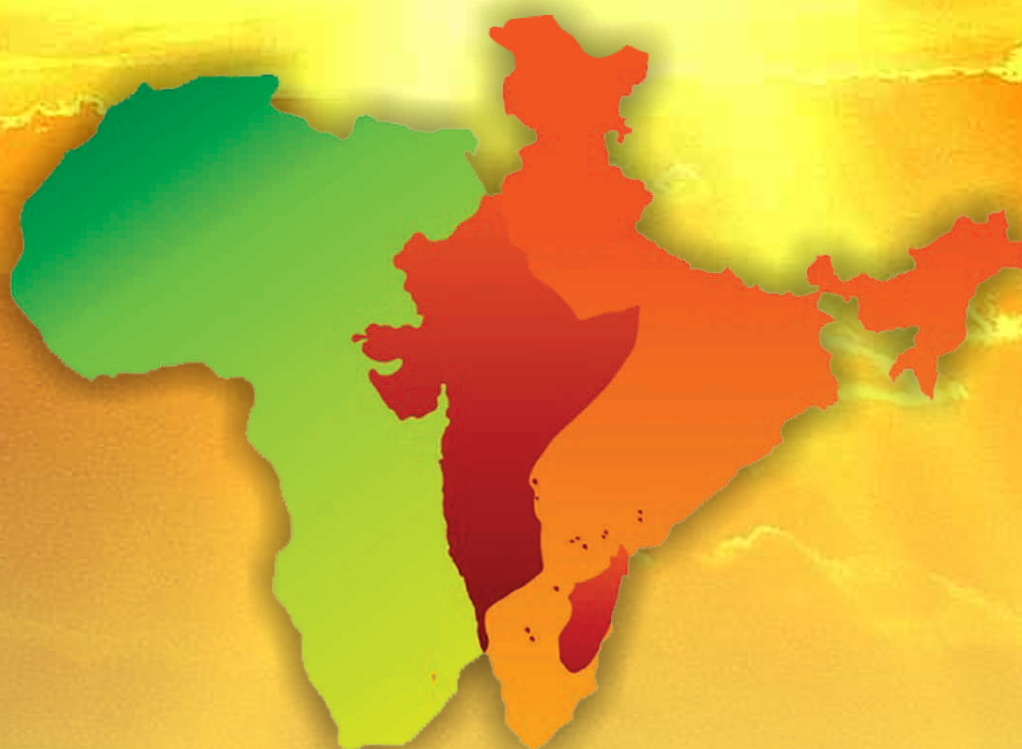


# **INDIA-AFRICA TRADE CONTINUOUS SUNSHINE**



**OCTOBER 2015**



# INDIA-AFRICA TRADE: CONTINUOUS SUNSHINE



**October 2015**

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**The Associated Chambers of Commerce and Industry of India**

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## Message



The African continent is one of the world's richest regions in natural resources with over 10% of the world's oil and 40% of gold reserves, to name a few. In recent years, the continent has witnessed sustained economic growth, from a low base to several African countries achieving annual economic growth of around 7%. With a growing middle class and an increasing young population, Africa is both a growing market and an attractive investment destination.

The dynamic relationship between India and Africa is built on a shared future, common natural resources, similar demographics and large domestic markets. As both regions aim to increase bilateral trade five-fold to USD 500 billion by 2020, it will be critical for Governments, Industry and other key stakeholders to focus on greater market access, availability of trade finance and simplification of bilateral business processes and tax regime.

India and Africa have been working together on key pillars of trade, technology and training, with India contributing towards transforming Africa's socio-economic landscape through innovative capacity building programs, setting up training institutes and deployment of ICT to help build Africa as a knowledge economy. These initiatives will help in creating a new generation of skilled and technology-driven workers across key sectors including agriculture, food processing, IT, vocational training and entrepreneurship.

ASSOCHAM, through its 9 new International Offices across Africa as well as the recently constituted India - Africa Business Promotion Council in India, endeavours to facilitate high-level business exchanges between the two emerging economies to catapult India - Africa relations to the next level of strategic partnership.

The forthcoming **3<sup>rd</sup> India - Africa Forum Summit** to be held on October 26-29, 2015 in New Delhi is India's largest diplomatic outreach program with Africa. I firmly believe that the Summit will be instrumental in providing a robust roadmap for strengthening the India-Africa trade and investment corridor.


I am pleased to present this ASSOCHAM study which outlines the tremendous potential for India - Africa bilateral relations. I am confident that the contents of the Study will provide important insights into investment opportunities in Africa's key sunrise sectors and enhance economic collaboration to propel the growth and development objectives of both regions.

Thank you

Sincerely,



**Rana Kapoor**

President  ASSOCHAM  
INDIA

Managing Director & CEO 





## Foreword

On the eve of the historic Third India Africa Forum Summit (IAFS), ASSOCHAM is pleased to launch its report 'India-Africa Trade: Continuous Sunshine' in collaboration with the Thought Arbitrage Research Institute (TARI). IAFS epitomizes the new development paradigm of 'South-South' Cooperation, as an alternative to the global economic order, adopted by the Indian Government and whole heartedly supported by Africa. Buttressed by such Government initiatives and building up on our historical relations, India-Africa trade has grown at a frenetic pace through the global economic crisis and is likely to exceed US\$ 90 billion this year. The Indian investments in Africa span across agriculture, food processing, textile, leather products, plastics, telecommunications, IT, energy and automobiles. However, given the synergies between India and Africa, the true economic potential of this great partnership should be manifold.

ASSOCHAM, representing more than 400 Chambers and about 450,000 members from the Indian Industry, has been catalysing mutually beneficial engagements, through its India Africa Business Promotion Council (IABPC), to realize the true potential of Africa-India relations in trade, projects and investments. Represented in 9 African countries through its chapter offices, ASSOCHAM brings out "AFRO WATCH" News Bulletin, holds regular interactive sessions and meetings between African Missions and Indian Businesses, and organizes business delegations and exhibitions to Africa.

Benefitting from this close relationship of ASSOCHAM with Africa, this report presents the vast investment and trade options available on the Continent under pinned by its growing consumer markets, natural resources and young population, trade agreements and their impact, challenges and solutions, besides an incisive analysis of the Chinese competition.

I am certain that this report will serve as a ready reference, providing insights into the policies and the comparative advantages the African countries offer in their priority sectors, and look forward to your valuable feedback.

**Ambuj Chaturvedi**

Chairman, India Africa Business Promotion Council, ASSOCHAM

& Executive Director,

Overseas Infrastructure Alliance (India) Pvt. Ltd.







# Introduction



India's relationship with the African continent goes back several centuries and has sustained through many tumultuous changes on both sides.

Any study on the potential of trade relationship between Africa and India is beyond the realm of being based on just data, hard facts and information – simply because the Indian subcontinent and African continent have a shared history of camaraderie and cooperation for ages. As just one example, on June 6, 1993 while unveiling Gandhi Memorial at Pietermaritzburg Nelson Mandela said, “The Mahatma is an integral part of our history because it is here that he first experimented with truth; here that he demonstrated his characteristic firmness in pursuit of justice; here that he developed Satyagraha as a philosophy and a method of struggle.” He concluded by saying, “Unity, so that our children can walk in peace and learn in purpose. Unity, so that our aged can live out the rest of their lives in dignity. Unity, so that we can build one nation one people one country.”<sup>1</sup>

This research study by Thought Arbitrage Research Institute is guided by this vision that Africa and India share and explores how to take forward this common vision of unity.

