

# **INDIA- AFRICA TRADE RELATIONS**

**CURRENT SCENARIO**

**AND**

**FUTURE TRENDS**

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# Background

Up to 1960s

- India's Africa policy was largely political with two dominant strands
- Support for fight against Racialism/Colonisation
- Principle of non-alignment ; Most of the continent's nation became part of the Non Aligned Movement (NAM)
  
- Major low in the 1960s (towards the end of Nehru's tenure)
- Defeat in the Sino-Indian war in 1962 - a setback to the image of India as a leader.
- India's hesitation in fixing a date for the end of in Africa at the Belgrade NAM Summit in 1961
- India's insistence on African liberation movements to adopt peaceful means (as opposed to China's overt gestures towards arms assistance)

## Reassessment of Africa Policy - Some Fresh Initiatives.

- India discontinued seeing Africa as a bloc - became selective in its friendship
- Launched a conscious policy of economic diplomacy - *Indian Technical and Economic Cooperation (ITEC) Programme* in 1964, primarily to counter China's aid diplomacy.
- ITEC provided the institutional framework for enhancing cooperation with developing countries through technical and educational assistance

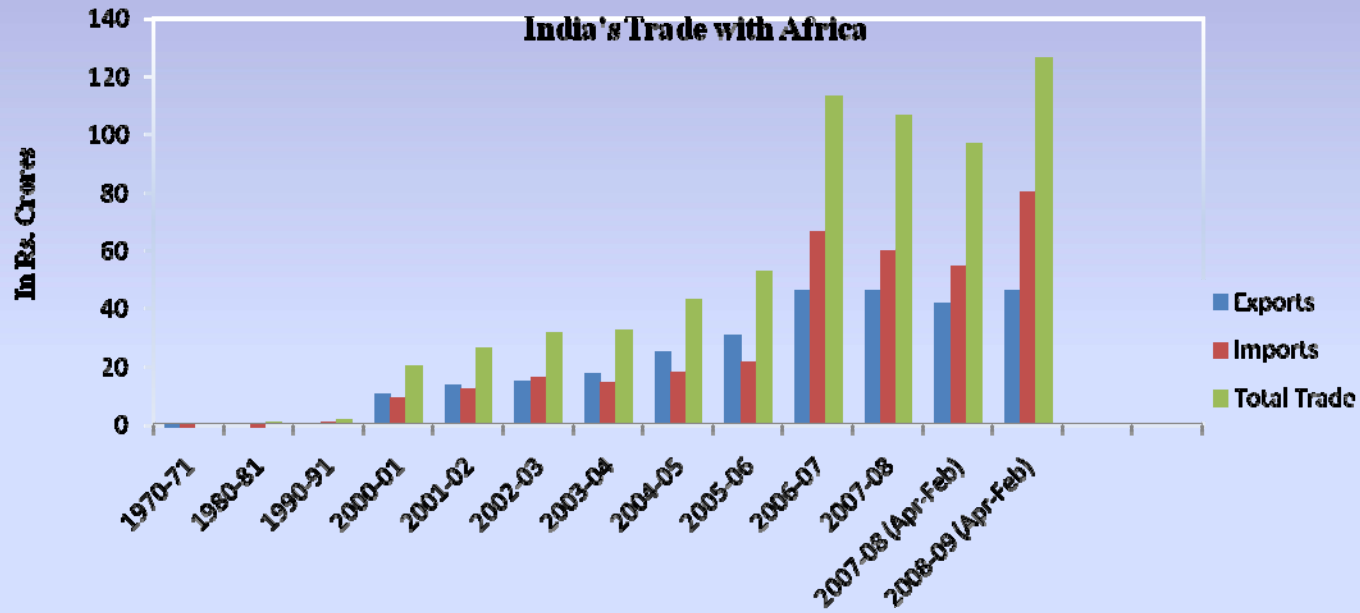
By the 1970s India-Africa relations once again turned for the better

- The Indo-Soviet Treaty (1971),
- The 1971 war, The Green Revolution, and
- The Peaceful Nuclear Explosion (PNE) in 1974 contributed towards this change.

