

India's bilateral trade with Africa continent- an analytical survey

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ABSTRACT

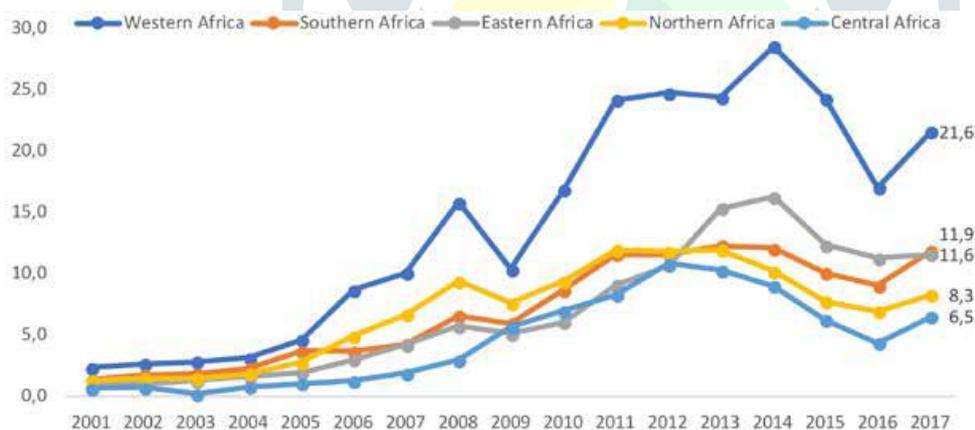
India and Africa share deep social and economic relations dating back thousands of years when Indian traders first sailed to the east coast of Africa in search of agricultural and animal products, gems and minerals. The establishment of the Omani suzerainty in the 17th century over Zanzibar and its hinterland reinforced this relationship, and some Indian merchants and 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 India and Africa has recorded impressive growth with India emerging as Africa's fourth-largest trading partner. This has been supported by various initiatives undertaken by the government of India, including "Focus Africa" launched in March 2002, which aims at increasing interactions between the two regions through bilateral trade and investment;¹ India's Duty-Free Tariff Preference scheme for the Least Developed Countries in 2008; and 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.

BACKGROUND

Bilateral trade between India and Africa has grown steadily over the years, characterized by the rise of both India and Africa's corresponding trading activities. of bilateral trade. Bilateral trade volumes have increased from just US\$ 7.2 billion in 2001 to peak at US\$ 78 billion in 2014, before falling to US\$ 59.9 billion in 2017. The decline in trade observed after 2014 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. Despite these developments, bilateral trade has recorded an average compound annual growth rate (CAGR) of 14.2 percent over the period, with India-Africa trade accounting for 8 percent of India's total trade and 6.4 percent of Africa's in 2017, against 7.6 percent and 2.7 percent, respectively, in 2001. The strong growth in bilateral trade has been driven by growth in exports and imports. India's exports to Africa grew by a CAGR of 14.3 percent after 2001 to reach US\$ 23.8 billion in 2017, up from US\$ 2.8 billion in 2001. The growth in India-Africa trade since the early 2000s has seen a shift in the composition of India's export basket to Africa. In 2017, this basket was dominated by petroleum products, medicine and pharmaceutical products, and road vehicles which together accounted for 38.8 percent of India's exports to Africa. Trend analysis shows that the share of textile yarns- a dominant product of India's exports to Africa in

