**	**64**	**0**	**480002972**	**3**	**1033413**	**4**	**Neg.**	
710812	Gold, incl. gold plated with platinum, unwrought	0		0	32083706	13	50347	2	Neg.	Non-fuel primary commodities
170114	Raw cane sugar, in solid form	0		0	302075	3	45253	-10	Neg.	Non-fuel primary commodities
121190	Plants, parts of plants, incl. seeds and fruits	0		0	31752	2	6256	5	Neg.	Non-fuel primary commodities
91030	Turmeric "curcuma"	0		0	31005	11	3068	45	1	Non-fuel primary commodities
440799	Wood, sawn or chipped lengthwise	0		0	180925	4	2821	64	Neg.	Non-fuel primary commodities
440399	Wood in the rough	0		0	600014	12	205	5	Neg.	Non-fuel primary commodities
440729	Tropical wood	0		0	59201	4	58	-9	Neg.	Non-fuel primary commodities

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Djibouti										
TOTAL	**All products**	**22047**	**97**	**14**	**480002972**	**3**	**155770**	**16**	**Neg.**	
71333	Dried, shelled kidney beans	8782		96	104780	7	9113	41	1	Non-fuel primary commodities
90111	Coffee (excluding roasted and decaffeinated)	430		8	110832	1	5323	-16	Neg.	Non-fuel primary commodities
71320	Dried, shelled chickpeas "garbanzos"	5092	177	100	204827	17	5092	177	Neg.	Non-fuel primary commodities
120190	Soya beans, whether or not broken	4083	131	100	95138	0	4083	131	Neg.	Non-fuel primary commodities
120799	Oil seeds and oleaginous fruits	378		75	30847	3	502	17	Neg.	Non-fuel primary commodities
Central African Republic										
TOTAL	**All products**	929	41	1	480002972	3	68776	7	Neg.	
440399	Wood in the rough	882	59	3	606680	12	31206	110	1	Non-fuel primary commodities
440349	Tropical wood in the rough	47	-32	Neg.	92070	13	10387	-26	2	Non-fuel primary commodities
710812	Gold, incl. gold plated with platinum, unwrought				32083706	16	3316		Neg.	Non-fuel primary commodities
440799	Wood, sawn or chipped lengthwise, sliced or peeled				183541	4	2142	74	Neg.	Non-fuel primary commodities
710231	Non-industrial diamonds unworked or simply sawn				13431378	44	1924		Neg.	Non-fuel primary commodities
520100	Cotton, neither carded nor combed				1050942	7	1368	18	Neg.	Non-fuel primary commodities
440729	Tropical wood, sawn or chipped lengthwise				56584	4	1206	-32	Neg.	Non-fuel primary commodities
80830	Fresh pears				22950	1	42	34	Neg.	Non-fuel primary commodities

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Zimbabwe										
TOTAL	**All products**	123	1	Neg.	480002972	3	4269022	14	Neg.	
710221	Industrial diamonds	46	23	Neg.	96029	31	116520	-7	31	Non-fuel primary commodities
711011	Platinum, unwrought or in powder form	0		0	59040	1	60127	9	1	Non-fuel primary commodities
170114	Raw cane sugar	0		0	302075	3	57323	-13	1	Non-fuel primary commodities
261000	Chromium ores and concentrates	0		0	35523	1	45091	157	2	Non-fuel primary commodities
520100	Cotton, neither carded nor combed	0		0	1050942	7	36898	9	Neg.	Non-fuel primary commodities
440320	Coniferous wood in the rough	0		0	225319	2	238	-9	Neg.	Non-fuel primary commodities
71310	Dried, shelled peas "Pisum sativum"	0		0	261126	13	123	-30	Neg.	Non-fuel primary commodities
80510	Fresh or dried oranges	0		0	39219	1	7556	23	Neg.	Non-fuel primary commodities
440399	Wood in the rough	0		0	606680	12	64	78	Neg.	Non-fuel primary commodities
750210	Nickel, not alloyed, unwrought	0		0	439249	4	0		0	Non-fuel primary commodities
Cuba										
TOTAL	**All products**	**1912**	**18**	**Neg.**	**480002972**	**3**	**1581309**	**2**	**Neg.**	
170114	Raw cane sugar				302075	3	203781	-15	2	Non-fuel primary commodities
271012	Light oils and preparations, of petroleum or bituminous minerals				1656242	1	37578	-23	Neg.	Mineral fuels
780110	Unwrought lead, refined			0	194604	5				Non-fuel primary commodities