- Most Importantly, a realisation among developing countries in Asia and Africa of the need for economic cooperation among themselves. (South-South Cooperation)

# Increase in India's Trade with Africa

- An upswing in India- Africa trade turnover started only after 2000-01



## Initiatives in the New Millennium

- Trade engagement with Africa expanded to sectors of hydro carbons, minerals and metals, pharmaceuticals and Small and Medium Enterprises (SMEs)
- Coverage of Indian Technical and Economic Cooperation also grew with the number of available slots for training of Africans.
- India launched an initiative in 2004 - the Techno Economic Approach for Africa India Movement (TEAM 9) with eight energy and resource rich West African countries
- Senegal, Mali, Cote d'Ivoire, Chad, Equatorial Guinea, Guinea Bissau, Ghana and Burkina Faso are the members of TEAM 9
- Engagement of underdeveloped yet resource rich West Africa which required low cost technology and investment to develop its infrastructure.
- Creation of investment climate, particularly in the extractive industries where the ratio of profitability as a ratio of total turnover has reached 27.5%
- Under Team 9, India extended lines of credit amounting to US \$ 500 million to the eight West African countries.

## The Current Scenario

India's Africa policy in general and trade policy in particular is being shaped by these multiple developments.

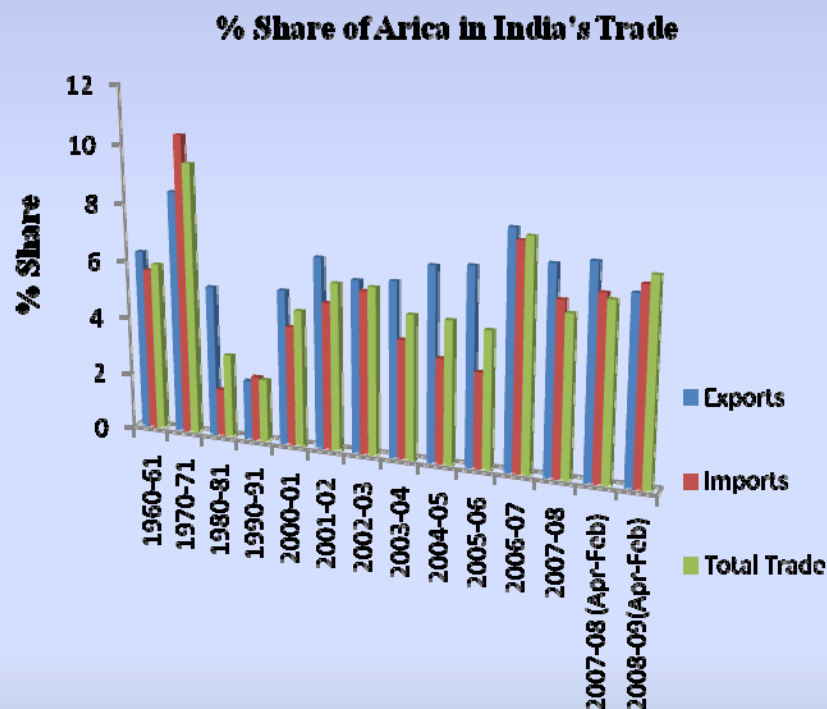
- Fierce competition for resources in Africa led aggressively by China.
- Importance of African energy to the world particularly emerging high demand centers such as India and China, in light of the problems with existing sources in the Middle East and Latin America.
- The strength of African numbers in trade negotiations at WTO, and their collective bargaining power in concert with India and Brazil at the Doha Round.
- Concerns over current state of health in Africa - HIV, AIDS, Avian flu, Malaria etc.

## Africa's Share in India's Trade – Two Important Trends

■ Africa's increase in share of India's imports has been more pronounced and dramatic, than the increase in share in India's exports.

■ The Trade Balance has sharply swung in favour of Africa, particularly after 2005-06.

(In US \$ Million)



| YEAR              | TRADE BALANCE |
|-------------------|---------------|
| 2000-01           | 296.44        |
| 2001-02           | 279.22        |
| 2002-03           | -305.86       |
| 2003-04           | 648.67        |
| 2004-05           | 1565.16       |
| 2005-06           | 2114.98       |
| 2006-07           | -4476.51      |
| 2007-08           | -6,301.55     |
| 2007-08 (Apr-Feb) | -6,072.81     |

## Distribution of India's Trade in Africa

- Within Africa, till 2000-2001, Southern Africa was India's most important trading region
- By 2007-08, Western Africa had replaced it as the most important trading region.
- During this period of dramatic change, India's traditional partner region East Africa continued to remain India's largest export destination in Africa

