

TRADE RELATIONS BETWEEN INDIA AND AFRICA: A STUDY

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ABSTRACT

Africa and India are separated by the Indian Ocean .The geographical proximity between the horn of Africa and the Indian sub – continent has played an important role in the development of the relationship since ancient times.

India has emerged as Africa's the largest trade partner behind China, EU & USA whilst Africa emerged as India's sixth the largest trading partner behind EU, China, UAE, USA & ASEAN. There are three elements to India's trade relations with Africa – increasing the volume of imports and exports between the two countries; Government support to the private sector, the diverse nature of India's economic engagement both government and Private, with Africa.

Bilateral trade jumped from \$5.3 billion in 2001 and \$90 billion by 2015 and it would increase \$500 billion by 2020. This is almost five times more than that of 2015. Regarding the imports and exports, African exports to India are growing at a rate of 32 % annually, with Indian exports to Africa at a rate of 23%. The top six African exports to India are Nigeria, South Africa, Angola, Egypt, Algeria and Morocco and account for 89% of total African exports by value to India, mainly due to exports of oil, gas, ores and gold. Trade is significantly more diversified across African countries at the product level and all exports from India seem to have some degree of technological input. The major challenges faced by exporters and importers from India and Africa are primarily : transport and logistics costs: poor business environment (lack of ease of doing business); corrupt practices; and access to trade finance. The major threat to India's trade relations with Africa is the pressure of China, USA and EU in Africa. Regarding trade strategy of USA is to reduce dependence of middle- east oil and hence they went for greater purchase of oil from Africa. China also has been offering soft loans which are being lapped up by capital starved African nations. The paper attempts the origin of India-Africa trade relations, its evolutionary growth, constraints in India-Africa trade and also what are the threats to it from the global competition especially from USA, China and EU.

Need of the study:

India- Africa relations are age old and it had date backed to BC. Lot of research already done on India-Africa relations. Now i would like to publish the paper on India-Africa trade relations in the post-cold war era because due to the globalization the volume of growth rate in India-Africa trade steadily increased especially in the Post 2000 era. So the paper attempt the following areas such as the recent trends in India-Africa trade relations, the favourable conditions in India-Africa trade growth and also what are the efforts taken by India in this regard. The paper also analyse the various constraints regarding India-Africa trade relations and also gives some remedies to overcome the constraints.

HYPOTHESIS

- To examine the brief historical background of India-Africa relations.
- To explore the brief political relations between India and Africa.
- To analyse the evolution of trade relations of India-Africa.
- To trace out the initiatives by India for trade development with Africa.
- To study the constraints and remedies to India-Africa trade.

INTRODUCTION

India and Africa have the age old relations. Africa and India are separated by the Indian Ocean. The geographical proximity between the horn of Africa and the Indian sub-continent has played an important role in the development of the relationship since ancient times. Little is known about contents made between Indians and Africans before the first century. The only surviving source is “Periplus of the Erythraean Sea” which dates to mid – first century – refers to trade relations between the kingdom of “Aksum” and ancient India around the first millennium. Helped by the monsoon winds, merchants traded cotton, glass bead sand, other goods in exchange for gold and soft carved ivory¹

Indian and Africa share deep social and economic relations dating back thousands of years when Indian traders first sailed to the east coast of Africa in search of agricultural and animal products, gems and minerals. The history of colonialism saw large inflows of Indian labourers and migrants to several African countries with large Indian communities settling in East and Southern Africa as well as the Island states of Mauritius and Madagascar.

HISTORICAL RELATIONS OF INDIA-AFRICA

India's relations with Africa date back several centuries. The presence of Indians in East Africa is documented in the “Periplus of Erythraean Sea” or “Guidebook of the Red Sea” by an ancient Greek author written in 60AD. The geographical proximity and easy navigability in Indian Ocean resulted in well-established trade network between India and Swahili Coast predating European exploration. During the Islamic age several African ambassadors were visited the courts of Mogul and Nizam. And more concrete relations emerged between India and Africa which is evident through the accounts of Venetian traveller Marco Polo¹. During the colonialism period saw large inflows of Indian labours and migrants to several African countries with large Indian communities settling in East and Southern Africa as well as Island States of Mauritius and Madagascar.