the early 2000s- declined, while petroleum products have gained prominence.² At the same time there has been diversification of traded components in the non-oil and non-pharmaceutical segments. South Africa, Mozambique, Mauritius, Kenya, and Tanzania accounted for over 82 percent of India's exports of petroleum products to Africa in 2017. India's dependency on Africa's natural resources is shown in the import component of India from the region. The share of petroleum (mostly crude) in India's imports from Africa increased from around one-third in 2001 to over two thirds in 2011, which then fell due to the fall in oil prices. Nigeria and Angola are the major sources of petroleum, supplying 61.6 percent and 20.3 percent, respectively, of India's total imports of the product from Africa in 2017. The share of gold, which is the second-largest import from Africa, remains high. Whereas India depended solely on South Africa for its gold imports in 2001, by 2017, the share of South Africa fell to 22.8 percent, with Ghana (48.4 percent) and Tanzania (12.3 percent) emerging as new major exporters of gold to India. In this article, a trade analysis is carried out for the five regions of Africa—Eastern Africa, Western Africa, Northern Africa, Southern Africa and Central Africa. Given the dominance of petroleum in bilateral trade, India's trade with Africa has unsurprisingly been dominated by trade with the Western African region. However, over the last decade interactions with all the regions of Africa have increased, led mainly by Northern and Southern Africa. The last decade also witnessed the growing importance of the Eastern African regions India's trading partner in Africa.

India's Trade with all five Regions in Africa (US\$ billion)



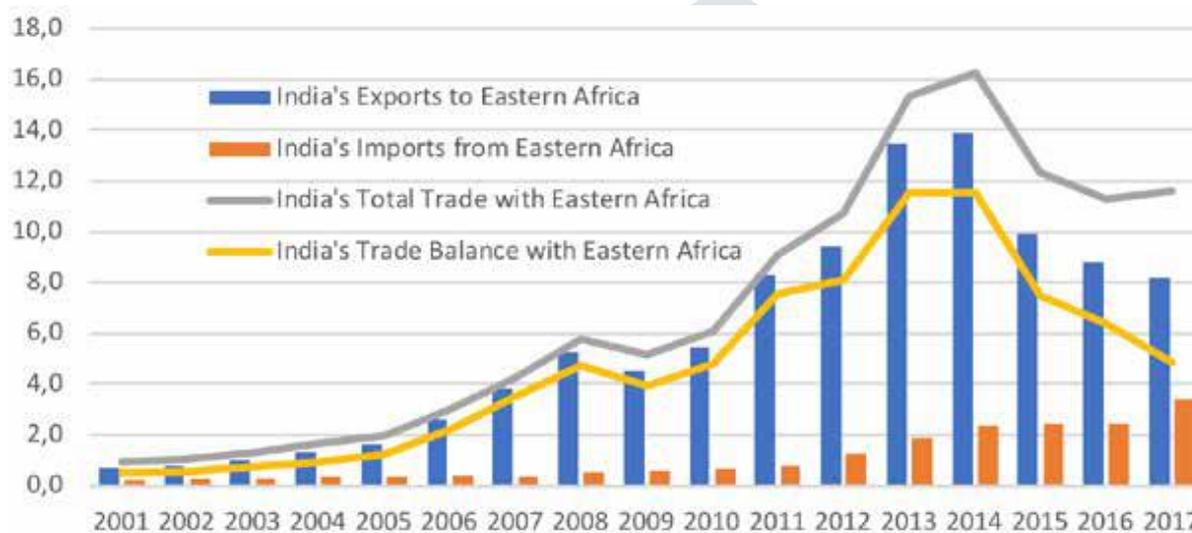
Source: Afreximbank research (2018); Exim India research; UNCTAD stat.

INDIA'S TRADE WITH EASTERN AFRICA

Eastern Africa has become India's largest export destination among the African regions with its share increasing from 29.7% in 2001 to 34.5% in 2017.³ India's total trade with Eastern African countries has strengthened, increasing from a meagre US\$ 0.9 billion in 2001 to US\$ 11.6 billion in 2017, peaking at US\$ 16.3 billion in 2014 and marking a CAGR of 17 percent. This growth was driven by India's growing exports to the region, which expanded from US\$ 0.7 billion in 2001 to US\$ 8.2 billion in 2017. India's major exports to Eastern Africa include: petroleum, petroleum products and related materials, accounting for 25.6 percent of India's total exports to the region in 2017, and exported mainly to Kenya, Tanzania, Mozambique and