**Region Wise Distribution of India's Trade**

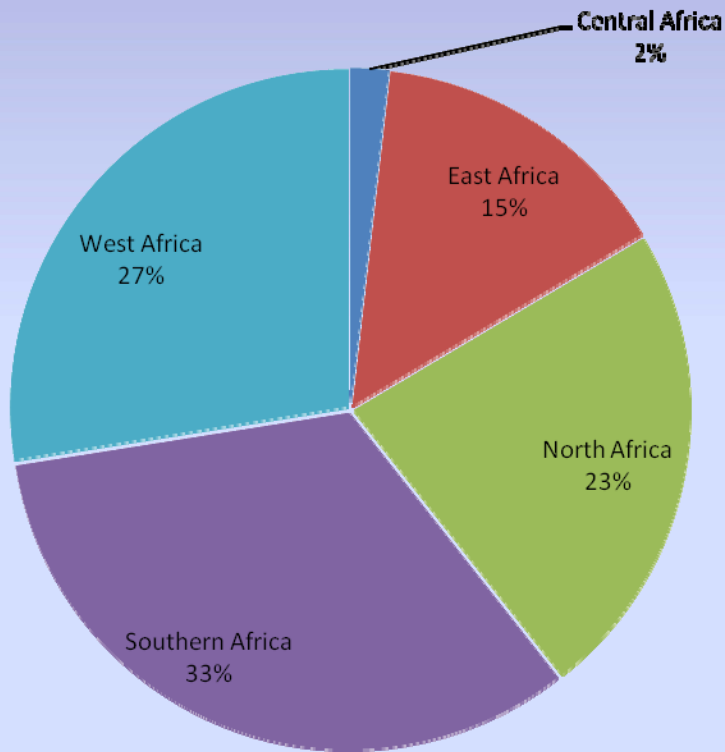
|                        | ( in US \$ Millions) |                 |                 |                  |                  |                  |
|------------------------|----------------------|-----------------|-----------------|------------------|------------------|------------------|
|                        | 2000-01              |                 |                 | 2007-08          |                  |                  |
|                        | Export               | Import          | Total Trade     | Export           | Import           | Total Trade      |
| <b>Africa</b>          | <b>2,356.38</b>      | <b>2,059.94</b> | <b>4,416.32</b> | <b>14,196.10</b> | <b>20,497.65</b> | <b>34,693.75</b> |
| <i>Southern Africa</i> | 1,060.63             | 401.82          | 1,462.45        | 3,609.23         | 4,835.39         | 8,444.62         |
| <i>West Africa</i>     | 768.19               | 446.51          | 1,214.70        | 3,476.63         | 9,745.30         | 13,221.93        |
| <i>Central Africa</i>  | 75.93                | 3.91            | 79.84           | 257.51           | 49               | 306.51           |
| <i>East Africa</i>     | 555.52               | 92.5            | 648.02          | 4,202.93         | 319.34           | 4,522.27         |
| <i>North Africa</i>    | 554.92               | 456.39          | 1,011.31        | 2649.8           | 5548.62          | 8,198.42         |



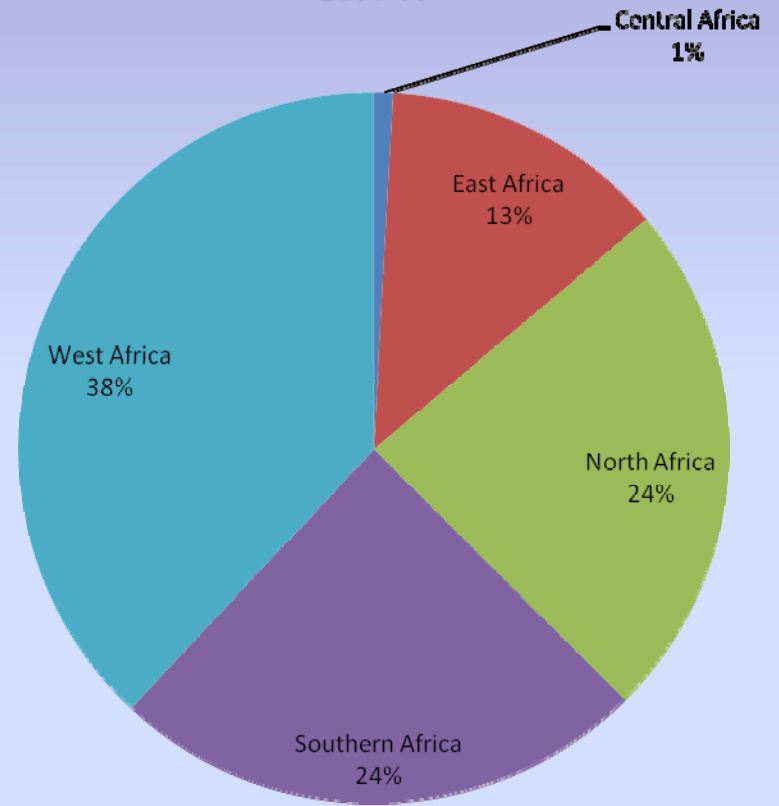
# Region Wise Trade Share 2000-01 and 2007-08