The study is very clear that any fruitful partnership of India with African countries will hinge upon a sense of partnership and mutual benefit. A highlight of the study is that individual country trade profiles have been crafted in detail, not only to find out the existing patterns in exports and imports, but also to identify potential products and markets where exports and imports can be made. This forward looking approach is taken throughout the report, and different African countries are assessed according to their potential both as investment destinations and investment originators.

The study brings out that the broader framework of future unity between India and Africa is dependent on three pillars of partnership –**food security, energy security and mutual developmental prosperity**. To fructify such a dynamic relationship, investment and capacity building cooperation and agreements are needed along with trade agreements at bilateral and multilateral levels.

While rest of the world is reeling under pressures of slowdown of varying degrees, India and Africa are seen by many as the next frontiers of progress and development.

I congratulate the research team at TARI for putting together this study which, I hope, will serve as a significant backdrop to continue with fruitful dialogues between India and various African nations. I personally thank all our reviewers for their helpful and insightful comments. Last but not least I thank ASSOCHAM for collaborating on this research study and providing patient support as we captured the shared vision of unity with the help of economic and trade analysis.

**Kshama V Kaushik**

Director, Thought Arbitrage Research Institute

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<sup>1</sup> <http://www.anc.org.za/show.php?id=4089-%20>



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# EXECUTIVE SUMMARY

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## India and Africa: An Enduring Relationship for Mutual Prosperity

### *Economic, Trade and Cultural Ties between Africa and India*

Even hundreds of years back Indian traders, using the seasonal monsoon winds, sailed to the east coast of Africa in search of mangrove poles, ivory, gold and gemstones. The exchange flourished for centuries and it is believed that Indian muslin was used in wrapping mummies in Egypt. During the colonial period, there had been a large immigration of Indian labour to work in railways East Africa, and in sugar and other plantations in Mauritius, Madagascar and Southern Africa. They form a large part of the present Indian diaspora on the continent.

What is less highlighted and less known – is the extraordinary historical achievements of Africans in Indian sub-continent since the 1300s. The alliance between Delhi's first woman ruler Razia Sultan and her Abyssinian general Jamal-ud-din Yaqut in creating one of the first Sultanates of Delhi, Malik Ambar of Ethiopian descent in late 16th and early 17th century who led the Bahmani kingdom's resistance against the Mughal expansion in South India, establishment of independent kingdom by Siddis of Janjira with South-East Africa origins, are examples of such links.

By the end of the 20th century, both Africa and India experienced completely new horizons in economic and political spheres – which was primarily triggered by globalisation and the subsequent urge to integrate with rest of the world. In the last millennium, Africa's trade with Europe and the USA has dominated its trading volume, but there has been a gradual increase in trade with Asia in the recent past which is principally led by China and, to a certain extent, India. And this shift is expected to be more pronounced in the near future.

### *Africa-India Forum Summit: Renewed Effort for Stronger Bonds*

The Third Africa-India Forum Summit is now scheduled to be held in New Delhi on October 26-30, 2015 and the Indian Government wishes to make the summit a wider ranging participatory and result-oriented one. Instead of simply enhancing goodwill measures, the third summit is to focus on utilising trade and investment opportunities to propel economic growth in these two regions, and expectations are high this time.

African continent presents an opportunity to invest, trade and build economic partnerships. There are definitive advantages to be derived from robust, low cost and enduring solutions for investment, infrastructure, social, education, health etc. that India has developed that may be effective under similar socioeconomic conditions in Africa. India too stands to gain immensely from all these aspects. Besides gains from trade, India can derive benefits mainly by creating partnerships in the areas of food security, energy security and non-fuel mineral resources.

At the moment African business community has no significant presence in India, except for a few in banking business like FirstRand Bank (FRB) and State Bank of Mauritius (SBM). However, interests are expressed by the African business community to invest in India, particularly in sectors like food and hospitality. To facilitate such possible business partnerships and ventures there is a need for assistance and active intermediation from the Indian government.<sup>2</sup>

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<sup>2</sup> ASSOCHAM India-Africa Dialogue, August 6, 2015.

## Surging Africa: Time for a Reinforced Partnership with India

### *An Emerging Growth Story in Africa*

Though stagnant during most parts of the 20th century, African growth picked up during the late 1990s, and remained strong in the new millennium. Real GDP increased at an average of 4.9 per cent during the period of 2000-08, buoyed by significant good economic performances in telecom, banking, construction and retail sectors. Though the 2008 crisis affected Africa like any other region, average GDP growth more than doubled between 2001 and 2014 to above 5 per cent – up from a sluggish around 2 per cent growth during the 1980s and 1990s. Overall growth rate of the continent is estimated to be 4.5 per cent in 2015 and 5 per cent in 2016, and if similar growth trend persists then Africa will return back to the pre-2008 level of GDP growth rate in the near future – assuming an improving world economy and recovering oil and commodity prices. Fragile export markets, especially Europe, and integrated but vulnerable global financial markets remain risk factors to undermine such growth projections.<sup>3</sup>

Africa benefitted from rising global oil and commodity prices in the first decade of the millennium; natural resources directly accounted for just 24 per cent of Africa's GDP growth between 2000 and 2008. Remaining contributions came from other sectors, including wholesale and retail trade, transportation, telecommunications, and manufacturing. Economic growth accelerated in 27 of its 30 largest economies, across the geography of the continent. GDP increased in similar rates in countries without significant resource exports, along with countries with significant resource exports.

### *Green Shoots of Economic Development*

A comparison of growth performance of individual countries for the periods from 1986-2000 and 2001-14 reveal that in the first period more than a third of African countries had an average GDP growth of less than 2 per cent, and 44 per cent of the countries were having growth rates below 3 per cent. As population growths were mostly between 2 and 3 per cent, this led to a decline or stagnation in per capita real GDP for most of these countries. But in the second period the number of countries with growth below 3 per cent declined to 17 per cent. In this second period, the number of countries with growth above 4 per cent was much higher as more than 25 per cent countries clocked growth rates in the range of 4-5 per cent. Most of the African nations are also making an effort to promote structural transformation from traditional activities to more advanced productive ones. It will be a long journey but the journey has begun for many of them.

Recent African growth is driven by both demand and supply sides. The rise in domestic demand in many countries is fuelled by an evolving upwardly mobile and more urbanised population. External demand remained subdued in the wake of dwindling export demands because of world economy slowdown, particularly in advanced industrialised countries. Lower export prices also affected total exports adversely. While it is true that future of African exports is tied to the revival of world economy, special trade and other economic arrangements with India can solve quite a few supply side problems for Africa.

### *Key Future Potential Growth Sectors in Africa*

- The biggest opportunity of future growth is probably in the consumer-facing sectors like consumer goods, telecom and banking apart from others. By the end of 2008, these sectors started growing two to three times faster than those in OECD countries.<sup>4</sup>
- India has a golden opportunity to initiate partnerships with African nations in agriculture where it can benefit from the increased African output while contributing positively to Africa in terms of technical

<sup>3</sup> African Economic Outlook 2015, AfDB, OECD Development Centre, UNDP.

<sup>4</sup> African Economic Outlook 2015, AfDB, OECD Development Centre, UNDP.

assistance, skill building, and research and development in agriculture.<sup>5</sup> Africa will benefit in terms of increased output by using idle capacity, mainly unused arable land.

