



# india - africa

Reinvigorating Partnership, Strengthening Ties

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## India-Africa Trade Relations: The Way Ahead

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**T**he growing India-Africa partnership assumes critical significance in an increasingly inter-connected, inter-dependent

world. The partnership is unique in many ways. For one, it represents the hopes and aspirations of over 2 billion people who live in the two regions. Hence, every dimension of the partnership is underpinned by significant developmental initiatives.

The India-Africa partnership is a stellar example of multi-pronged South-South Cooperation, straddling the traditional and emerging areas of cooperation alike. Since the turn of the Millennium, this bilateral partnership has grown manifold, encompassing cooperation endeavors in diverse areas like manufacturing competitiveness, innovation & R&D, physical infrastructure development, food and energy security, environmental safeguards, and human capital formation.

India-Africa bilateral trade volumes grew from a mere \$1 billion in 2001 to \$71.4 billion in 2014-15. The rapid growth in bilateral trade flows has come about because both Indian and African governments have systematically brought down the barriers to seamless bilateral trade flows, by dismantling various tariff and non-tariff barriers. What is most gratifying is that the private sectors in both



regions have been at the helm of various trade promotion and facilitation initiatives.

Simultaneously, Indian private investments in Africa have surged with 'big ticket' investments in the telecommunications, IT, energy, and automobiles sectors. Capital investments from India to Africa have grown to US\$ 54.5 billion between 2003 and 2014.

In stepping up the bilateral trade volumes, India has been extremely conscious of the expectation of African economies. Therefore, India has steadily opened up its markets to African exports. The results speak for themselves. Africa's trade surplus with India has increased rapidly, albeit driven in large part by a

narrow range of suppliers and commodities.

While the two-way trade and investment ties have deepened, the future potential is much higher. With the changing architecture of global trade agreements, the focus is shifting towards creating value-chain and investment-led trade. The Indian private sector can leverage available institutional mechanisms to further deepen its trade and economic footprint in African nations.

An investment-led trade approach could help sustain the dynamic trade growth between India and Africa, and help extend trade both in terms of the number of partners involved and also the

range of goods and services traded. Investments for joint ventures between the countries would best open up the route for enhancing goods trade.

Removing bottlenecks to Indian investments, including, protection of investments through e.g. Bilateral Investment Treaties (BITs), access to capital, improved business environment, is imperative to ensure that Africa moves to a sustainable investment-led development model.

In addition, there should be strong engagement among India and African countries across diverse services sectors. India has comparative advantage in many services sectors, including, ICT,

step up their exports to India is through the effective utilisation of India's DFTP (Duty-Free Tariff Preference) scheme, the genesis of which goes back to the first India-Africa Forum Summit in 2008. DFTP is a unilateral duty free market access scheme, which India has provided to all least developed countries, including 34 in Africa. Since it came into force in August 2008, only a few African LDCs have managed to increase their exports to India, notably Tanzania.

Contrary to similar schemes provided by some other developing countries, the DFTP programme offers much deeper market access into India. After the amendment of the DFTP scheme in April 2014, its coverage has gone beyond 98 per cent of India's total tariff lines.

In other words, it means that, barring 211 tariff lines, India provides duty free market access to African LDCs in the Indian market on all remaining products.

The second important instrument is the EXIM Bank/Government of India's Lines of Credit (LoC). Undoubtedly, LOCs have helped Indian companies enter the African market as well as expand their footprint in the continent. This is evident from the fact that LOCs to African countries constitute 60 per cent of all LOCs. However, there is still a gap between LOC commitments and actual disbursement, which needs to be bridged.

In addition, in the emerging global economic order, African countries need to focus on private sector development and

comparative advantage as transformative tools and India could be an able partner in this quest. Indian companies who wish to enter Africa - on their part - should be guided by three key objectives. These include:

- >> Delivering social equity
- >> Creating economic prosperity
- >> Environmental protection.

Indian industry believes that Africa is an ideal base for those companies that are aiming to globalise their operations. Indian companies could tap into an estimated \$150 billion worth of business opportunities in Africa in the period up to year 2025.

In order to address these issues, CII is organising the 11th CII EXIM Bank Conclave on India Africa Project Partnership in New Delhi on March 14-15. Ministers, Government officials and businessmen from 27 African countries are participating at the Conclave. Nigeria is the 'Partner Country' for the Conclave, and a high-level delegation led by Prof. Yemi Osinbajo, Vice President, Federal Republic of Nigeria, is participating in the Conclave. Ghana is the 'Guest Country' for the Conclave and the delegation is led by Kwesi Amissah-Arthur, Vice President of the Republic of Ghana. Other senior level dignitary includes James Wani Igga, Vice President of South Sudan, who has confirmed his participation in the Conclave with a high level delegation. The Conclave will act as a natural follow-up of the India-Africa Business Forum which was held in October 2015.

Like all previous editions of the Conclave, this year the deliberations will focus upon potential areas for bilateral economic and business partnerships, core capabilities of Indian and African enterprises and opportunities for joint ventures thereof, innovative financing of major development projects, skill development, capacity building, among others

education, vocational skills development, health and financial services in which Indian investments will serve the continent well.

A key mechanism by which African countries could utilise