POLITICAL RELATIONS

Political connection between India and Africa started during the colonial era was through M.K. Gandhi who began his political career in South Africa, became the leader of colonized and established Indian Natal Congress in 1894. After India got independence, it raised voice for African Liberation taking their case to all the available international forums. End of racial struggle and decolonization became the rallying point of India-Africa relations. India was a forerunner as a champion of the interest of the developing countries from Africa, particularly through the Bandung Declaration of 1955, the Group of 77 and the Non Aligned Movement(NAM). India's policy of NAM provided the world with the third front at the time of heightened cold war rivalry between USA and USSR, where African nations acted as the strengthening factor. India acted on behalf of NAM in the UNO to fight against the apartheid policy which was practiced in South Africa and in Namibia. Now a large chunk of Indian diasporas continues to live in African countries such as Kenya, Uganda, Mauritius and Nigeria.²

TRADE RELATIONS

Trade relations between India and Africa started dating back thousands of years when Indian traders first sailed to the east coast of Africa in search of agricultural and animal products, gems and minerals. The establishment of the Omani Suzerainty in the 17th century over Zanzibar and its hinterland reinforced this relationship and some Indian merchants business owners who live in Eastern Africa today trace their roots to this period.

Trade relations between India and Africa after independence reflected their shared Colonial Past with Europe remaining the main trading partner. However, over the last decade and with the emergence of the Global South, bilateral trade between Indian and Africa has recorded impressive growth with India emerging as Africa's fourth largest trading partner after China, USA and EU. This has been supported by the govt. Of

India including “Focus Africa” launched in March, 2002, “India’s Duty-Free Tariff Preference Scheme (DFTP)” in 2008, the institution of “India-Africa Summits” and Private Sector led Conclaves. These initiatives have succeeded in lifting bilateral trade and investment flows between the two historical partners to new heights. These were called trade initiatives between India-Africa. These are reviewed hereunder:

FOCUSS AFRICA-2002

This programme initiated for export promotion Africa from India. Under this programme the govt. of India has added 17 more countries taking the total number to 24. Under the wider scope of this programme all the countries of Africa where India has diplomatic missions out of total 54 in the continent, have been brought under the programme. Apart from increasing the number of countries the overall strategy had been trying to create market for India. In this regard National Centre for Trade Information had also prepared list of top ten imported items in the African continent. Connecting on the areas identified for exports on the feedback from commercial counsellors in Indian missions there is large emphasis on turnkey project exports especially in rail, telecom and other infrastructure sectors where multilateral grant was available. As part of this initiative, India-Africa Health Summit is also being planned which is likely to be held in Sep. 2002, as the continent held enormous potential for Indian pharmaceutical and healthcare sector.

BRICS

BRICS is the acronym of for an association of five major developing economies ; Brazil, Russia, India, China and South Africa. The BRICS members are known for their significant influence on regional and global affairs – all are members of G-20, for example. since 2009, BRICS have met annually at formal summits. These summits serve as platforms for strengthening economic, commercial, cultural and political cooperation. To mobilise resources for infrastructure and sustainable development projects in BRICS and other emerging and developing market economies, the BRICS established the “New Development Bank” in 2015, to support the development of public and private investment projects through loans, guarantees, equity participation and others approaches and to collaborative with international organisations and other financial entities, and to provide technical assistance for projects to be supported by the Bank.