- Food and beverage spending is projected to expand the most in absolute terms, compared to any other consumer good category. However, with continuous development usually the spending pattern shifts towards higher quality goods. If consumption actually rises along with an increase in household income at the current rate then rapid increases are expected in retail banking, telecom and housing.
- African Development Bank estimates that if Sub-Saharan Africa (SSA) could achieve infrastructure development similar to that of Mauritius, then annual GDP growth in entire region may rise by 2.3 per cent. Africa needs \$93 billion every year to create infrastructure for supporting growth and meeting development goals – two third for new investments and the rest for maintenance. African governments spend an average of \$45 billion per annum on infrastructure, two third of which is domestically mobilised from taxes and user charges. Most of the new capital investment comes from external sources.<sup>6</sup> For the specialised private or public sector infra and construction companies in India there are huge opportunities in infrastructure and constructions projects in different parts of Africa.
- Productions of different industries in different countries have substantially slowed down due to the overall slowdown in world economy, but still extractive industries will continue to support growth in 2015 and 2016 in most of the African resource-rich countries.<sup>7</sup> According to estimates, the volume growth rate of the continent's oil, gas, and most minerals can be between 2 and 4 per cent per annum in future. Even at current prices, the value of resource production has the potential to touch \$540 billion in 2020, rising from an approximate \$430 billion currently.

### *Africa and India: A New Frontier for Mutual Prosperity*

India and Africa share many things in common, including heritage, culture and ancient trade. Broad cornerstones of future partnerships will be:

- **Partnership in agriculture:** While India can help Africa in agricultural capacity building, Africa can help India in ensuring future food security.
- **Resource based partnership:** India would do well to explore sustainable ways to contribute to the African growth story while benefitting in terms of its own energy security.
- **Non-resource based partnership:** While some African countries may need financing, others may be looking for partnerships in skill and capacity building. Depending on the difference in economic structures, India can build partnerships with both categories.
- **Social sector cooperation and investment:** Education, healthcare and housing sectors present a huge opportunity for cooperation and investment.

### **Trade Diagnostics: Africa and India-Where Do They Stand?**

#### *Afro-India Trade Horizon*

As per the Indian Ministry of Commerce and Industry projections, share of Africa in total exports and imports of India during April-July, 2015 are 10.18 per cent and 9.24 per cent respectively. East, West and Southern Africa, together constitute the bulk of India's total exports to Africa, while Southern and West Africa dominate India's imports from the continent.

<sup>5</sup> Future projections of agricultural output and other data are taken from McKinsey Report (2010), which is also quoted earlier.

<sup>6</sup> <http://www.infrastructureafrica.org/theme>

<sup>7</sup> African Economic Outlook, 2015.



## *Trade diagnostic study*

Though data availability remains a constraint, the diagnosis – done at individual country level – has been carried out with data from sources such as World Development Indicators database of World Bank, World Integrated Trade Solution database and UN COMTRADE database, for 37 African countries. The following economic and trade indicators have been shortlisted after careful literature survey to analyse the nature of trade relationship between individual African nations and the world, in general, and between individual nations and India, in particular.

Basic Economic Indicators	Trade Indicators
<ul style="list-style-type: none"><li>• GDP growth rate</li><li>• Export and import of goods and services (as % of GDP)</li><li>• Growth rates of exports and imports</li><li>• Trade Openness (trade as % of GDP)</li><li>• Trade in services (as % of GDP)</li><li>• Export/Import share of services in GDP</li></ul>	<ul style="list-style-type: none"><li>• Revealed comparative advantage (RCA)</li><li>• Number of export destinations by product</li><li>• Index of export market penetration</li><li>• Hirschman-Herfindahl Index (HHI)</li><li>• High-technology exports (as % of manufacturing exports)</li><li>• Top five export and import commodities</li></ul>

However, these projections or estimates are more indicative than definitive. Individual country profiles, with basic economic and trade indicators, can be seen in the appendices of this report.

## *Opportunities in Trade of Services*

Though yet to reach substantial volumes, healthy and consistent rates of growth in services trade make the continent and individual African countries potential, given rapid urbanization rate and burgeoning demand generated from an increasingly young population. There is also a demand for better quality and delivery of services such as telecom or power.

The shares of different categories of Indian services exports show ICT as the main driver at 41 per cent. Though business services is the second largest with 26 per cent share services, like construction and financial services, are much more relevant as far as African countries are concerned. If the story of Indo-African trade in goods is an ongoing one, then the story of Indo-African trade in services is possibly at the cusp of happening. It undoubtedly has great potential but enhanced engagement at policy level is required, to begin with.

## *Potential Sequence of Indo-Africa Engagement*

The continent constitutes of 54 big and small nations. Even if India wishes, it possibly cannot engage with all of them at the same level simultaneously. Therefore, there has to be a sequence to that engagement. This study proposes two waves of engagement.

***Wave 1 – Indian engagement may be initiated in the next 1-3 years***

***Wave 2 – Indian engagement may be initiated in the next 3-5 years***

In order to derive two such sets of countries, the study has attempted to categorise all African nations (excluding Libya) on the basis of the following five economic indicators and assigned weights.



Indicators	Weights Assigned
Per Capita GDP(Rate of growth)	0.40
Agriculture, Value Added (as a % of GDP)	0.30
Ease of doing business ranking (rate of growth of ranking)	0.15
Exports (%)	0.125
Imports (%)	0.125

The calculated weighted index captures the internal demand generating capacity and existing external exposure of the economy simultaneously. As a result, there can be different mixtures of strengths and weaknesses across the list. This categorisation, however, in no way, indicates any special importance attached to any particular country. India is keen to create robust partnerships with the entire African continent.

## Exploring Investment Opportunities: Mutual Benefits

### *Indian Investment in Africa*

Indian government-backed initiative to engage with Africa should provide ample opportunities for Indian outward FDI as well, and no Indian engagement with Africa will be complete without mutual exchange of direct investment. The first ever outward Indian FDI went to Africa – a textile mill established by the Birla Group in Ethiopia in 1959. Indian multinationals have ventured into both green-field and existing investments – in telecom, energy, computer services, power and automobile sectors, among others.

### *Major Reasons Behind Rising Trend of Indian Investment in Africa*

Government policies, coupled with moderate but consistent economic growth, have given confidence to Indian companies to invest abroad through FDI route. Bilateral investment treaties (BIT) and double taxation treaties (DTT) also encourage better flow of FDI in host countries. Host country policies, like changes in corporate tax rates, other fiscal incentives and other privatisation policies, also influence OFDI. Along with political and cultural factors, other factors influencing outward FDI include comfort in English language and geographical location.

### *Composition of Indian FDI in Africa*

Indian investment in Africa has been in primary commodities such as oil, gas and mining. In manufacturing sectors, automobile and pharmaceutical firms historically invested in different African countries. Pan-African investments are also made by prominent Indian telecom, chemical, metal and fertiliser companies.

### *Africa: New Destination for Investment and Capital Flow*

According to Financial Times, Africa is the fastest growing destination for FDI. In 2014, the capital investment coming into the region grew by 65 per cent to an estimated US\$ 87 billion, while the global green-field FDI market expanded by only 1 per cent. The number of projects in Africa increased by 6 per cent. Apart from investments in resources, there have been strong FDI inflows into real estate, hospitality and construction in 2014 along with consumer facing sectors like technology, media and telecom, financial services, consumer products and retail. There has also been visible enthusiasm about agricultural sector based investment activities in 2014.<sup>8</sup>

### *Africa's Outward FDI: Possibilities and Realities*

In today's financially integrated world, capital, even from an early stage economy, creates aspirations for itself.

