

A MAKEOVER FOR INDIA-AFRICA ECONOMIC TIES

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The India-Africa partnership is set for a major makeover as both sides seek economic self-reliance to insulate their respective economies from external shocks. India's reforms process resonates with Africa's aspirations of accelerating its infrastructure development, manufacturing growth, farm sector modernisation, services sector expansion, digital transformation and reliable healthcare services to build self-sufficiency.

Over the years, India's model of cooperation with Africa has been demand-driven, consultative and participative, involving local resources, supported by capacity-building initiatives, and based on Africa's own prioritisation of its needs. The Indian government and industry recognise Africa's pursuance of "Africa-owned" and "Africa-led" development. Therefore, our nation's engagement with Africa is governed by the overarching goal of enhancing the region's self-reliance.

Today, as the landmark African Continental Free Trade Area (AfCFTA) gains ground after coming into effect on 1 January 2021, India is keen to play a partnership role by participating strongly in physical infrastructure de-

velopment projects that are vital for expanding intra-regional trade. The continental FTA is expected to push up intra-regional trade from the current level of about 17% of Africa's total trade to an estimated 52% in a five-year period with removal of tariffs on 90% of the goods. Indian industry would be encouraged to establish businesses in the 230 special economic zones (SEZs) in Africa and benefit from the wider market access that the AfCFTA promises to deliver, while contributing to the strengthening of regional value chains that are vital to Africa's industrialisation.

At the 16th CII EXIM Bank Conclave on India-Africa Project Partnerships, the Indian industry emphasised the need to develop strategies to step up investments in African infrastructure projects, going beyond the government's lines of credit (LoCs). Public-private partnership (PPP) would be the preferred route for Indian companies channelling investments in Africa's infrastructure sector and bankable projects can be offered by African countries for this. In recent years, there has also been a felt need for more innovative financing mech-

anisms to encourage Indian companies to establish and grow their footprint in Africa. The deployment of debt funds, pensions funds, green and blue bonds for environment-sensitive projects, among others, needs to be considered. This may be accompanied by initiatives to deepen Africa's equity and debt markets.

Manufacturing growth is critical to Africa's economic self-reliance and sustained GDP growth. African governments are emphatically urging Indian industry to invest in their manufacturing industries and leverage the benefits of doing business in the unified market of the AfCFTA. However, there are regulations pertaining to rules of origin and non-tariff barriers that need to be harmonised by the AfCFTA Secretariat in sync with India.

The Comprehensive Economic Cooperation and Partnership Agreement (CECPA) signed by India and Mauritius is another major milestone in the annals of the India-Africa partnership. This is



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the first FTA that India has signed with an African country; more could be negotiated between India and different African governments in the future. At the recently held 16th CII EXIM Bank Conclave, trade ministers participating in the deliberations suggested that India and the African Union may explore the opportunity of negotiating a comprehensive free trade agreement in the not-too-distant future.

It is pertinent to note that over the last 20 years, India's trade with Africa grew several fold, from about \$1.5 billion in 2000 to a high of \$71.4 billion in 2014-15. However, in the last 10 years, bilateral trade growth largely moved sideways, recording a decline to \$62.8 billion in 2017-18 and \$55.9 billion in 2020-21. This is despite India being Africa's third largest trade partner.

The range-bound trade growth may be attributed to lack of diversification of the bilateral trade basket as well as limited geographical diversification. Five African countries exporting to India command over 66% share of the total exports, whereas the remaining 50 countries have a mere 33% share of the export pie.

In this scenario, it is incumbent on India and particularly the least developing countries (LDCs) of Africa to deepen and broaden bilateral trade flows, whereby all 34 African LDCs effectively utilise the duty-free tariff preference (DFTP) scheme that Government

of India offers to them. The DFTP scheme would be best leveraged when the beneficiary economies develop their manufacturing sectors and target Indian markets for value-added goods.

The pandemic has also set in motion Africa's call to Indian industry for directing investments in the region's public healthcare infrastructure and systems, drugs and pharmaceuticals production capacities, and tertiary healthcare facilities, while also collaborating for creating capacity for vaccine production.

India is also helping Africa to bridge the digital divide through the second phase of the pan-Africa e-Network project—e-VidyaBharati and e-ArogyaBharati Network Project. These aim to provide five years of free tele-education to 4,000 students, free medical education to 1,000 doctors/nurses/paramedics and free medical consultancy.

The India-Africa bilateral partnership would be greatly supported by deep cooperation to reinforce food and energy security of both regions. Toward this, Africa's enhanced participation in the International Solar Alliance (ISA) will be a great step forward.

A great future indeed beckons the enduring India-Africa partnership as the world braces for the post-pandemic new normal. We can look forward to the Africa Century that is co-terminus with the Asia Century.

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