

## **AFRICA DESK**

The India-Africa relationship is distinctive and owes its origins to a common past that they share -- a past that witnessed a struggle against colonialism, poverty and illiteracy. India and the African nations have been building strong and mutually beneficial associations since long. India established its trade relations with the African countries as long back as in the 16<sup>th</sup> century. As emerging economies, India and Africa have a lot in common- rich natural resources, similar demography and large domestic markets. This provides a natural synergy for building partnerships.

The first large-scale Afro-Asian conference took place during April, 1955 in Bandung, Indonesia. The twenty nine countries, which participated at the Bandung Conference, represented nearly one fourth of the Earth's land surface and a total population of 1.5 billion people. The conference was organized by Indonesia, Burma, Pakistan, Sri Lanka and India. In 1964, a bilateral programme of financial assistance and mutual cooperation, to benefit both India and Africa, was taken care of through the Indian Technical and Economic Cooperation (ITEC) programme. This programme was a visible symbol of India's role and contribution to South-South Cooperation. During the 1990s increased focus was laid on Indo- African economic, education and technical cooperation.

In recent years, India's economic partnership with the African countries has been lively, extending beyond trade and investment to technology transfers, knowledge sharing, and skills development. Persistent efforts are being put in at the government level as well as the private sector level, for a comprehensive engagement, to march together as partners in progress. The First India-Africa Forum Summit in 2008 at New Delhi was a momentous stride in that direction. Conclaves and meetings held in 2009 and 2010 were the signs of enthusiasm to nurture a strong relationship. The India-Africa Business Partnership Summit I (2009) organised by FICCI, played a crucial role in this direction. The stage for a dynamic engagement between India and Africa was further set at the 2<sup>nd</sup> India- Africa Forum Summit held in Addis Ababa, Ethiopia in May 2011. The India- Africa Business Partnership Summit II, organised by FICCI, during October 2011, also played a catalytic role in the vibrant relationship between India and Africa.

The India-Africa economic and trade relations have witnessed a surge, from a modest level of US\$ 24.98 billion in 2006-07 to US\$ 53.33 billion in 2010-11. The total trade between the two grew at a compounded annual growth rate (CAGR) of 20.87% during the same period. Furthermore, bilateral trade between India and Africa is expected to reach US\$ 70 billion by 2015. On the other hand, over the past two decades, foreign direct investment (FDI) has become a vital source of economic development for Africa. India has been present in Africa for decades with its FDI, mostly in the services and manufacturing sectors. India, now the world's 21<sup>st</sup> largest outward investor, is the 9<sup>th</sup> largest source of FDI into Africa. Indian multinational enterprises (MNEs) are seeking more strategic investments in emerging markets, particularly in Africa.

The collective GDP of African countries in 2008 was almost US\$ 1.5 trillion, approximately the same as that of Russia or Brazil. By 2020, the collective GDP of the African countries is estimated to increase to US\$2.6 trillion. The real GDP has risen to 4.9% per annum between the years 2000 to 2008, which is more than double that of the 1980s and 1990s. Real GDP growth rose from 3.1% in 2009 to a level of 4.9% in 2010. The same is projected to grow at 5.8% in 2012, despite falling to

3.7% in 2011. Although there are a few factors that can arrest the growth of a country, but there also exist several trends indicating steady long term growth prospects in the continent.

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### **Africa's Trade Composition:**

Africa is one of the richest regions in the world in terms of natural resources. It has 10% of the world's oil reserves, 40% of its gold, 80-90% of chromium deposits to name a few, with large tracts unexplored still. With increasing global demand for energy, Africa will remain critical to the world economy.

**EXPORTS:** Not surprising then, that more than two-thirds of the total exports from Africa to the rest of the world consist of primary commodities. The single largest exported product from Africa is crude oil. Apart from this, several African countries export diverse mineral and mining products, agricultural and fishery products. Of late, a few African countries have started exporting manufactured products as well. South Africa, for instance, has emerged as an important regional industrial hub, with increasing exports of manufactured commodities to the rest of the world.

**IMPORTS:** Africa imports products that support the fundamental economic activities of the African countries, such as transportation and communication equipments. Food products, FMCG, telecommunication and pharmaceutical products are among the other significant imports. Besides these the African countries with their budding manufacturing sectors, increasingly import diverse component products.

**INDIA–AFRICA BILATERAL TRADE:** The India - Africa trade has grown significantly in the last decade. Since 2007, India has been having a trade deficit that is primarily due to the import of mineral fuels. India has been exporting to Africa products such as, High Speed Diesel (HSD), Aviation Turbine Fuel (ATF), medicines and pharmaceutical products, vehicles including motor cars and motor cycles, electrical machinery & equipments, mineral/ chemical fertilizers, other motor spirits, tyres used on buses/ lorries, printed books, polypropylene (a polymer used in a wide variety of applications including packaging, textiles etc.), garments, fabrics, household articles of stainless steel and so on. On the other hand, India generally has been importing petroleum oils & oils obtained from bituminous minerals, crude and other non-monetary unwrought forms of gold, coal, copper ores & concentrates, manganese ore, cobalt ores & concentrates, natural calcium phosphates, ground and other different ores, slag and ash, nuts - fresh/dried-in a shell, phosphoric acid, diamonds, unwrought silver, woods and articles thereof, coffee, tea, mate, spices and so on.