Mauritius; medicinal and pharmaceutical products (15.2 percent), exported mainly to Kenya, Tanzania, Uganda and Ethiopia; and road vehicles (5.8 percent), exported mainly to Kenya, Ethiopia, Tanzania and Uganda. India's top imports from Eastern Africa include coal, coke and briquettes, mainly from Mozambique; gold, mainly from Tanzania; non-ferrous metals, mainly from Zambia and Madagascar; and vegetables and fruits, which are sourced mainly from Tanzania, Mozambique, Kenya and Malawi. The shares in imports of these commodities have also varied quite a lot. While there have been large increases in shares of coal, coke and briquettes (0.6 percent in 2001 to 30.8 percent in 2017), gold (0 percent in 2001 to 19.5 percent in 2017), and non-ferrous metals (0.5 percent in 2001 to 18.8 percent in 2017), the shares of vegetables and fruits, non-metallic mineral manufactures, textile fibres and their wastes, crude fertilizers, and leather and its manufactures have tumbled over the period.⁴

India's Trade with Eastern Africa (US\$ billion)



Source: Afrexim bank research (2018); Exim India research; UNCTADstat.

India's major sources of imports in Eastern Africa include Mozambique, Tanzania, and Zambia, which together accounted for 86 percent of India's imports from the region in 2017. Trends in growth of India's imports from the region have been positive in most of the countries. During 2001–17, India's imports grew faster from countries such as Mozambique (CAGR of 35.3 percent), Burundi (34.4 percent), Rwanda (29.7 percent), Madagascar (29.4 percent) and Uganda (28.4 percent). In contrast, India's imports from Eritrea, Somalia and Djibouti contracted during the same period.

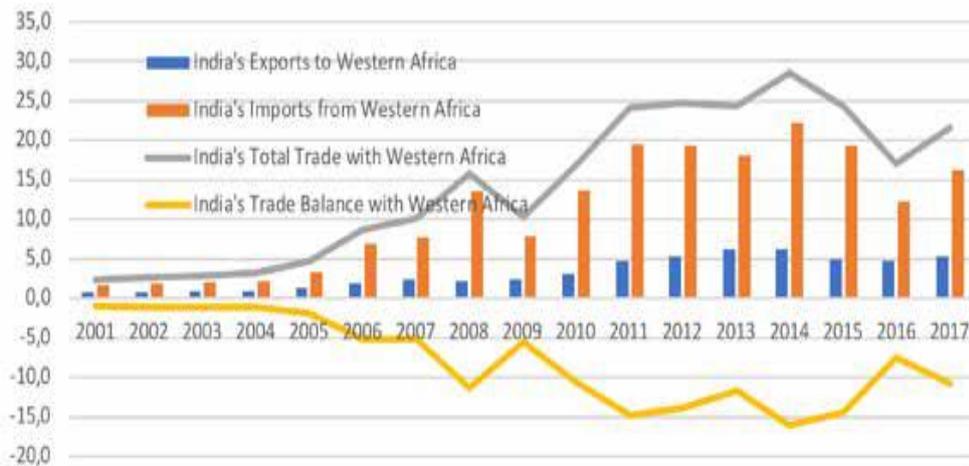
INDIA'S TRADE WITH WESTERN AFRICA

India's trade with Western Africa stands in contrast to that of Eastern Africa. Although India's total trade with Western Africa has also increased sharply, with a CAGR of nearly 15 percent from US\$ 2.4 billion in 2001 to US\$ 21.6 billion in 2017, it is mainly driven by India's growing imports from the region, which have expanded from US\$ 1.7 billion in 2001 to US\$ 16.2 billion in 2017. India's top exports to Western Africa include cereals and cereal preparations, which accounted for 20.3 percent of India's total exports to the region in 2017, with Benin, Guinea, Senegal and Côte d'Ivoire the primary destinations. Medicinal and pharmaceutical products were other key products, accounting for 12.3 percent of India's exports, mainly to

