

Far and Wide

Every week we share selection of six news from six continents that we believe will impact our world in the near or distant future

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A Historic first: India and UAE settle crude oil transaction using national currencies

Welcome to the newest edition of Far and Wide, where we bring a collection of interesting stories and developments from around the world. Our lead story this week covers a bilateral achievement between India and UAE. The inaugural crude oil transaction between the Abu Dhabi National Oil Company (ADNOC) and the Indian Oil Corporation Limited (IOCL) marks a significant step not only bilaterally, but is indicative of the larger phenomenon of the de-dollarization of world economy. This groundbreaking deal, conducted under the newly introduced Local Currency Settlement (LCS) system, involved the sale of approximately 1 million barrels of crude oil. Both the Indian Rupees (INR) and the UAE Dirhams (AED) were utilized for the settlement process.

This became possible through the Local Currency Settlement wherein there is room to choose the payment currency based on mutual agreement. Moreover, the surplus balance in local currencies resulting from transactions can be invested in various local currency assets such as corporate bonds, government securities, and equity markets. A statement from the Indian mission in UAE said, "LCS is likely to have a transformational impact not only on the bilateral economic relationship but in the larger economic engagements across the world." The LCS mechanism was established as a result of a Memorandum of Understanding (MoU) exchanged during Prime Minister Narendra Modi's visit to UAE last month. While the oil transaction between ADNOC and IOCL is the second major exchange under the LCS, the first transaction was of gold. This transaction involved the sale of 25 kg of gold from a prominent UAE gold exporter to a buyer in India, with the invoice totalling approximately Rs 12.84 crore. This successful gold transaction demonstrated the feasibility and efficiency of the LCS mechanism. Why a deal on crude oil is even more important is because petroleum and petroleum products still constitute around 40% of the total bilateral trade by volume between the two countries.

We hope this story and the others in this edition of our newsletter will provoke thought and discussion among our readers.



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Two major European defence companies are vying for a substantial Rs 40,000 crore (**\$4.8 billion**) contract to construct submarines in India, with the country aiming to bolster its naval strength as a response to China's expanding maritime influence in the Indo-Pacific region. Indian officials are currently assessing bids to manufacture six submarines within the country. One proposal comes from **Thyssenkrupp AG in Germany, partnered with Mumbai's Mazagon Dock Shipbuilders Limited**. The other bid is from **Spain's Navantia, in collaboration with private shipyard Larsen & Toubro**.

The Indian Navy intends to prioritize the bid that offers the **most advanced and extensive technology transfer**. The Ministry of Defence, in its tender announcement, emphasized its desire for substantial technology sharing with Indian shipyards. This includes incorporating **air-independent propulsion technology**, which enhances the submarines' underwater endurance. Given the challenges posed by **Russia's supply limitations** due to ongoing geopolitical conflicts, India is seeking dependable alternatives for military hardware procurement. As part of the Quad alliance (alongside Japan, the US, and Australia), India is **positioning itself as a manufacturing hub** and striving for technology transfers to develop intricate defence systems, such as fighter jets and submarines.

Source: Business standard

https://www.business-standard.com/india-news/germany-and-spain-in-contest-for-4-8-billion-indian-submarine-deal-123081600196_1.html

India's aim is to modernize its naval fleet in response to China's growing maritime presence in the region, and to ensure its maritime security in the Indian Ocean. India's current fleet of **16 submarines is considered inadequate**, short of the requirement for at least 24 conventional submarines. The Ministry of Defence issued a tender last year, inviting global defence manufacturers to partner with Indian shipyards for the design, development, and manufacturing of diesel-electric-powered submarines. The long-term objective is to build **domestic capabilities for producing sophisticated defence systems**, marking a strategic move to safeguard India's maritime interests and maintain regional stability.