<sup>8</sup> Data and information in this paragraph have been taken from "EY's attractiveness survey – Africa 2015: Making choices," Ernst & Young.

It is important to note that African outward FDIs include intra-continent investment of African capital which is the second largest source of FDI in Africa. Employing a part of country's financial resources outside remains essentially a policy decision, and an issue of political economy in any particular country. However, there are African countries in advanced stages of development such as South Africa, where companies are quite keen on investing not only inside but also outside the continent.

### ***Outward Investing African Countries and India as the Potential Destination***

In a financially integrated world, foreign investment is increasingly transforming itself into a two-way affair because of global aspirations of transnational capitals. High-profile countries like Mauritius show steady outflow of FDI ; Democratic Republic of the Congo has shown quite a big jump in FDI outflows in the last three years; Tunisia, Burkina Faso, Guinea, Senegal, Togo, Cameroon, Gabon, Zambia and Zimbabwe show sporadic outflows. Algeria, Egypt, Libya, Morocco, Liberia, Nigeria, Angola, and South Africa have shown steady and quite high outflows of FDI in recent times. Some of these FDIs from Africa have the potential to come to India.

### ***Towards a New Era of Investment between Africa and India***

Given the enduring relationship with Africa, India is in a perfect position to initiate a mutual organic growth partnership. The relationship has to be built not only on economic fundamentals, but also on mutual trust. With India's clear intention to contribute to the capacity and skill building in Africa, the cornerstone of the relationship must be trade and investment. With relatively free flowing capital and enhanced facilitation on both sides, India and Africa can contribute to each other's growth story. It will feed positively into economic multiplier mechanism and boost economic development in both regions.

### ***Role of Trade Agreements in Facilitating Trade***

#### ***Trade Agreements and Trade Blocs in Africa***

Since the early 1990s many African countries have made significant progress in opening up their economies to the rest of the world, either through trade liberalisation or by exchange rate liberalisation. With the creation of regional trade agreements in other parts of the, African nations too entered into 30 regional trade agreements (RTAs) or trade blocs, many of which are part of deeper regional integration schemes with an aim to strengthen intra-regional trade and investment relations by eliminating or reducing tariffs and other barriers, and fostering a common economic union amongst member states.

#### ***India's Trade Agreements with African Countries***

India has already signed bilateral free trade agreements with 19 African nations and Preferential Trade Agreements with 13 other African countries. Currently, India is negotiating for preferential trade agreements with SACU countries and other trade blocs such as RECs, COMESA and ECOWAS to create a conducive environment of trade. India is also negotiating a Comprehensive Economic Cooperation and Partnership Agreement (CECPA)<sup>9</sup> with Mauritius.

#### ***Impact of Existing Trade Agreements and Blocs on Indo-Africa Trade***

Substantial evidence supports the fact that signing of agreements with Africa gave a fillip to the existing trade. In 1991 where India's total trade with Africa was only 97 million USD,<sup>10</sup> it reached 71 billion USD<sup>11</sup> in 2014-15 with a compound annual growth rate of 31 per cent. As a result, the trade balance of India with African countries has substantially improved, which is a positive development in Indo-Africa trading relations. African

<sup>9</sup> <http://pib.nic.in/newsite/PrintRelease.aspx?relid=111882>

<sup>10</sup> *A Study on Africa's Trade Composition*

<sup>11</sup> *Ministry of Commerce and Industry, Import-Export Database 2014-15*

countries also have the potential to improve their trade fundamentals by exporting into Indian markets, if more such agreements with India fructify.

### ***Implications of the Africa Free Trade Zone***

The Tripartite Free Trade Area (TFTA), will integrate the 26 member countries of COMESA, EAC, and SADC.<sup>12</sup> Future targets of all these trade negotiations also include a gigantic plan to create a Continental Free Trade Area, consisting of all 54 nations, by 2017, which will have a combined market of one billion people. African countries as of now belong to several groups, thereby making the process of any trade agreement with them somewhat cumbersome. It is hoped that TFTA will facilitate access to markets within the region and end overlapping membership complications. The deal also aims to strengthen the blocs' bargaining power while negotiating at the international level.

### ***Non-Tariff Measures in Africa***

In recent years tariff rates applied by countries around the world have fallen to historic low levels owing to the growing number of multilateral, regional and bilateral trade agreements. Instead, traded goods are required to comply with various regulations which include licenses or permits to import, quality requirements, inspections and price controls, before they are allowed to enter the destination market. These regulations are classified under non-tariff measures.

African countries appear to regulate their imports more than many other developing countries, especially in relation to Pre-Shipment Inspections (PSIs),<sup>13</sup> possibly implemented to fight corruption, to facilitate and accelerate custom procedures and ultimately to help in the correct evaluation of imports and taxation, all of which greatly affect African countries. To enhance trade relations with India and other potential trade partners outside Africa, greater regional coordination and efficient regulatory procedures will have to be established.

### ***Scope and Possibilities of New Trade Arrangements***

Some of the sectors that offer new trade opportunity and need focus to enhance trade relations are pharmaceuticals, capital goods, automobiles and spare parts. Countries like Nigeria, Egypt, Tanzania, and Kenya, are major markets of India. However, several new markets have witnessed significantly high growth in recent times such as Algeria, Togo, Cameroon, and Ghana. India needs to diversify its product basket persistently to keep the current growth buoyant. African countries may require capacity building in developing good SPS (sanitary and phyto-sanitary) and TBT (Technical Barriers to Trade) standards in which India can provide assistance.

### ***Way Forward and Recommendations***

To build durable partnerships, three important areas where India and Africa need to focus, in order to strengthen their trade relationships are -

- Mutually beneficial resource partnerships
- Solving the raw material conundrum
- Agriculture and food security

The following are key recommendations that this study makes, based on data analysis and overall assessment of existing trade relations between India and Africa:

1. Africa-India Summit is already a regular platform which has been created. The platform needs to be further strengthened and formalised with defined engagement terms.