Nigeria, Ghana and Guinea; road vehicles (9.9 percent), primarily to Nigeria, Senegal, Ghana and Guinea; and textile yarn and related products (8.1 percent), mostly to Senegal, Togo, Nigeria and Ghana.⁵

The top commodities imported by India from Western Africa include petroleum, petroleum products and related materials, which accounted for 57.1 percent of India's total imports from the region in 2017, primarily imported from Nigeria; followed by gold (21.5 percent of India's imports from the region), which is mainly sourced from Ghana, Burkina Faso, Guinea and Mali; natural and manufactured gas (7.1 percent), from Nigeria; and vegetable and fruits (6.8 percent), sourced mainly from Côte d'Ivoire, Ghana, Guinea Bissau, and Benin.

Total India's Trade with Western Africa (US\$ billion)



Source: Afreximbank research (2018); Exim India research; UNCTADstat.

Major destinations for India's exports in Western Africa include Nigeria, Senegal and Ghana, which together accounted for over 56 percent of India's exports to the region in 2017. Nigeria is India's largest trading partner in Western Africa with 57.0 percent of India's total trade with the region in 2017, followed by Ghana (16.1 percent), Senegal (5.0 percent) and Côte d'Ivoire (4.5 percent). Countries such as Ghana, Burkina Faso, Guinea, Cabo Verde and Liberia have witnessed remarkable growth in total trade with India, with a CAGR of more than 20 percent between 2001 and 2017. Nigeria emerged as India's largest source of imports in Western Africa, accounting for 64.9 percent of India's imports from the region in 2017, followed by Ghana, Burkina Faso and Côte d'Ivoire. Trends in growth of India's imports from the region have also been positive in all the countries in the region, with Ghana, Gambia, Guinea, Mauritania, Burkina Faso and Sierra Leone witnessing CAGRs of over 20 percent.⁶

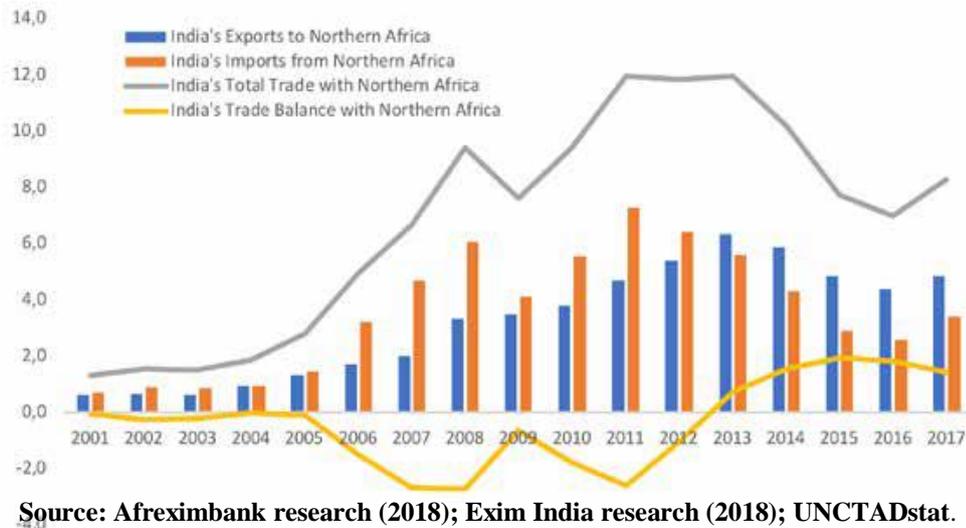
India's trade balance with Western African countries varies. While it has a trade surplus with nine countries, including Benin, Liberia, Senegal and Togo, its trade deficit with the other seven countries heavily outweighs this surplus. India's trade deficit with Nigeria is the largest in the region, driven by petroleum and related products, which account for the lion's share of the trade deficit of India with the entire western African region.