North America

US India Defence Cooperation – Deepening Strategic Engagement



Source: Economic Times

<https://economictimes.indiatimes.com/news/company/corporate-trends/us-india-defence-cooperation-deepening-strategic-engagement/articleshow/102715739.cms?from=mdr>

Prime Minister Narendra Modi highlighted the evolving partnership between India and the United States in defence cooperation during his address to the US Congress. He emphasized the broad spectrum of collaboration, spanning fields such as space, science, technology, trade, agriculture, and humanitarian efforts. India's recent agreements with the US, including the adoption of the **MQ-9B SeaGuardian remotely piloted aircraft system**, position India with increased influence and access in the coming decades. While India embraces new opportunities, it's crucial not to overlook the significance of strategic defence alliances in the Indo-Pacific and beyond. The MQ-9B SeaGuardian will **enhance India's intelligence gathering and operational capabilities**. These aircrafts can operate for **thirty hours**, offer exceptional intelligence detail, and **seamlessly integrate with various platforms**, contributing to collaborative efforts and decision-making.

In the context of the Quad alliance, India's partnership with **Japan**, a fellow MQ-9B operator, holds potential for deeper military cooperation. The **Quad's aim** is to maintain an **open and peaceful Indo-Pacific** region. India's growing capabilities, particularly with the MQ-9B, align well with the shared goals of this alliance, enabling enhanced information sharing, collaborative operations, and interoperability. MQ-9B's advantages lie in its ability to **extend India's operational reach at lower costs**. The aircraft's enhancements contribute to joint operations among the Indian, Japanese, Australian, and American forces. As fleets of **unmanned aircraft** expand, joint exercises and coordinated responses become more effective, ultimately promoting **regional stability**.

The technical advancements offered by MQ-9B support India's diplomatic influence in the Indo-Pacific region and globally. By leveraging these capabilities, India can play a more assertive role in protecting its interests and promoting global peace and stability.



South America

India's trade with Latin America approaching a volume of USD 50 billion: S Jaishankar

During his speech in the **Dominican Republic**, External Affairs Minister S Jaishankar highlighted the deepening globalization and broadening interests that have transformed India's engagement with Latin America, making it **no longer a distant region**. He noted that India's trade with Latin America is approaching **\$50 billion**, emphasizing the growing economic ties. Jaishankar outlined three themes in his speech: India's approach to securing its global interests, India's engagement with Latin America, and what India's role means for the Dominican Republic. The Indian export to **Brazil at USD 6.48 billion** is more than Japan at USD 6.18 billion. And that to **Mexico at USD 4.43 billion** is more than to Canada at USD 3.7 billion. In fact, with the Dominican Republic, Indian exports at USD 329 million is more than some ASEAN partners. Jaishankar highlighted significant exports to countries like Brazil and Mexico, signalling India's stronger economic presence in the region. He emphasized India's **investments**, particularly in the **energy sector**, as India today imports crude from **Brazil, Mexico, Colombia and Guyana**. He also emphasized India's growing political coordination with regional blocs like **CELAC, CARICOM, and SICA**. Indian presence in sectors like **IT, pharma and two-wheelers** is increasing in the region too. The External Affairs Minister emphasized India's **global ties in all directions**, including the Indo-Pacific region through mechanisms like the Quad and its comprehensive view of the Indian Ocean and its islands. He concluded by mentioning India's digital revolution, healthcare contributions during the pandemic, and **India's role as a central player in the global workplace**. The minister's visit to the Dominican Republic marked his first official trip to the country, where he engaged with diplomatic representatives and shared insights on India's global outlook.

Source: Economic Times

<https://economictimes.indiatimes.com/news/economy/foreign-trade/indias-trade-with-latin-america-approaching-a-volume-of-usd-50-billion-s-jaishankar/articleshow/99862477.cms?from=mdr>



Asia

A Historic first: India and UAE settle crude oil transaction using national currencies

The **Abu Dhabi National Oil Company (ADNOC)** and the **Indian Oil Corporation Limited (IOCL)** have achieved a significant milestone in bilateral economic ties by completing the **first-ever crude oil transaction under the newly introduced Local Currency Settlement (LCS)** system. This groundbreaking transaction involved the sale of about **1 million barrels** of crude oil, with both Indian Rupees (INR) and UAE Dirhams (AED) used for settlement. The LCS system, established through a Memorandum of Understanding exchanged during Prime Minister Narendra Modi's visit to the UAE in July, aims to **reduce transaction costs and time**, while also promoting the use of national currencies for cross-border transactions. This system grants traders the **flexibility** to choose the payment currency based on mutual agreement. **Surplus** balances resulting from transactions can be **invested** in local currency assets like corporate bonds, government securities, and equity markets. The ADNOC-IOCL oil transaction is the **second major exchange under the LCS mechanism**, with the first being a successful gold transaction involving a UAE gold exporter and an Indian buyer. This earlier **gold transaction** demonstrated the efficiency and feasibility of the LCS system.