INDIA-AFRICA FORUM SUMMIT (IAFS)

It is the official platform for strengthening India – Africa relations. The first summit was held in 2008 in New Delhi, India and brought together the heads of state and government of India and 14 African countries. The second summit was held in 2011 in Addis Ababa in Ethiopia, with 15 African countries, while the third summit held in 2015, in New Delhi once more, saw the participation of 41 African leaders. These summits provide an opportunity for leaders to discuss important aspects of the growing India-Africa partnership with the objective of enhancing and widening its ambit for mutual benefit.

The 2011 summit resulted in the establishment of the “India – Africa Trade Ministerial Dialogue” an annual ministerial platform to discuss trade related bilateral issues and assess the progress of development cooperation set out in summits. More recently, the Indian Commerce Ministry formulated a comprehensive action plan to boost India’s trade with Africa³.

DUTY-FREE TARIFF PREFERENCE (DFTP)

This scheme was launched by India in 2008, under which duty free market access is afforded to all least developed countries (LDCs). The scheme implemented in phases, has been fully operational since October, 2012. The DFTP, which was amended in April, 2015, provides zero duty market access to LDCs on 96% of tariff lines (4994 products) with an additional 2.2% (114 products) subject to preferential rates. To make the scheme more attractive to African LDCs, the Indian government amended the exclusion and margin

of preference lists in 2014. The exclusion list was written down to 97 items and the margin of preference list was reduced to 114 tariff lines.

While a large number of products of interest for African LDCs are covered by the scheme. The exclusion list still excludes some products where African LDCs have strong export potential. For instance, fruit and vegetable products remain on the exclusion list as do wood products, base metals, processed cashew nuts, beverages, coffee, copper and related products (ex. Bars, rods, cathodes, waste and scrap). The 2018 joint report by the UN Economic Commission for Africa (UNECA) and the Confederation of Indian Industry (CII) shows that products on the exclusion list accounted for a significant proportion of total exports of several African countries including Burundi, Ethiopia, Rwanda, Uganda, Malawi, and Zambia, with only a small share of these products exported to India. This is despite the fact that India imports a substantial amount of these products, mainly from outside Africa. The report argues that extending the DFTA to 100% of the products would provide better opportunities for African exporters without necessarily affecting Indian products⁴.

INDIAN PRIVATE SECTOR LED CONCLAVES

These have been active in Africa for the last few years, mobilising government, institutional and private institutions, forging stronger public – private partnerships and joint venture initiatives between Africa and Indian firms. In particular the annual confederation of Indian Industry (CII), EXIM Bank, India Africa project partnership conclaves have developed into a platform for private business communities and government enterprises to find a credible access point for appropriate technologies and partners. The first conclave was held in 2005, and the latest (13th) conclave was held in March 2018.

These conclaves have emerged as the key event in building partnerships and enhancing the economic engagement between the two regions, especially private economic actors. The increasing participation of African countries in the conclaves and the growing relevance of the platform has given shape to policy dialogues of the govt. of India, Exim Bank and Industry. Increasingly it is also shaping policy dialogue within Africa.

INDIA'S CONTRIBUTION TO AFRICA IN OTHER AREAS

India is extending its contribution to Africa not only trade and commerce but other areas also such as health, digital technology and e-education etc. These are reviewed hereunder.

Health: Africa is a continent which receives nearly 20% of our pharmaceuticals. India hosted the first India-Africa Health Sciences Meet in 2015. Many of Indian pharma companies have established units in various parts of Africa, including Ethiopia, Uganda, DRC, Zambia and Ghana. Our medicines and medical equipment such as Bhabhatrons and phototherapy machines are saving lives in Africa. Many of Indian hospitals have entered into joint ventures for establishing health care facilities.

e- Education: India is helping the African countries to bridge the digital divide. India have launched 2nd phase of the pan Africa e-Network project, e-Vidhya Bharati and e-Aroghya Bharati (E-VBAB) Network project, which aims to provide 5 years free tele- education to 4000 students, free medical education to 1000 doctors/nurses/paramedics and free medical consultancy. Every year thousands of bright minds from African continent come on self-financing basis to Indian universities and colleges. These young people show the world that Africa has the drive to forge a new future. As many as current or former presidents, prime ministers and vice presidents in Africa have attended educational or training institutions in India. The list includes current presidents of Nigeria and Mozambique and vice president of Tanzania. Six current or former chiefs of armed forces in Africa trained in India's military institutions.⁵