INDIA'S TRADE WITH NORTHERN AFRICA

India's total trade with Northern Africa has also increased, growing at a CAGR of 12.1 percent, from US\$ 1.3 billion in 2001 to US\$ 8.3 billion in 2017. After an initial period of slow growth, exports and imports accelerated from 2006, with a moderation in the aftermath of the global financial crisis in 2008. While the

period after 2011 saw steadily declining imports, exports of the region to India recovered in 2017 reaching US\$ 3.4 billion. At the same time, India's exports to the region also rebounded to reach US\$ 4.9 billion that year.⁷

India's Trade with Northern Africa (US\$ billion)



India's top exports to Northern Africa include textile yarn and related products, which accounted for 11.2 percent of the country's total exports to the region in 2017, and road vehicles (10.6 percent) these goods are exported mainly to Egypt, Algeria, Tunisia, Morocco and Sudan; meat and meat preparations (7.6 percent), also mainly exported to Egypt and Algeria; petroleum, petroleum products (6.9 percent), mainly exported to Egypt and Morocco; medicinal and pharmaceutical products (5.7 percent), mainly to Egypt, Sudan, Algeria and Morocco; and organic chemicals (4.5 percent), to Egypt, Algeria, Morocco and Tunisia. The top products imported by India from Northern Africa include petroleum, petroleum products and related materials, which accounted for 53.6 percent of India's total imports from the region in 2017, primarily from Algeria and Egypt. These are followed by inorganic chemicals (18.1 percent), sourced mainly from Morocco and Tunisia; and crude fertilizers other than division 56 and crude minerals (8.1 percent), sourced mainly from Morocco and Egypt. Egypt is India's largest trading partner in the Northern Africa region accounting for over 40 percent of India's total trade with the region in 2017,⁸ followed by Algeria (23.5 percent) and Morocco (15.2 percent). Algeria recorded the highest growth rate of trade with India with a CAGR of 26.7 percent, followed by Sudan (14.6 percent) and Egypt.

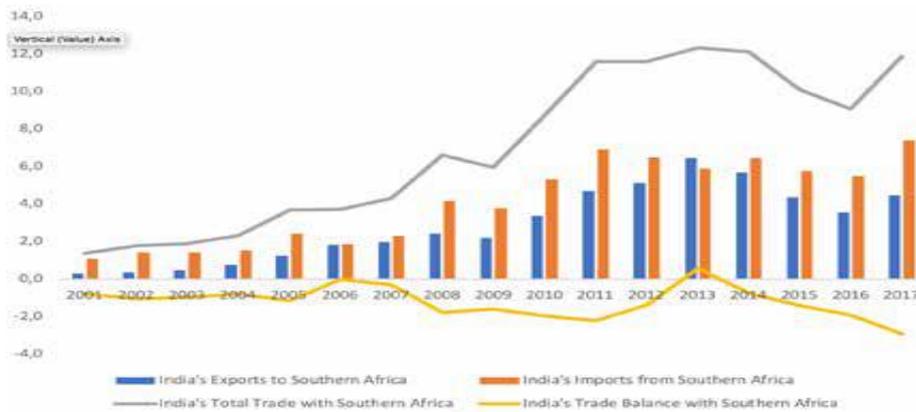
India's trade balance with Northern African countries stands at a surplus with all countries except Algeria and Morocco. India's trade surplus in the region was the highest in Egypt at US\$ 1.1 billion in 2017; the deficit with Morocco was US\$ 0.3 billion during the same year. India's trade deficits with Tunisia and Libya in 2001 have turned to trade surpluses.