<sup>12</sup> *The Benefits of Africa's New Free Trade Area*, Belfer Centre, June 2015

<sup>13</sup> *Non-Tariff Measures To Trade: Economic and Policy Issues For Developing Countries*, UNCTAD

2. In the light of formation of Tripartite Free Trade Area (TFTA) and the proposed African Free Trade Zone, India should immediately engage itself with all trade blocs and associations, including African Union. The objective should be to come into a common understanding of promoting mutual trade and investment. Wherever possible, bilateral arrangements also need to be explored for the same objective.
3. While trade agreements are important, investment treaties have to be taken up equally seriously to further enhance and nurture bilateral and/or multilateral trade agreements.
4. Confidence and trust building measures from Indian side, like establishing skill building institutes and research facilities, more direct business-to-business interactions, workshops and seminars, have to be further increased with immediate effect – to create a conducive atmosphere for talks.
5. While initiating investment treaties, other bottlenecks for free capital flow have to be cleared also through double taxation treaties or other arrangements. Otherwise, the engagement process may get stalled in future.
6. Indian government may have to take an active part in creating additional capacities on African soil, particularly in those which will be part of confidence building measures.
7. Instead of only utilising individual channels, India also should make an effort to engage itself with African nations through the platform of BRICS, since South Africa is a partner in that platform. This may create additional catalysts for development.
8. Once negotiations progress to a satisfactory level, care should be taken by the Indian government to identify key sectors, in which capital and trade flows (both ways) can be prioritised and facilitated. In immediate future it seems that consumer goods, wholesale and retail, construction, housing, telecom, financial and banking services are the sectors where India can engage itself with African nations at various levels.
9. A sizeable section of African diaspora is present in India – in the form of students, diplomats, workers of different governments of Africa and tourists. African companies can easily export African processed food to cater to this population. Urban India is increasingly showing tendencies to consume foods of different continents, and therefore food and agro-based exports from Africa have a potential market in India. Indian and respective agricultural ministries of African countries should have an active cooperation for such exports of African foods and agro-based products.
10. Healthcare, tourism and travel are other sectors where African nations want to venture. India should facilitate such endeavours both in India and anywhere in African soil.
11. Pharmaceutical sector is another sector, where Indian companies have potential to be the “pharmacy of Africa.” Presence of more generic Indian drugs, lack of awareness, and health standards are some issues hindering further expansion of Indian pharma companies, which is probably why Indian presence is mainly limited to Eastern African region. Development in biotechnological research, compliance to international health standards, and awareness programmes, like exhibitions or pharma fairs, are needed to remove these barriers. Indian government can play a positive and pro-active role in this process.
12. Social sectors, including cultural interactions (music, dance, theatre) and particularly education, create opportunities for India. Direct investment in education also has the ability to build trust. However, there needs to be a mixture of investment and philanthropy from Indian side in education.
13. In sports and related activities, African nations can help out India, and that can form one of the bases of a reverse trust building exercise.
14. Deeper research into bilateral and multilateral trade and economic aspects warrants good quality data. India would do well if it can get into information sharing understanding with as many African countries as possible. This will hugely facilitate future progress of talks and other economic and political interactions.



## CHAPTER 1

# INDIA AND AFRICA: AN ENDURING RELATIONSHIP FOR MUTUAL PROSPERITY

### Economic, Trade and Cultural Ties between Africa and India

#### *Historical links*

This may be often repeated, but while discussing Afro-India trade potential it is still worthwhile to remember that the relationship between India and Africa dates back in history. Even hundreds of years back Indian traders, using the seasonal monsoon winds, sailed to the east coast of Africa in search of mangrove poles, ivory, gold and gemstones. This trade wind intensified with the advent of Omani suzerainty in the 17th century over Zanzibar and its hinterland through sizeable trade in spices – among other kinds of trades. During the colonial period, there had been a large immigration of Indian labour in railways work in East Africa, and in sugar and other plantations in Mauritius, Madagascar and Southern Africa. They form a large part of the present Indian diaspora in the continent. Trade between original homeland India and their new home Africa also grew over time in the form of export of African tea, coffee and cotton, and in the form of import of manufactured goods and grains like rice, pulses and textiles from India.<sup>14</sup> India also shares a special emotional bonding with the continent since Mahatma Gandhi started his political journey against apartheid in South Africa, and that journey finally culminated into the freedom struggle and subsequent independence of India.

What is less highlighted and less known – is the extraordinary historical achievements of Africans in Indian sub-continent since the 1300s. The alliance between Delhi's first woman ruler Razia Sultan and her Abyssinian general Jamal-ud-din Yaqut during 13th century is one of the permanent features of Indian history and legends. Jamal-ud-din's rise from a slave to a premier noble in the Sultanat of Delhi was meteoric and defining but there are other such historical examples of Africans playing significant role in Indian dynasties. Down south in Deccan, splinter states of Bahmani kingdom put up a resistance against the Mughal expansion in south during 16th and 17th century, and Malik Ambar of Ethiopian descent, was one of the architects of that resistance. He was the prime minister and general of Ahmadnagar state and believed to be the pioneer of guerrilla warfare in India. Similarly, the Bijapur state had an influential coterie of African origin nobles led by Ikhlas Khan, a powerful general, who broke social and economic barriers to reach that position. There are even instances of Africans setting up independent kingdoms in India, like the Siddis of Janjira. Genetically traced to Bantu ethnicity of South-East Africa, they commanded Mughal navies, and were feared and respected by both Marathas and the European powers. The Janjira state and its successor state of Sachin survived until Independence. Though the journey of all these Africans essentially started from the capture of Arab slave traders, they rose and excelled in India by their abilities. Nowhere else in the world outside Africa, Africans were able to rule except in Indian sub-continent. That speaks volumes about the African connection with India.<sup>15</sup>

#### *New developments in African trade and economic horizon*

By the end of the 20th century, both Africa and India experienced completely new horizons in economic and political spheres. India and Africa share not only old trade linkages but also similar kind of demography,

<sup>14</sup> <http://www.global-briefing.org/2012/10/india-africa-trade-a-unique-relationship/>

<sup>15</sup> <http://timesofindia.indiatimes.com/india/When-black-was-no-bar-How-Africans-shaped-Indias-history/articleshow/44766055.cms>

composition of population and gruelling history of colonisation. However, the last phase of the 20th century saw disappearance of many of those shared aspects. Colonisation was a thing of past, more advanced stages of development were achieved, the legacy of Non Aligned Movement (NAM) faded, and subsequently over-reliance on only South-South cooperation also diminished – replaced by an increasing urge to be an integrated part of the world. Within that process of globalisation, India and many of the African countries went through elaborate Structural Adjustment Programme (SAP), and obviously the economic and geo-political priorities shifted their paradigm in both of these geographical conglomerations.

In the last millennium, expectedly Africa's trade with Europe and the USA dominated its trading volume, but there has been a gradual increase in trade with Asia in the recent past which is principally led by China and, to a certain extent, India.

#### **Africa's Trade Pattern Region-Wise, 2013**

	<b>North America</b>	<b>South &amp; Central America</b>	<b>Europe</b>	<b>CIS</b>	<b>Africa</b>	<b>Middle East</b>	<b>Asia</b>	<b>World</b>
Merchandise trade value (billion dollars)								
Africa	54	30	216	2	97	18	160	602
World	3082	782	6669	566	618	760	5423	18301
Share of regional trade flows in Africa's total merchandise exports (%)	8.9	4.9	35.8	0.3	16.2	3.0	26.6	100.0
Share of African exports in world merchandise exports to the region (%)	1.7	3.8	3.2	0.3	15.8	2.4	3.0	3.3
Share of regional trade flows of Africa in total world merchandise exports (%)	0.3	0.2	1.2	0.0	0.5	0.1	0.9	3.3

Source: *International Trade Statistics 2014, WTO*

Compared to world trade volumes, African trade is still at a lower level as is evident from 2013 trade data in the table above, but the good news is that top African trading countries have shown very healthy trade growth rates in the recent past. As mentioned, Asia has come up as second leading destination for African exports replacing North America as a region. There is also a healthy trend of intra-regional trend in Africa as 16.2 per cent of total African merchandise exports are essentially traded within the African continent. However, factually Europe still remains the top destination and origin for African exports and trade.