**SECTORS OF CO-OPERATION:** The growth in Africa has been extensive across different sectors. If we consider the latest FDI distribution across the African nations, the primary sector (chiefly coal, oil and natural gas) attracted 43% of the total FDI inflows, the secondary sector (manufacturing and metal industry) attracted 29% while the tertiary sector (services, largely communications and real estate) attracted 28% of the FDIs. From the point of view of India, food and energy security should be kept in mind, while considering the potential sectors for collaboration. Agro-processing, manufacturing, mining, textiles, FMCG, infrastructure development and constructions, to name a few, can offer huge potential to Indian companies. From the African standpoint, healthcare and pharmaceuticals, manufacturing, technology transfers, knowledge sharing and capacity development could be the key areas for cooperation in future.

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## **REGULATIONS**

Among the sectors for possible collaborations, agriculture is the major economic sector of the African continent. It accounts for 25% of the GDP and employs 60% of the total workforce of African nations. Agricultural production in Africa is highly fragmented, since more than 85% of the farms occupy not more than two hectares. The African countries are making sincere efforts to boost FDI inflows by recuperating the investment climate through extensive policy, and political and institutional reforms aimed at reducing barriers. The Comprehensive Africa Agriculture Development Programme (CAADP) which was one of the African Union's key initiatives was intended to direct the spotlight on long-term investment in some priority areas like-land and water management, market access, agricultural research, technology dissemination and such.

If we look into the mining sector, the African Union and the UN Economic Commission for Africa (UNECA) have developed the African Mining Vision 2050. A common mining code is going to be implemented to harmonize mineral resources for the growth and development of the sub-region Economic Community of West African States (ECOWAS) by the end of 2012. Besides, it is important to mention here that a majority of the African governments involved in the mining sector are opting for a regulatory regime.

Infrastructure is also an important sector where there are possibilities for collaborations. Almost all the African administrations are concentrating more and more on developing infrastructure. Private investments in this sector are necessary to play the complementary role. For example the power sector in Africa can offer huge opportunities for private players since merely 20% of Africa's total population has access to electricity. The governments of African countries have initiated several policies to underpin private investments in the infrastructure sector. Growth in this sector is likely to stimulate other industries in the continent such as iron & steel, cement, mining and transport.

The healthcare and pharmaceutical industries are mostly untouched and underdeveloped in a majority of the African countries. These can offer significant opportunities despite several challenges like governance, lack of qualified labour force, taxation issues, connectivity between countries and so on.

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## **CHALLENGES**

Like any other emerging region of the world, Africa offers diverse opportunities alongside a few bottlenecks, for trade and investments. Instabilities of the political environment in some regions in the continent, poor access to consumers/ markets due to infrastructure gaps, shortage of power supply, unclear policies and regulations, poor human capital, high level of bureaucracy, poor logistics support, unavailability of adequate banking and financial facilities, unreliable local partners, low recognition of brand India, non-acceptance of Indian degrees are among the major barriers and challenges the continent is facing today.

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## **THE FICCI CONNECTION**

FICCI works closely with African missions in India, Indian mission in Africa, counterpart chambers of commerce in Africa, industry associations and private players in India and Africa, to develop synergies for mutual development. FICCI has hosted several business and official delegations from

and to countries across the African continent. Focused interactions have been organised for better mutual understanding of policy and market conditions in India and Africa at various levels.

FICCI's initiatives in Africa can be broadly classified as follows:

- **Bilateral**
- **Sectoral**
- **Regional**
- **Pan African**

**Bilateral:** FICCI has set up bilateral institutional mechanisms called Joint Business Councils (JBCs) with counterpart apex Chambers in all major African countries to facilitate business to business interaction on a regular basis. Alongside the JBCs, FICCI signed MoUs with leading chambers in Africa to promote Indo-Africa business interactions regularly. JBCs provide a variety of business facilitation services by closely working with Government and business promotion organizations in India and the respective partner countries. Joint Business Council Agreements with African countries acted as a stepping stone to expand FICCI's activities from bilateral dialogues to regional, sectoral and Pan African business forums.

**Sectoral:** FICCI takes up sectoral initiatives in regular intervals. FICCI organises India-Africa Hydrocarbons Conference biennially since 2007, in collaboration with Ministry of Petroleum and Natural Gas, Govt. of India. FICCI organised India-Africa Agrifood Summits in 2007 and in 2008 with support from Ministry of Commerce & Industry and Ministry of Agriculture, Government of India and The World Bank. Many other sectoral initiatives like Education Fairs, Water Summits, Health Summits etc had been organized from time to time.

**Regional:** FICCI's regional initiatives include distinguished business events like 'Namaskar Africa', 'India-Central Africa Business Forum' etc. In 'Namaskar Africa,' India exhibition and Business Forums are organised. Supported by Ministry of Commerce and Industry, GoI, FICCI organised 'Namaskar Africa, Kenya', in October 2010 and '*Namaskar Africa, Nigeria*', in January 2010. FICCI's regional partners East Africa Business Council (EABC) and COMESA Business Council (CBC) also joined hands in organising 'Namaskar Africa, Kenya'. Similarly, FICCI's regional partner ECOWAS and JBC Partners in West Africa joined hands in organising 'Namaskar Africa, Nigeria'. FICCI with the support of Ministry of Commerce joined hands with its JBC and MoU counterparts in Central Africa alongside the Central African Development Bank for 'India-Central Africa Business Forum'.

**Pan African:** Supported by Ministry of Commerce & Industry & Ministry of External Affairs, Government of India, FICCI organises biennial India-Africa Business Partnership Summit. This pan Africa initiative attracts ministerial and business delegations from different African countries.

FICCI is the institutional partner of Department of Industrial Policy and Promotion (DIPP), Govt. of India in the latest pan Africa initiative India-Africa Business Council. Announced during India-Africa Forum Summit II, this council is a mechanism to strengthen and deepen economic ties between the business communities of India and Africa.

Apart from the above initiatives FICCI has joined hands in several trilateral and multilateral initiatives like IBSA, Indo-US Collaboration in Africa and BRICS.