In Percentage

**Trade Distribution  
2000-01**



**Trade Distribution  
2007-08**



## Region Wise Trends - West Africa

- Nigeria is the top overall trade partner of India in Africa
- Ghana and Cote d'Ivoire in West Africa are among the top ten overall trade partners of India in Africa.
- Oil constitutes 84.57 % of India's imports from West Africa in 2007-08.
- India's uneven trade with the individual West African countries is directly related to the latter's relationship with their former colonists – and by default to the developed countries.
- India's trade in this region largely followed the trading pattern of British India and was tilted in favour of the Commonwealth members like Ghana and Nigeria.
- The differences between Anglo and Francophone countries of West Africa remain evident in bilateral trade patterns

## Region Wise Trends - Southern Africa

- South Africa in 2007-08 accounted for 74 per cent of India's total trade with Southern Africa (74 percent of exports and 75 percent of imports).
- Angola is the second largest trading partner in Southern Africa with huge oil and diamond resources.
- Petroleum products accounts for more than 30 per cent of India's export to Southern Africa
- Among imports, gold accounts for more than 50 per cent of the value of imports.

## Region Wise Trends - North Africa

- Egypt was India's largest trade partner in North Africa accounting for 38.51 percent of India's trade in the region and 63.26 percent of Indian exports to the region.
- Global trade of North Africa is marked by high geographic concentration and weak diversification of exports.
- India's dependence on long stapled cotton from the region has declined sharply, while its dependence on the region for crude, inorganic chemicals and fertilizers continues. This trend is likely to continue.

## Region Wise Trends - East Africa

- East Africa occupied primacy as India's regional trading partner in Africa due to the presence of a large Indian diaspora, proximity to Indian shores and a long standing trading relationship.
- Kenya and Mauritius are major trade partners accounting for 37% and 24% respectively (in 2007-08) in India's total trade with East Africa.
- Tanzania follows as a close third accounting for nearly 17% of India's total trade with Eastern Africa in 2007-08.
- Strategically, it would benefit India to invest in processing units (technologically and financially) in this region.

## Region Wise Trends - Central Africa

- Central Africa's share in Africa's total trade with India has declined from 2% in 2000-01 to 1% in 2007-08.
- The remarkable development in the last five years has been the increase in trade share of the Chad, Democratic Republic of Congo and Rwanda
- At the same time there has been an actual decline in the share of traditional partners like Uganda and Malawi.
- This suggests a widening of trade engagement in the region.
- An aggressive development and deepening of trade relations with Chad and the Democratic Republic of Congo through increased investments in fossil fuels and minerals is required.

# Major Findings – Policy Recommendations

- Africa is enjoying its best period of sustained economic expansion since Independence.
- Africa's improved economic performance is also reflected in the smart growth in India's trade with the continent
- Western Africa would continue to be our most important import partner until at least in the medium term on account of its wealth of natural resources and our complementary dependence on the region for oil in particular.
- East Africa however is not likely to remain India's major export destination in the African continent and will very soon yield the space to Southern Africa followed by Western Africa.
- North Africa will continue to remain an important trading partner of India on the wealth of its oil and chemical/ fertilizer resources.
- The Southern African region will continue to be the most important non oil trading region for India on the basis of its market depth and size.
- The scale of investment in Africa will depend on the relative size of its natural and mineral endowments and not merely its market size and depth
- Investment in Africa will precede trade.

# Africa Is The New Need Of India's Political Economy

- As India's economy grows, Africa will increasingly become important as a critical provider of India's burgeoning energy needs
- It is anticipated that in the future between 20-25% of India's oil imports will be sourced from Africa- up from the current level of 16%
- The new needs of India's emerging political economy and the ability to effectively address the needs through supply of vital natural and mineral resources will dictate and decide the relative importance of the African nations in India's commercial pecking order.
- Given India's dependence on Africa, it is anticipated that Africa is finally going to force India to give it the desired importance in its commercial strategic thinking
- This is especially true for in countries like Sudan, Angola, Congo DR and some of the Francophone West African States.