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					North Korea					
TOTAL	**All products**	**1378**	**-68**	**1**	**480002972**	**3**	**261333**	**-51**	**Neg.**	
700529	Float glass and surface ground and polished glass, in sheets				10129	0	5089	-1	Neg.	Resource-intensive manufactures
790111	Unwrought zinc, not alloyed	331	-4	48	273411	3	690	16	Neg.	Non-fuel primary commodities
120799	Oil seeds and oleaginous fruits			0	30847	3				Non-fuel primary commodities
120740	Sesamum seeds, whether or not broken			0	215700	7				Non-fuel primary commodities
					Eritrea					
TOTAL	**All products**				**480002972**	**3**	**329524**	**-3**	**Neg.**	
260300	Copper ores and concentrates				1203818	2	105319	-27	Neg.	Non-fuel primary commodities
253090	Arsenic sulfides, alunite, pozzolana, earth colours and other mineral substances				45424	2	61	274	Neg.	Non-fuel primary commodities
90411	Pepper of the genus Piper, neither crushed nor ground			0	93194	10				Non-fuel primary commodities
					Burundi					
TOTAL	**All products**	**334**	**-56**	**0**	**480002972**	**3**	**180772**	**-2**	**Neg.**	
710812	Gold, incl. gold plated with platinum, unwrought	0		0	32083706	13	66847	86	Neg.	Non-fuel primary commodities
90111	Coffee	0		0	110832	1	37779		Neg.	Non-fuel primary commodities
90240	Black fermented tea and partly fermented tea	0		0	49717	1	22033		1	Non-fuel primary commodities
410621	Hides and skins of goats	0		0	22057	25	123		Neg.	Resource-intensive manufactures
253090	Arsenic sulfides, alunite, pozzuolana, earth colours and other mineral substances	0		0	45424	2	0		Neg.	Non-fuel primary commodities

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					Seychelles					
TOTAL	**All products**	**1593**	**126**	**0**	**480002972**	**3**	**844891**	**19**	**Neg.**	
230120	Flours, meals and pellets of fish	674		5	18412	0	14730	15	Neg.	Non-fuel primary commodities
271012	Light oils and preparations, of petroleum or bituminous minerals	0		0	1656242	1	12753	325	Neg.	Mineral fuels
150420	Fats and oils of fish and their fractions,	0		0	14595	1	5235	34	Neg.	Non-fuel primary commodities
30389	Frozen fish	0		0	11922	0	284	112	Neg.	Non-fuel primary commodities
271019	Medium oils and preparations, of petroleum or bituminous minerals	0		0	4707280	1	7	8	Neg.	Mineral fuels
					Nigeria					
TOTAL	**All products**	8264388	3	15	480002972	3	53624701	6	Neg.	
270900	Petroleum oils and oils obtained from bituminous minerals, crude	7572968	3	18	102306491	10	41045144	8	5	Mineral fuels
271111	Natural gas, liquefied	573235	4	12	9496095	7	4980753	1	4	Mineral fuels
120740	Sesamum seeds, whether or not broken	39060	29	14	215700	7	288653	5	9	Non-fuel primary commodities
180100	Cocoa beans, whole or broken, raw or roasted	257	36	Neg.	55738	1	248809	-11	3	Non-fuel primary commodities
310210	Urea	6998		5	3260212	23	151923	49	1	Non-fuel primary commodities
80131	Fresh or dried cashew nuts, in shell	15905	15	22	932503	81	73104	22	7	Non-fuel primary commodities
760120	Unwrought aluminium alloys	7298	9	14	438784	2	51142	13	Neg.	Non-fuel primary commodities
400122	Technically specified natural rubber "TSNR"	1074	-14	3	576067	6	41683	-7	Neg.	Non-fuel primary commodities
780110	Unwrought lead, refined	343	-33	3	194604	5	11297	-34	Neg.	Non-fuel primary commodities
410621	Hides and skins of goats or kids, in the wet state	0		0	22057	27	0		0	Resource-intensive manufactures