Petroleum and petroleum products constitute a significant portion of the bilateral trade between India and the UAE. In the previous year, the trade in these products amounted to a **substantial \$35.10 billion, making up 41.4% of the total bilateral trade volume**. The UAE ranks as the **fourth-largest source of crude oil** and the **second-largest source of LNG and LPG for India**. The LCS mechanism is expected to have a transformative impact on the economic relationship between the two nations and global economic engagements at large.



Source: Wion

<https://www.wionews.com/india-news/historic-first-india-and-uae-settle-crude-oil-transaction-using-national-currencies-625523>



Australia

India's FTAs with UAE, Australia indicate high utilization for beneficiary sectors



Source: The Hindu Business Line

<https://www.thehindubusinessline.com/economy/indias-ftas-with-uae-australia-indicate-high-utilisation-for-beneficiary-sectors/article67190630.ece>

India's recent free trade agreements (FTAs) with the UAE and Australia have **shown promising utilization rates, particularly in sectors that have benefited from the elimination of tariffs**, according to government sources. The Commerce Department's data indicates that the utilization rate for the FTA with Australia is around **90%** for items where tariffs have been immediately eliminated, particularly those reduced from five per cent. With the UAE, certificates of origin issued suggest an average utilization rate of **over 50%** for the agreement. Indian exporters have reaped the benefits of the FTA with **Australia** in sectors like **readymade garments, certain engineering goods, marine products, specific food items, and nuclear reactor parts**. Meanwhile, the FTA with the **UAE** has primarily benefited Indian exporters in the **gems & jewellery sector**. This higher utilization rate is notable given India's history of FTAs with partners like ASEAN, Japan, and South Korea, which have faced criticism for their lower utilization rates, estimated to be between four per cent and 25 per cent. The improved utilization of these new FTAs is **attributed to the larger industry consultations** during negotiations and more extensive outreach programs to raise awareness about the agreements.



Africa

How India-Africa education cooperation is reaching new heights



Source: First Post

<https://www.firstpost.com/opinion/how-india-africa-education-cooperation-is-reaching-new-heights-12904212.html>

On July 6, 2023, a historic milestone in India-Africa education cooperation was achieved as **IIT-Madras signed a Memorandum of Understanding (MoU) with the government of Zanzibar to establish the first Indian Institute of Technology (IIT) campus outside India**. Named 'IIT Madras at Zanzibar', this initiative marks India's **commitment in uplifting the Global South**, particularly Africa. IIT Madras will collaborate with the Zanzibar government to develop the pedagogical elements, academic programs, curricula, and student selection criteria for the campus. The first batches, consisting of 50 undergraduate and 20 master's students, are expected to commence classes around October 2023. The degrees awarded will be from IIT Madras, while the government of Zanzibar-Tanzania will provide the funding.

India's dedication to Africa's educational needs dates back to **Jawaharlal Nehru**, who emphasized the importance of education in Africa. This commitment has continued through subsequent leaders, demonstrated by initiatives such as the **pledge of 50,000 scholarships** for African students during the **Third India-Africa Forum Summit**. Education is viewed as a means to promote self-reliance and sustainable development in African countries. **India Technical and Economic Cooperation (ITEC)**, launched in 1964, significantly impacted African professionals, helping many achieve prominent positions in their respective fields and even becoming ministers. ITEC offers **customized training** tailored to the specific requirements of project locations. Over time, ITEC's delivery strategy has evolved, including the launch of **e-ITEC courses** in 2019, which gained even more popularity during the COVID-19 pandemic. **E-Vidyabharati**, originally envisioned by **APJ Abdul Kalam** as **Pan African e-Network Project (PANEP)**, has promoted tele-education and telemedicine across 47 African countries and has been facilitated by the **Telecommunications Consultants India Limited (TCIL)**.