#### **Africa-India Forum Summit: A Renewed Effort for Stronger Bonds**

The first Africa-India Forum Summit was held in April 2008 at New Delhi, India. In a first of its kind, the summit brought together Indian government and representatives from 14 African countries, chosen by African Union. The forum was formalised and it was decided that the summit would take place after every 3 years. As decided, the second Summit was held in 2011 in Addis Ababa, Ethiopia – where discussions were held between 15 African countries and India to take the initiative further forward. The countries agreed to adopt a Framework for Enhanced Cooperation between Africa and India. The highlights of that framework are as follows.<sup>16</sup>

<sup>16</sup> <http://mea.gov.in/bilateral-documents.htm?dtl/34/Second+AfricaIndia+Forum+Summit+2011+AfricaIndia+Framework+for+Enhanced+Cooperation>



## **1. Economic Cooperation**

- All sides agreed to further expand cooperation to increase trade, investment and financial flows.
- I. Agriculture – Collaboration in the implementation of the Comprehensive Africa Agricultural Development Programme (CAADP), which essentially involves latest scientific research to increase productivity.
- II. Trade, Industry and Investment – African countries explicitly showed their keenness for Indian direct investment to build up capacities in their countries. They also appreciated the unilateral announcement by India of Duty Free Tariff Preference Scheme for Africa's least developed countries (LDCs) and advocated increase of awareness for greater usage of this scheme. They also found the India-Africa Project Partnership conclaves useful as these bring together Indian and African entrepreneurs and decision makers together.
- III. Small and Medium Enterprises – Discussion on this aspect was limited to create skill building and vocational training centres – to be offered by India. On a broader and less concretised scale, economically linking SMEs of Africa and India was also discussed.
- IV. Finance – In-principle commitments were made by India to support African countries with concessional lines of credit and suitable grants for mutually beneficial projects.
- V. Regional Integration – African representative countries and India agreed to build capacities for effectively carrying out implementation of the integration agenda among the Regional Economic Communities (RECs) in Africa, including providing financial support to regional integration projects and capacity building programmes in the RECs.

## **2. Political Cooperation**

- I. Peace and Security
- II. Civil Society and Governance

## **3. Cooperation in Science, Technology, Research and Development**

- Broader commitments to develop skill building were made in the following areas.
- I. Science and Technology
- II. Information and Communication Technology

## **4. Cooperation in Social Development and Capacity Building**

- Discussions and broad commitments in the line of creating capacity building institutions in Africa by India

## **5. Cooperation in Health, Culture and Sports**

## **6. Cooperation in Tourism**

- African countries and India agreed to strengthen partnership, especially with the private sector, in all tourism related establishments including travel agencies, hotels and airlines – to develop tourism in both Africa and India.

## **7. Cooperation in Infrastructure, Energy and Environment**

- Once again, similar commitments were made without, however, any concrete projects or plan.

## **8. Cooperation in the area of Media and Communications**

- A Framework for Enhanced Cooperation by promoting more visits among media persons, academicians, scholars and civil society representatives was discussed.

However, it is evident from the highlights that the discussion and resultant commitments were all “in principle” and in broader terms. African participation was also limited to 14-15 countries in each of these two summits.

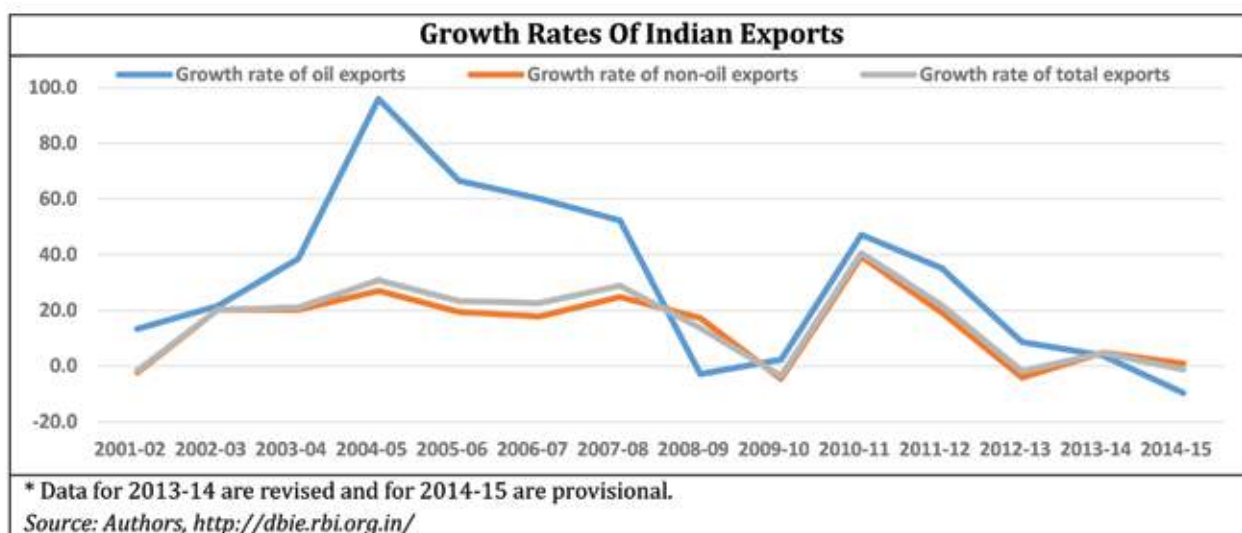
Next summit was scheduled to be held in New Delhi in December 2014, but Indian Government wished to make the summit a wider ranging participatory and result-oriented one and postponed it to next year, scheduled to be held on October 26-30, 2015. Till date, invitations are sent to all 54 African countries, except Libya where there is no functional central government, and the External Affairs Ministry of India is leaving no stone unturned to make this summit a grand success. Under the first one held in 2008, 19 institutes were committed to be built by India, out of which only 2 vocational training institutes were established in Ethiopia and Egypt.<sup>17</sup> Instead of skill enhancing goodwill measures, this time it is expected that the focus will be on utilising the trade opportunities to propel economic growth in these two regions.

## Potential Indian Economic Gain from Improved Trade Relations with Africa

### Expansion of Indian exports

#### *Gains from trade*

Traditional trade theories say that whenever there is free trade between two countries it always results into greater output for both the countries as both countries produce more by concentrating on their special production advantages. In the process, the countries gain in terms of larger income and larger consumption demand, which also creates better living standards for the trading countries. Apart from that theoretical angle, even if we see the current situation from India's perspective the trends (as shown in the following diagram) indicate a downward slide in oil, non-oil and total exports in recent times. This downslide is not entirely unexpected as post-2008 world demand, particularly demand in the advanced countries, slowed down considerably. As a result, like in many other countries, even in India there is visible slowdown in exports and imports growth. In fact, as a result of a negative growth rate in oil exports the growth rate of total exports has also gone into the negative zone in 2014-15 provisional figures. India imports crude oil, refines and re-exports part of that refined oil, but slumping world demand created a slowdown in this sector. Non-oil exports are also not doing well. Though it is barely in the positive in 2014-15, non-oil exports also need immediate policy boost. Current growth rates in exports are now even slightly below the growth rates existing at the beginning of the millennium, and this is not good news for India. In a diverse and dynamic Afro-Indian trade arrangement lies the expansion opportunity for India, and it is an opportunity which cannot be missed.



