



Cabinet approves MoU between India and Korea for export credit of USD 9 billion

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved the proposed Memorandum of Understanding (MoU) between Export-Import Bank of India (EXIM Bank) and Export-Import Bank of Korea (KEXIM) for export credit of USD 9 billion for infrastructural development in India and for the supply of goods and services as part of projects in third countries.

The MoU is proposed to be signed between the two banks during the forthcoming visit of the Finance Minister Shri Arun Jaitley, to Seoul, Korea during 14-15 June 2017 for the Annual Financial Bilateral Dialogue. The decision is expected to promote the country's international exports, and deepen political and financial ties between India and Korea. The export credit will be utilized through lending by EXIM Bank for promoting projects for priority sectors, including smart cities, railways, power generation and transmission etc., in India and for the supply of goods and services from India and Korea as part of projects in third countries.

Implementation Strategy

Under the implementation strategy, the parties to the MoU will hold mutual consultations to structure the financial assistance, review the existing arrangements and related procedures. EXIM Bank will identify viable projects in India. For projects in third countries, both parties will jointly identify viable projects. It is understood from EXIM Bank that the USD 9 billion would be extended by KEXIM by way of Investment Credit (typically export credit facility to finance projects with a certain level of Korean import content and interest rates as per OECD export credit guidelines). This amount may also be utilized by KEXIM as the financier without the participation of EXIM Bank subject to satisfaction of the purpose.

The supply of goods and services from India and Korea as part of projects in third countries will be an additional avenue which this MoU will enable. It will help in exchanging mutual experience, sharing information on financing export and import operations, project assessment and knowledge generated in respective fields of activities.

Background

The Joint Statement issued in 2015 during the visit of the Prime Minister to the Republic of Korea stated that Korea intends to offer USD 10 billion of infrastructural development in India. The package was subsequently prepared to comprise of USD 1 billion from the South Korean Economic Development Cooperation Fund (EDCF) as government to government funding and USD 9 billion as export credit from KEXIM. The credit of USD 9 billion from KEDIM is to be through a formal MoU to be signed between KEXIM and EXIM Bank.

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