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## ECONOMICS

### India and Arab Republic of Egypt: Opportunities for Mutually Beneficial Cooperation in International Trade and Fiscal Management

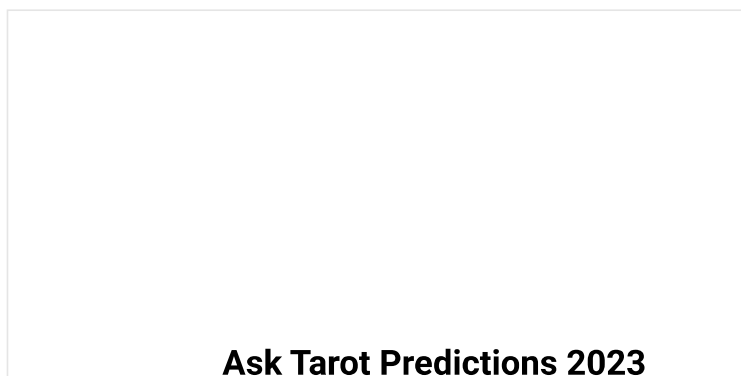
In Economics 01:38 PM, Jan 06, 2023 Mukul Asher (https://myind.net/Home/authorArchives/2097)



#### The Context

Consistent with India’s new generation of intertwined economic and security agreements to facilitate its emergence as one of the major powers, India has invited President El Sisi of the Arab Republic of Egypt (henceforth Egypt), as a Chief Guest for the Republic Day celebrations on January 26, 2023. There is significant scope for mutually beneficial cooperation in international trade and in macroeconomic and fiscal management between India and Egypt, an influential nation of over 100 million people, straddling Asia and Africa, as explained below.

#### Mutually Beneficial Opportunities in International Trade



#### Ask Tarot Predictions 2023

The global trade profile of India and Egypt for 2021 suggests the following. Unless otherwise stated, the data are from<sup>1</sup>



- India's GDP of USD 3178 billion is considerably larger than Egypt's USD 403 billion. But Egypt's per capita GDP (USD 3539) and per capita trade (USD 653) is higher than India's at USD 2097, and USD 423 respectively.
- In absolute terms, which is what is relevant and not ratios in assessing the impact of a country on global economic activity, India's total global trade in goods and services at USD 1421 billion (exports USD 653 billion and imports USD 768 billion) far exceeds that of Egypt at USD 169 billion (exports USD 64 billion, imports 104.5 billion).
- India's April-November 2022 global trade has touched USD 1110 billion. With four months remaining in the financial year, India's global trade can be expected to reach between USD 1500 billion and USD 1600 billion, impacting global economic activity significantly.

UNCTAD (United Nations Conference on Trade and Development) estimates 2021 global trade in goods and services is at USD 28,500 billion, implying India's share in global trade at over 5 percent (taking into account growth in global trade since 2021)<sup>2</sup>.

- Both India and Egypt exhibit several complementarities in their global trade, laying the basis for a mutually beneficial partnership.

First, both countries have the challenge of managing large and persistent merchandise trade deficits. In 2021 this deficit was USD 40 billion for Egypt, and USD 177 billion for India. Newer approaches to international partnerships (as well as domestic reforms) are needed to address this challenge. Both sides could have useful exchanges on this challenge.

- Second, a disaggregated analysis of Egypt's global trade suggests that it exhibits a large deficit in agricultural trade, with wheat and bovine meat imports major contributors to this deficit.

India is emerging as a major agricultural global trader. Its agricultural exports in 2021-22 were USD 50 billion<sup>3</sup>.

With disruptions in the global wheat market due to the conflict involving Ukraine, India is likely to emerge as a reliable player in the global wheat market, diversifying Egypt's wheat supply sources. In April 2023, Egypt certified India as an accredited supplier of wheat. India is already an established supplier of bovine meat to the global markets. Thus, a firm basis for deeper agricultural engagement between India and Egypt exists in these areas.