<sup>17</sup> <http://www.newindianexpress.com/nation/MEA-Overdrive-to-Ensure-India-Africa-Summit-a-Success/2015/05/20/article2823787.ece>



## *Investment benefits*

In 2008, Africa's collective GDP was 1.6 trillion US\$ which was roughly equal to Brazil's or Russia's GDP. Out of that combined national income figure, Africa's total consumer spending in the same year stood at 860 billion US\$. Considering the fact that 60 per cent of world's total uncultivated but arable lands are now in Africa, 52 cities are have a population of more than 1 million people and the number is growing, and there are 20 African companies with revenues of at least 3 billion US\$, the true potential of an Afro-Indian economic alliance can be really understood. The continent has an abundance of natural resources, including 10 per cent of the world's reserves of oil, 40 per cent of gold, and 80 to 90 per cent of chromium and the platinum group metals.

However, Africa is not just about resources – natural resources directly accounted for only 24 per cent of Africa's GDP growth during the period between 2000 and 2008. The rest was contributed by other sectors, including wholesale and retail trade, transportation, telecommunications, and manufacturing. This has been made possible in part because of rapid urbanisation. In 1980, around 28 per cent of Africans lived in cities while by 2008 around 40 per cent of them became city dwellers. The rate of population shifting into city areas, in fact, is higher than the rate in India or China. This shifting population towards urban area creates massive opportunities in all sectors because of their economic linkage effects. Following are some projections, made by McKinsey, showing the immense potential of the continent.<sup>18</sup>

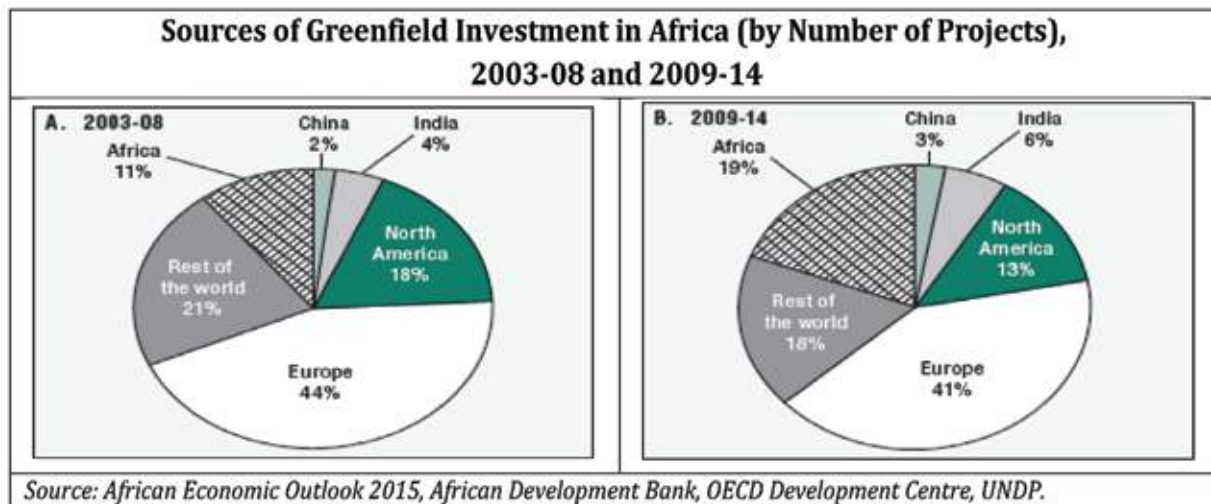
- By 2020, Africa's collective GDP will be 2.6 trillion US\$.
- Africa's consumer spending will be 1.4 trillion US\$ in 2020.
- There will be 1.1 billion Africans in working age by 2040.
- 128 million African households will be with discretionary income in 2020.
- 50 per cent of all Africans will be living in cities by 2030.

Contrary to popular perception, the growth momentum in Africa is not just driven by natural resources only; rather the momentum is generated by the combined pull of commodity sectors and other sections of the industry. And that pull is generated essentially by consumption demand creation through an increasingly urbanised skilled population with upwardly moving incomes and aspirations.<sup>19</sup> That is why Africa is also considered to be one of the more favourable destinations for outward FDI from different parts of the world. As evident from the following diagrams, India's recent involvement in green-field investments in Africa also bears testimony to this fact. India's share in African greenfield investments increased to 6 per cent during 2009-2014 from 3 per cent during 2003-2004, while China's share went up to 3 per cent from 2 per cent during the same period. Though China concentrated more on the trade front, due to age-old links to the continent, India is now showing its intent to build an active partnership on the road towards mutual prosperity. Incidentally, foreign investment in African economies was expected to reach a record 80 billion US\$ in 2014.<sup>20</sup>

<sup>18</sup> "Lions on the Move: The progress and potential of African Economies," McKinsey Global Institute, June 2010.

<sup>19</sup> "Lions on the Move: The progress and potential of African Economies," McKinsey Global Institute, June 2010.

<sup>20</sup> <http://www.wsj.com/articles/SB10001424052702304422704579571363402013176>



## Import benefits

### *Food security*

In 1966-67, a typical year of severe drought, India had to import 11 million tonnes of food grain to feed its own population, and that was the precursor to Green Revolution which increased agricultural productivity drastically in India and ensured food security subsequently. However, with truant monsoons in recent years India has struggled to meet its food security needs. Even though the growth rate of population has decreased in recent times, still India is a populous country where hunger and malnutrition persist. Moreover, agricultural productivity has not increased proportionally, rather it has plateaued in recent times.

If we look at the per capita net availabilities of food grains, cereals and pulses over the years – this agricultural productivity stagnation will be quite evident. In the recent times, net availabilities of these commodities, which constitute staple foods for most of the population, are literally stuck at a low level. In such a scenario, a partnership with Africa can help India in solving the food security issue. The most important point to remember here is that Africa holds 60 per cent of the world's uncultivated arable land which are lying unutilised for various reasons including lack of capital investment in agriculture. India can contribute in investment, and a fruitful partnership can solve quite a few Indian agricultural and food security woes. Africa will also benefit in terms of trade, and thus it can lead to a win-win situation for both India and Africa.

### Per Capita Net Availability of Food Grains (Per Annum) in India

As on March 6, 2014 (Kg per year)							
Year	Rice	Wheat	Other Cereals	Cereals	Gram	Pulses	Food Grains
1951	58.0	24.0	40.0	122.0	8.2	22.1	144.1
1971	70.3	37.8	44.3	152.4	7.3	18.7	171.1
1991	80.9	60.0	29.2	171.0	4.9	15.2	186.2
2001	69.5	49.6	20.5	141.0	2.9	10.9	151.9
2007	70.8	57.6	20.3	148.7	4.3	12.9	161.6
2008	64.0	53.0	19.7	143.9	3.9	15.3	159.2
2009	68.8	56.5	23.3	148.6	4.7	13.5	162.1
2010	66.4	61.4	18.8	146.6	4.9	12.9	159.5
2011	66.3	59.7	23.9	149.9	5.3	15.7	165.6
2012	69.4	57.7	21.9	149.1	4.9	15.2	164.2
2013 (P)	84.8	66.9	19.4	171.2	5.6	15.3	186.4
<b>* Food grains include rice, wheat, other cereals, and all pulses. * P – Provisional.</b>							