INDIA'S TRADE WITH SOUTHERN AFRICA

India's trade with Southern African countries has increased from US\$ 1.4 billion in 2001 to US\$ 11.9 billion in 2017, peaking at US\$ 12.3 billion in 2014, with a CAGR of 14.1 percent. India's exports to the region expanded from US\$ 0.3 billion in 2001 to US\$ 4.5 billion in 2017. Imports also recorded impressive growth, climbing to US\$ 7.4 billion in 2017 from US\$ 1.1 billion in 2001. Except for 2013, the trade balance

between India and Southern Africa remained in deficit throughout the period, increasing from US\$ 0.8 billion to US\$ 2.9 billion.⁹

Trends in India's Trade with Southern Africa (US\$ billion)



Source: Afreximbank research (2018); Exim India research (2018); UNCTADstat

India's major exports to Southern Africa include petroleum, petroleum products and related materials, which accounted for 21.7 percent of India's total exports to the region in 2017; road vehicles (20.5 percent), which are predominantly exported to South Africa; and medicinal and pharmaceutical products (15.0 percent), mainly to South Africa, Botswana and Swaziland.

The top products imported by India from Southern Africa include coal, coke and briquettes, which accounted for 34 percent of India's total imports from the region in 2017, mainly from South Africa. These are followed by non-metallic mineral manufactures (23.9 percent), primarily sourced from Botswana and South Africa; gold (16.5 percent) mainly from South Africa); and metalliferous ores and metal scrap (10.2 percent), again mainly sourced from South Africa. South Africa remains India's largest trading partner in Southern Africa, accounting for 84.2 percent of India's total trade with the region in 2017, followed by Botswana and Namibia. Countries such as Lesotho and Botswana have seen strong growth in trade with India, with CAGRs of more than 40 percent between 2001 and 2017.¹⁰

South Africa is also the major market for India's exports to Southern Africa 93.3 percent in 2017 followed by Botswana and Namibia. Lesotho and Swaziland have recorded CAGRs of more than 20 percent during 2001–17. South Africa is India's largest source of imports in Southern Africa, accounting for 78.7 percent of India's imports from the region in 2017, followed by Botswana, together accounting for 98.6 percent of India's imports from the Southern Africa region.

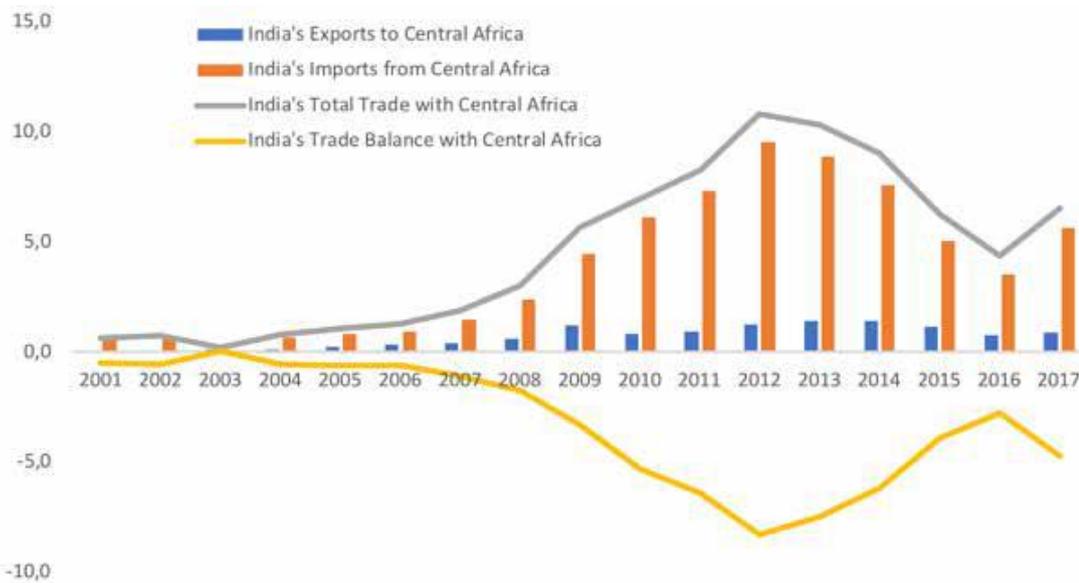
India's trade balance with Southern African countries varies. The country has a trade surplus with two countries Namibia and Swaziland and a deficit with the other three South Africa, Botswana and Lesotho, and the deficit by far outweighs the surplus. India's trade deficits with South Africa and Botswana are huge, and are primarily due to large imports of coal, coke and briquettes, gold, and non-metallic mineral manufactures from South Africa; and large imports of non-metallic mineral manufactures from Botswana.