HS Code	HS Description	Country's Exports to India			India's Global Imports		Country's Global Exports			Category
		Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share of India in the country's exports (%)	Value in 2019	Share in world imports, %	Value in 2019	Annual growth in value between 2015-2019, %, p.a.	Share in world exports, %	
					Tanzania					
TOTAL	**All products**	**836809**	**-2**	**17**	**480002972**	**3**	**4924038**	**0**	**Neg.**	
710812	Gold, incl. gold plated with platinum, unwrought	544493	6	40	32083706	13	1358547	-6	1	Non-fuel primary commodities
80131	Fresh or dried cashew nuts	23966	-34	11	932503	35	221135	-2	12	Non-fuel primary commodities
120740	Sesamum seeds	632	21	0	215700	6	189781	-3	6	Non-fuel primary commodities
90111	Coffee	3393	134	2	110832	1	164358	-1	1	Non-fuel primary commodities
271019	Medium oils and preparations, of petroleum or bituminous minerals				4707280	1	111373	54	Neg.	Mineral fuels
740200	Copper, unrefined	14857	154	15	815079	8	96760	100	1	Non-fuel primary commodities
710231	Non-industrial diamonds unworked	11	-47	0	13431378	40	83236	-2	Neg.	Non-fuel primary commodities
740311	Copper, refined	10689	20	14	721774	1	77653	-1	Neg.	Non-fuel primary commodities
71320	Dried, shelled chickpeas	71038	6	93	204827	16	76306	8	6	Non-fuel primary commodities
71360	Dried, shelled pigeon peas	61514	-26	98	330290	91	63051	-26	58	Non-fuel primary commodities
71331	Dried, shelled beans of species "Vigna mungo [L.] Hepper or Vigna radiata [L.]	9758	-31	61	233120	26	15929	-24	1	Non-fuel primary commodities
71333	Dried, shelled kidney beans	833	5	6	104780	6	13282	31	1	Non-fuel primary commodities
71310	Dried, shelled peas "Pisum sativum",				261126	13	7402	12	Neg.	Non-fuel primary commodities
90710	Cloves	1514	-49	22	127556	41	6790	-23	2	Non-fuel primary commodities
151211	Crude sunflower-seed or safflower oil				1786679	23	1958	-30	Neg.	Non-fuel primary commodities
310210	Urea				3260212	22	30	-67	Neg.	Non-fuel primary commodities

Notes: 1. Neg. refers to negligible share
2. Criteria for selecting potential products:
   i. The exporting country has sizeable export potential for the identified product
   ii. India's total imports of that product is > US$ 10 mn
   iii. The product is not technology-intensive

Source: Data for trade from ITC TradeMap, Supplementary inputs on potential from ITC Export Potential Map, India Exim Bank Research

Annexure 3

Indicative List of Buyers in India

Trading Companies

MMTC Ltd.

STC Ltd.

Trafigura Ltd.

Crude Oil

Hindustan Petroleum Corporation Ltd.

Indian Oil Corporation

Bharat Petroleum Corporation LTd.

Agricultural Commodities

Food Corporation of India Ltd.

National Agricultural Cooperative Marketing Federation of India Ltd

Advantage Overseas Pvt. Ltd.

Olam India

Urea/ Fertilizers

India Potash Ltd.

Gold

PEC Ltd.

Rough Diamonds

Diamond India Ltd.

Coal

Adani Enterprises Ltd.

