

# The continent of opportunities

Healthy ties and improved infrastructure make the African continent ripe and right for Indian industry



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The African continent today represents new horizons and opportunities for Indian industry, in light of rising per capita incomes, new infrastructure and connectivity networks, and the expanding reach of technology.

The economy is expected to expand from a GDP of \$2 trillion to \$2.6 trillion by 2020, with a consumer base amounting to \$1.4 trillion. The pace of growth is forecast at around 6 per cent annually for the next decade, bolstered by young demographics. Sub-Saharan Africa is projected to be home to one-fourth of the world's population under the age of 25 by the end of this decade.

The IMF expects GDP growth to accelerate to 6.5 in 2014, driven by robust commodity prices, inflow of foreign capital, and domestic consumption and infrastructure spending. The continent has also benefited from a strong commitment by African governments to structural reforms and prudent macroeconomic policies. Roads, bridges, airports and other facilities are being built through pan-African institutions with a strategic vision for integration.

## Strong links

India is fortunate to have a strong and close friendship with countries of the African continent based on shared historical experiences. India has always demonstrated strong optimism regarding the potential

of the African continent and has seen itself as a significant stakeholder in its progress.

The Indian government has taken several initiatives over the recent past to strengthen the bilateral engagement, instituting platforms for dialogue and cooperation such as the Pan-African e-Network, the Focus Africa programme, and the India-Brazil-South Africa process. The India-Africa forum summits have imparted further impetus to this endeavour. The CII-Exim Bank India-Africa partnership conclave series, started in 2005, has facilitated project cooperation through its nine editions, the last of which brought together almost 900 delegates to discuss project proposals worth close to \$70 billion.

India's economic engagement with Africa goes beyond trade and investment to extend to innovative domains such as alternative energy, organic farming, medical expertise, skill development and technology partnerships. Africa's natural and human resources resonate well with India's capacities to convert them into productive assets.

Indian companies in Africa have earned goodwill for their long-term strategic engagement to work with communities and people. 'Affordable, adaptable and accessible' goods and services have been considered the road to successful ventures in Africa.

## Burgeoning trade

As a result, trade has skyrocketed from less than \$5 billion in 2000-2001 to over \$70 billion in 2012-13. India's exports to Africa have almost trebled from \$10.3 billion in 2006-07 to \$29.1 billion in 2012-13, and reached 10 per cent of aggregate exports in April-December 2013-14. The export profile is well-diversified and top export items in-



Mining matters India must take advantage of what Africa offers BLOOMBERG

clude petroleum products, transport equipment, pharmaceuticals and fine chemicals, and machinery. The export destinations too are wide-based, with eight countries accounting for over a billion dollars worth of exports each.

India's imports from Africa too are growing robustly, crossing \$44 billion in 2011-12.

The country is Africa's fourth largest trading partner, and accounts for over 5 per cent of Africa's trade. Given India's dependence on crude oil and gold, Nigeria and South Africa accounted for about half of total imports. Coal, metals and inorganic chemicals are among the top five import items.

The most encouraging feature of the economic partnership is the strong pipeline of investments that Indian companies have undertaken in Africa, across sectors such as FMCG, mining and minerals, telecommunications, construction and projects, among others. It is estimated that acquisitions by Indian companies accounted for a third of the total value of acquisitions in Sub-Saharan Africa in 2010. India's

approved cumulative investments from April 1996 to March 2013 are estimated to be \$37.8 billion.

## Upping the ante

While bilateral trade has been increasing, it is concentrated on a few products at the low end of the value chain. Africa enjoys a trade surplus of close to \$12 billion vis-à-vis India, but this is due to primary commodity exports, including fuel and precious items. We need to take measures to expand the trade basket to include more value-added products. The Exim Bank has 129 lines of credit in operation as of December 2013, amounting to \$6 billion for projects in 45 African countries. These LoCs facilitate imports of project equipment and services from India in infrastructure and manufacturing.

Two, trade needs to be regionally diversified. India's four largest trade partners in Africa account for close to 70 per cent of India-Africa trade, primarily due to fuel and gold. In particular, Central and southern Africa deserve special attention for investments and sourc-

ing. Three, investment-led trade is the way forward for expanding and diversifying the trade basket. Indian companies need to explore mining opportunities in particular and expand their stakes.

Four, economic cooperation must embrace the services sector. Sectors such as tourism, financial services, transport and logistics, and knowledge areas would benefit from institutional mechanisms for greater connectivity. Healthcare too has high potential.

Five, human resource development continues to be high on the agenda. The Indian government offers scholarships to 22,000 African students, tele-education and capacity building through 100 institutions. CII organises the industrial services training programmes for capacity building of African chambers of commerce, and the India Africa technology partnership programme for better technology absorption capacities.

## Eye on the target

India and Africa have set a trade target of \$90 billion by 2015, which may be difficult to achieve given the current global scenario. India would need to enhance its trade agreements with the different regional economic blocs in Africa to integrate into local supply chains. We should also target participation in Africa's North-south corridor, the upcoming integrated transport infrastructure system.

Two other areas that governments of both sides should examine are the enhanced participation of Indian consultants in African development projects and the greater presence of Indian financial institutions in Africa's capital markets.

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