Recent Trends in India – Africa Trade:

Bilateral trade between India and Africa has grown steadily over the years, characterised by the rise of both India and Africa's corresponding trading activities. Bilateral trade volumes have increased from just \$7.2 billion in 2001 to peak at \$78 billion in 2014, before falling \$59.9 billion in 2017. The decline in trade observed after 2014 and mainly reflects the lingering effect of plummeting commodity prices and the synchronous slowdown in global economic activity after the end of the commodity super cycle in mid 2014.

The strong growth in bilateral trade has been driven by growth in exports and imports. India's exports to Africa grew by a Compound Annual Growth Rate (CAGR) of 14.3% after 2001 to reach \$23.8 billion in 2017, up from \$2.8 billion in 2001. Export to Africa now account for 8.0 per cent of India's total exports and 4.6% of Africa's imports. During the same period Africa's exports to India grew at a CAGR of 14.1% increasing to \$36.0 billion in 2017, up from \$4.4 billion in 2001, with Africa now accounting for 8 % of India's Global imports and India now accounting for 8.7% of Africa's global exports. Over this period, Africa has enjoyed a trade surplus with India peaking at \$18.6 billion in 2011 before narrowing to \$12.2.billion in 2017, largely as a result of decline in global oil prices.⁶

CONSTRAINTS IN INDIA-AFRICA TRADE

Despite the huge increase in trade between India and Africa over the last decade, the two sides are not yet operating at their full potential, constrained as they are by the following factors.

- Limited access to trade finance.
- Transport and logistics costs.
- Poor business environment (lack of ease of doing business).
- Corrupt practices.
- Weak infrastructure and supply-side capacities.
- Weakening trade complementaries.
- Market access issues.
- Inappropriate trade and investment policies in most African countries.
- Limited market information and knowledge.

Suggesting the following remedies to the constraints of India- Africa trade are:

- Setting up of Indian Banks/ financial institutions in Africa.
- Enhanced buyers' Credit facility for promotion of trade between the two regions.
- Reviewing and liberalizing visa policies from both sides.
- Need for direct flights between India and African countries.
- Exploring possibility of rupee trade to address the issue of shortage of dollars in the regions.
- Creation of common database of buyer-suppliers in the two regions for facilitating matchmaking for enhancement of bilateral trade.
- Development of a robust trade dispute settlement mechanism.
- More frequent and structured country/sector specific trade exhibitions in Africa.
- Establishment of country chapters of FICCI or CII in Africa.
- Frequent visits of policy makers, Chamber of Commerce and investors for familiarization with local business and investment regime for informed decisions.
- Curb the corrupt practices in trade.

CONCLUSION

India and African continent today represent two vibrant and development oriented economies of the world. Indians expanding economic engagement with Africa is both a cause and consequence of African economies showing impressive growth rate, averaging over 5% in the last decade. It is likely that India will emerge as an

important export destination for several countries in African continent in the future and this will help to generate income and employment through export opportunities. However, much remains to be done to transform the production capacity of African economies to take advantage of India's growing independence with global economy.

The host of initiatives taken under the IAFS and the Plan of Action (POA) in 2008, 2011 and 2015 has led to a vibrant economic engagement between India and Africa. India has placed a lot of emphasis on agriculture, trade, industry and investment, finance, regional integration and small medium scale enterprises (SMES)

Therefore, it can be summed up that both India and Africa offer opportunities for each other to enhance mutual cooperation and diversify their trade and investment relations. The increase in economic cooperation has helped to open up new avenues of cooperation between India and Africa. In order to improve the trade between India and Africa there is a need to remove both levels such as protection of investments, access to capital and an improved business environment.

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