## Ask Tarot Predictions 2023

Two other areas in agriculture where India's capabilities in the agricultural sector could potentially help expand its agricultural cooperation with Egypt. India's growing capabilities of India's agricultural -input sector including chemicals, and seeds could be an area for further bilateral cooperation. India is also making efforts to help farmers benefit from carbon credits<sup>4</sup>.

Revenue from carbon credits could potentially be helpful for Egypt's agricultural sector if such a knowledge partnership is pursued.

Fourth, Egypt's exports in commercial services are largely accounted for by travel and tourism, but it has a sizeable deficit in 'other business services' which includes information technology services. India has a good global competitive advantage in information technology and related services. India is exploring innovative ways to generate growth and meet social objectives using the digital economy. Moreover, India's methods of using the digital economy are likely to be closer to the context of and conditions in Egypt. This forms a basis for the two countries to explore mutually beneficial cooperation in such areas as financial inclusion, payments mechanism, government procurement, and extending the market reach of farmers and micro and small businesses.

Egypt is emerging as a regional energy hub. Egyptian state-owned entities signed a set of MoUs (Memorandum of agreements) and framework agreements worth USD 119 billion on the sidelines of the UN Climate Change Conference (COP27)<sup>5</sup>.

India on the other hand is dependent on imported energy and is likely to remain so even in the medium term. Egypt thus potentially could contribute to India's energy security.

- India is gradually attempting to make its Rupee convertible, exploring and facilitating access of its large and well-regulated financial and capital markets to other countries, and creating arrangements for bilateral trade in the Indian Rupee with several trading partners, reducing the need to rely on US Dollar as a medium for international trade. Egypt should have an interest in all these areas given its persistently weak external sector.

### Mutually Beneficial Opportunities in Macroeconomic and Fiscal Management

Egypt's Economic Monitor by the World Bank published in December 2022 has argued that:



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"...there are three key (inter-connected) priorities going forward- (1) establishing sustained macroeconomic stability and enhancing the competitiveness of the Egyptian economy to ensure resilient sources of foreign income activities (exports and FDI). This requires continuing to push ahead with business environment reforms; (2) streamlining budgetary and off-budget expenditures and increasing revenues to create the fiscal space required to allocate more resources for priority areas (such as the education sector); and (3) unleashing the private sector's potential in higher value-added and export-oriented activities to create jobs and improve living standards."<sup>6</sup>

India is also facing the challenge of managing its external sector and strengthening fiscal resilience. As IMF report has stated:

"A credible and clearly communicated medium-term fiscal consolidation—anchored on stronger revenue mobilization and greater expenditure efficiency—is critical to enhance policy space, reduce crowding out, and facilitate a private sector led recovery."<sup>7</sup>

According to the IMF, both countries exhibit high public debt of around 90 percent of GDP, though India's external sector debt at around 20 percent is lower than that of Egypt, around 30 percent. India, with its foreign exchange reserves of around USD 560 billion, is confident in managing its external sector. Egypt's foreign exchange reserves were around USD 37 billion in mid-2022.

There are mutually beneficial opportunities for Egypt and India in knowledge sharing in macroeconomic and fiscal management, particularly in government expenditure management and using the government's balance sheet to generate fiscal space. Sound macroeconomic and fiscal management has become particularly critical due to the changing nature of the global economy, and due to the weaponization of finance, trade, and economic and regulatory policies, including those relating to climate change.

One of the potentially very significant developments in the global economy is the concept of 'friend-shoring' expounded by the United States Secretary of the Treasury Janet Yellen in April 2022. It implies a commitment to work with countries that, in her words, "...have a strong adherence to a set of norms and values about how to operate in the global economy and about how to run the global economic system."<sup>8</sup>

India became Chairperson of the G20 countries, an influential global forum for economic and other issues, in December 2022. Egypt, while not a member of the G20 group, could benefit from knowledge sharing on economic management and global issues with India.

India's attempt to improve public financial management, and expand fiscal space, have the potential to be contextualized for Egypt. Two examples are cited here.