Copper

Hindalco

Sterlite Copper

Annexure 4

Illustrative List of Minerals produced by Countries

Country	Minerals Produced
Nigeria	Iron, Manganese, Niobium, Tantalum, Tungsten, Beryllium, Lead, Lithium, Tin, Zinc, Gold, Baryte, Feldspar, Gypsum, Kaolin, Talc, Zircon, Steam Coal, Natural Gas, Petroleum
Libya	Gypsum, Salt, **Sulphur**, Natural Gas, **Petroleum**
Iran	Iron, Chromium, Manganese, Molybdenum, Titanium, Aluminium, Antimony, Arsenic, Bauxite, Copper, **Lead**, **Mercury**, **Zinc**, Gold, Silver, Baryte, Bentonite, Boron, Diatomite, Feldspar, Fluorspar, Gypsum, Kaolin, Magnesite, Perlite, Phosphates, Potash, Salt, **Sulphur**, Talc, Vermiculite, Steam Coal, Coking Coal, Natural Gas, **Petroleum**
Venezuela	Iron, **Nickel**, Aluminium, Bauxite, Gold, Diamond, Feldspar, Phosphates, Salt, **Sulphur**, Steam Coal, Natural Gas, Oil sands, **Petroleum**
Zambia	**Cobalt**, Manganese, **Beryllium**, Copper, Gold, **Sulphur**, Steam Coal
Congo	Iron, Copper, **Zinc**, Gold, Diamond, Natural Gas, **Petroleum**
Mozambique	**Niobium**, **Tantalum**, Titanium, Aluminium, Bauxite, **Beryllium**, Gold, Bentonite, Diatomite, **Graphite**, Salt, Zircon, Steam Coal, Coking Coal, Natural Gas, **Petroleum**
Tanzania	Bauxite, Copper, Tin, Gold, Silver, Diamonds, Gypsum, Kaolin, Phosphates, Salt, Steam Coal, Natural Gas
Guinea-Bissau	-
Belarus	Potash, Salt, Natural Gas, **Petroleum**
Sri Lanka	Titanium, Feldspar, **Graphite**, Kaolin, Phosphates, Salt, Zircon
Sudan	Iron, Chromium, Manganese, Gold, Silver, Feldspar, Gypsum, Kaolin, Salt, Talc, **Petroleum**

Country	Minerals Produced
Lebanon	Salt
DR Congo	**Cobalt**, Manganese, **Niobium**, **Tantalum**, **Tungsten**, Copper, **Lead**, **Tin**, **Zinc**, Gold, Silver, Diamond, **Petroleum**
Yemen	Gypsum, Salt, Natural Gas, **Petroleum**
Chad	Petroleum
Gambia	-
Nicaragua	Gold, Silver, Gypsum, Salt
Comoros	-
Syria	Gypsum, Phosphates, Salt, Natural Gas, **Petroleum**
Somalia	Gypsum
Fiji	Bauxite, Gold, Silver
Djibouti	Salt, perlite
Central African Republic	Gold, Diamond
Zimbabwe	Chromium, **Cobalt**, **Nickel**, Copper, **Lithium**, Gold, Palladium, **Platinum**, Rhodium, Diamond, **Graphite**, Vermiculite, Steam Coal, Coking Coal
Cuba	Chromium, **Cobalt**, **Nickel**, **Lead**, **Zinc**, Bentonite, Feldspar, Gypsum, Kaolin, Salt, Natural Gas, **Petroleum**
North Korea	Iron, Molybdenum, **Tungsten**, Cadmium, Copper, **Lead**, **Zinc**, Gold, Silver, Baryte, Fluorspar, **Graphite**, Magnesite, Phosphates, Salt, **Sulphur**, Talc, Steam Coal
Eritrea	Copper, **Zinc**, Gold, Silver, Gypsum, Kaolin, Salt
Burundi	**Niobium**, **Tantalum**, **Tungsten**, **Rare Earths**, **Tin**, Gold
Seychelles	-

Note: Items in bold are the strategic minerals for India.
Source: BGS (World Mineral Production), the USGS (Minerals Yearbook), and India Exim Bank Research

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