INDIA'S TRADE WITH CENTRAL AFRICA

India's trade with Central Africa recorded steady growth before peaking in 2012, increasing at a CAGR of 15.3 percent from US\$ 0.7 billion in 2001 to US\$ 6.5 billion in 2017, driven mainly by growth of India's imports from the region, which expanded from US\$ 0.6 billion in 2001 to US\$ 5.6 billion in 2017.

India's exports to Central Africa have also increased, but at a much slower pace than imports. The resultant trade deficit widened, reaching US\$ 8.3 billion in 2012 before narrowing to US\$ 4.7 billion by 2017.¹¹

India's Trade with Central Africa (US\$ billion)



Source: Afreximbank

research (2018); Exim India research (2018); UNCTAD stat

Top products exported by India to Central Africa include medicinal and pharmaceutical products, accounting for 26.9 percent of India's exports to the region in 2017, and are predominantly exported to the Democratic Republic of Congo (DRC), the Republic of Congo and Cameroon; meat and meat preparations, mainly to the Republic of Congo, Gabon, Angola and DRC; road vehicles, exported mainly to DRC; and cereal and cereal preparation, exported mainly to Cameroon and Angola.

The top commodities imported by India from the Central African region include petroleum, petroleum products and related materials, which accounted for 66.7 percent of India's imports from the region in 2017. While between 2001 and 2017 there have been steep increases in import shares of petroleum, petroleum products and related materials (from 0.1 percent to 66.7 percent); of natural and manufactured gas (0 percent to 14.6 percent); and of non-metallic mineral manufactures (0.2 percent to 12.9 percent), there has been a significant decline in the share of metalliferous ores and metal scrap (from 92.7 percent to 3.5 percent).¹²

Angola is India's largest trading partner in Central Africa, accounting for 67.7 percent of India's trade with the region in 2017, followed by Equatorial Guinea, DRC and Cameroon. In the region, India's trade with Equatorial Guinea saw the highest growth, with a CAGR of 58.3 percent during 2001 to 2017, followed by DRC, São Tomé and Príncipe, and Chad. India's trade balance with Central African countries varies with India having a trade surplus with three countries—the Central African Republic, Cameroon and São Tomé and Príncipe—and a deficit with the remaining countries in the region, which by far outweighs the surplus. India's trade deficits with Angola and Equatorial Guinea are substantial, primarily due to large imports of petroleum.

Conclusion

Strong economic growth in India and Africa during the last two decades has made significant inroads into poverty and seen a growing middle class. Sustained economic growth in the years ahead is likely to have a further positive impact on poverty reduction and consumer markets across both Africa and India. GDP growth is projected to average 4.5 percent in Africa and 7.8 percent in India over the next five years (IMF WEO 2018). Trade has also expanded rapidly in recent years, as economic growth has supported greater integration of India and Africa into the global economy. A key feature of the growth in trade has been the expansion of South–South trade and the strengthening trade relations between India and Africa, with trade growing seven-fold from US\$ 7.2 billion in 2001 to US\$ 49.6 billion in 2016, supported by the public and private sectors in both regions. At this pace, bilateral trade between India and Africa could reach US\$ 117 billion by 2021, driven primarily by improved economic ties and growing business opportunities. This article looks at the key products and the countries that hold the greatest trade potential for fostering greater trade between Africa and India. It also assesses the potential growth in bilateral trade relations and discusses ongoing efforts to promote trade and investment between the two regions.

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