First is the Indian government's electronic market place (GeM) for procurement. GeM is a digital platform established in August 2016, that enables buying and selling of goods and services. GeM portal is a paperless; contactless and cashless online marketplace. The main purpose of GeM is to enhance efficiency; transparency and speed in public procurement.

The portal has reduced the turnaround time for awarding contracts and the percentage of cancelled tenders in comparison to state-specific portals. It is thus an important element in public expenditure management, an area where which Egypt is also pursuing.

Since its inception, the GeM has achieved gross merchandise value (GMV) of INR 3 trillion (USD 37 billion at USD 1=INR 82), with a total number of transactions exceeding 120 million, GeM has over 63,000 government buyer organisations as well as over 54 lakh sellers and service providers. The portal offers 10,738 product categories and 269 service categories. The initiative also has more than 800,000 micro and small sellers and service providers registered on the portal. The Indian government has claimed substantial savings in procurement due to GeM<sup>9</sup>.

The second example concerns India's Gati (means speed) Shakti (means power) initiative, essentially a national master plan for multi-modal connectivity launched in October 2021. It is a digital platform to bring 16 Ministries including Railways and Roadways together for integrated planning and coordinated implementation of infrastructure connectivity projects. The multi-modal connectivity is designed to provide integrated an seamless connectivity for the movement of people, goods and services from one mode of transport to another. It will facilitate the last mile connectivity of infrastructure and also reduce travel time for people.

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The Gati Shakti initiative is based on six pillars:

- **Comprehensiveness:** It aims to include all the existing and planned initiatives of various Ministries and Departments with one centralized portal. Each and every Department will now have visibility of each other's activities providing critical data while planning and executing projects in a comprehensive manner.
- **Prioritization:** Through this, different departments will be able to prioritize their projects through cross-sectoral interactions.
- **Optimization:** The National Master Plan will assist different ministries in planning for projects after the identification of critical gaps. For the transportation of goods from one place to another, the plan will help in selecting the most optimum route in terms of time and cost.
- **Synchronization:** Individual ministries and departments often work in silos. There is a lack of coordination in the planning and implementation of the project resulting in delays. This initiative is expected to help in synchronizing the activities of each department, as well as of different layers of governance, in a holistic manner by ensuring coordination of work between them.
- **Analytical:** The plan will provide the entire data in one place with GIS-based spatial planning and analytical tools having 200+ layers, enabling better visibility to the executing agency.
- **Dynamic:** All Ministries and Departments will now be able to visualize, review and monitor the progress of cross-sectoral projects, through the GIS platform, as the satellite imagery will give on-ground progress periodically and progress of the projects will be updated on a regular basis on the portal. It will help in identifying the vital interventions for enhancing and updating the master plan<sup>10</sup>.

This initiative to improve the efficiency of infrastructure spending is also an area of interest for Egypt as it strives to improve its public financial management. Besides these two examples, there are also initiatives by the Government of India to monetize its assets which may be of interest to Egypt.

### Concluding Remarks

Inviting the President of Egypt El Sisi as Chief Guest on India's 2023 Republic Day is consistent with its pursuit of new-generation economic and strategic diplomacy. This column has argued that there are unexplored opportunities between the two countries involving international trade and macroeconomic and fiscal management. Egypt could contribute to India's energy security, while India could contribute to Egypt's food security, a major public policy challenge, exacerbated by the Ukraine conflict, and to taking advantage of the digital economy.

In the uncertain and fragile global economic, political, and security environment it is also useful for both countries to explore deeper and wider engagement, especially with India becoming Chairperson of the G20 group of countries with an agenda conducive for low and middle-income countries. The contribution of knowledge sharing between two friendly countries in addressing public policy challenges has not been given the recognition it deserves.

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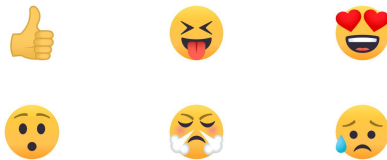
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