Source: Agricultural Statistics at a Glance 2014, Government of India

### Energy security

Currently India is one of the comparatively better performing economies in the world. During 2006-10, India's GDP increased at a compound annual growth rate (CAGR) of 8.1 per cent while global GDP expanded at a CAGR of 4.9 per cent. After the 2008 crisis, however, the pace of economic growth in the world slowed down, and though till around 2010 India was less affected economically by the crisis thereafter Indian growth rate also decelerated. During the period between 2010 and 2014, world economy grew at a CAGR of 3.9 per cent while Indian economy grew at a CAGR of 6.4 per cent.<sup>21</sup> Amidst decelerating world economy, this also implies fair amount of economic activities in India. Usually economic activities are always accompanied by rising energy consumption. Incidentally, India was the fourth largest energy consumer in the world in 2011 – following China, the USA, and Russia.<sup>22</sup>

India's primary energy consumption increased at a CAGR of 6.9 per cent, from 389.98 million tonnes of oil equivalent (MTOE) in 2006 to 509.96 MTOE in 2010. In the next 5 years the rate of energy consumption also decelerated along with growth rate of GDP. During 2010-14, primary energy consumption in India grew at a CAGR of 5.8 per cent – from 389.98 MTOE in 2010 to 637.76 MTOE in 2014. Major sources of primary energy in India are coal, oil and natural gas – accounting for 52.9 per cent, 29.6 per cent and 10.6 per cent of the primary consumption respectively. In spite of having world's fourth largest coal reserves, the demand-supply gap of coal steadily increased and domestic supply is unable to keep pace with the demand for various reasons. Since India has negligible reserves, the demand-supply deficit is huge in case of oil and gas. While India holds only 0.3 per cent of world's total proved oil reserves, the country consumes 4.3 per cent of total global consumption, according to data available by the end of 2014. Reserves-to-production (R/P) ratio<sup>23</sup> for oil in India stands at 17.6 by the end of 2014. So, going by the current production rate India's own oil reserves will last for 17.6 more years. Similarly, India has 0.8 per cent of world's proved natural gas reserves while the country consumes 1.5

<sup>21</sup> World Economic Outlook Database, April 2015, International Monetary Fund.

<sup>22</sup> U.S. Energy Information Administration at <http://www.eia.gov/todayinenergy/detail.cfm?id=17551>

<sup>23</sup> R/P ratio is obtained through dividing the reserves remaining at the end of any year by the production in that year. The result is the length of time that those remaining reserves would last if production were to continue at that rate.

per cent of total worldwide gas consumption by the end of 2014. At the same time, India's R/P ratio stood at 45.0 which implies that with current production rate India's own natural gas reserve will last about 45 more years.<sup>24</sup>

This kind of an energy consumption pattern in India warrants a sustainable source for energy. Given Africa's richness in oil and natural gas, different countries of African continent can provide stable support to India's development process through well-defined trade partnerships in the fields of oil and gas. Such long term energy associations with African countries will help India immensely in solving its energy conundrum, ensuring energy security and in sustaining its growth momentum.

## Non-fuel mineral resources

India's rise into economic prominence is mainly fuelled by the growth in services sector which has consistently contributed around 50 per cent in GDP in the last 15 years or so. Despite endowed with quite a large natural resources base, the stagnation in manufacturing sector is evident as it contributed around 14 to 17 per cent in GDP in the recent past. In modern industrial activities minerals are almost indispensable, but unfortunately non-fuel minerals and metals seldom get the same attention as that is received by oil and natural gas sector. Although direct contribution of non-fuel materials is less than 2 per cent of the GDP, these materials indirectly supports approximately 15 per cent of the GDP via manufacturing sector. Therefore, even with around 4 per cent of India's import bill, non-fuel materials can have large impact on the economy just like fuel minerals, which account for around 16 per cent of India's imports.<sup>25</sup>

### Supply Side Status of Availability of Some Key Minerals in India

	No domestic reserve	Poor reserves	Not explored well for potential reserves	Technical/economic issues in primary recovery
<b>Minerals</b>	Cobalt	Boron, Copper, Lead, Titanium	Molybdenum, Chromium, Graphite, Boron, Rare earths, Platinum group materials, Gypsum, Tungsten, Gold, Perlite, Antimony	Chromium, Graphite, Boron, Rare earths, Platinum group materials, Gypsum, Tungsten, Perlite
	Technical/Economic issues in secondary recovery	Environmental/Social	Policy issues/Corruption	Significant proven reserve and commercially extractable
<b>Minerals</b>	Molybdenum, Vanadium, Nickel, Cobalt, Gallium	Chromium, Iron ore, Silica	Rare earths, Iron ore	Manganese, Magnesite, Bauxite, Zinc, Tin, Bentonite, Iron ore, Fireclays, Zircon, Limestone, Feldspar, Asbestos, Talc, Barytes

Source: Gupta and Ganesan (2014), (information originally adopted from Indian Bureau of Mines, 2011)

<sup>24</sup> BP Statistical Review of World Energy, June 2015; and "India's Energy Security: Key issues impacting the Indian oil and gas sector," Ernst & Young, 2011.

<sup>25</sup> Gupta, V. and Ganesan, K. (2014), "Policy Brief- India's Critical Mineral Resources: A trade and economic analysis," Council on Energy, Environment and Water

India has some large reserves and some finite reserves of approximately 85 mineral resources, out of which 11 are metallic, 52 non-metallic and 22 minor. The table above shows very clearly that geological availability is not the only supply constraint that the country faces; rather technology issues and policy bottlenecks also hinder development and extraction in this sector. While African countries boast of a range of mineral resources, there is a huge potential for an Afro-Indian partnership not only in trade of these resources but also in sharing and improving knowledge and skill for extraction and other mining activities.

### **Initiation of African business in India: New Sunshine**

African business community has a sizeable presence in China, but there is no significant African business in India, except for a few in banking business. FirstRand Bank (FRB) opened its representative office in Mumbai in 2008, and a year later received its banking license to become the first South African bank to open a branch in India. State Bank of Mauritius (SBM) is present in Mumbai since 1994, and opened three more branches subsequently in Chennai, Hyderabad and Ramachandrapuram. However, there are no significant big presence from the African countries in any other sector of business, although through trade ties there are interactions with different African entities.

While in real terms there is negligible amount of African investment in Indian soil, interests are expressed from the side of the African business community to invest in India, particularly in sectors like food and hospitality. A sizeable section of African diaspora is present in India – in the form of students, diplomats, workers of different governments of Africa and tourists. African companies can easily export African processed food to cater to this population. Urban India is growingly showing tendencies to consume foods of different continents, and therefore food and agro-based exports from Africa can have a sizeable market in India. There can be similar possibilities in other sectors also. To facilitate such possible business partnerships and ventures there is a need for assistance and active intermediation from the Indian government's side.<sup>26</sup> These business ventures, if materialised, can ease some investment burdens of India as well.

Although India did well economically in the recent past, there is always a capital crunch in real sector investment and financial resource mobilisation. Any investment from willing and interested African investors can help ease those burdens. In addition to that, such investments also suit the current policy environment propelled by Indian government's "Make in India" campaign, which strives to convert India into a manufacturing sector economic activities hub. Entry of African business in India will have the potential to create more competitiveness in Indian domestic market. There is also a probability of diversification in Indian product baskets. While trade will immensely help in structural diversification of African countries, African investment will help in development of product diversification in India. In the process, output in both the regions can get the boost which will propel them towards prosperity and a sustainable growth path.



<sup>26</sup> ASSOCHAM India-Africa Dialogue, August 6, 2015

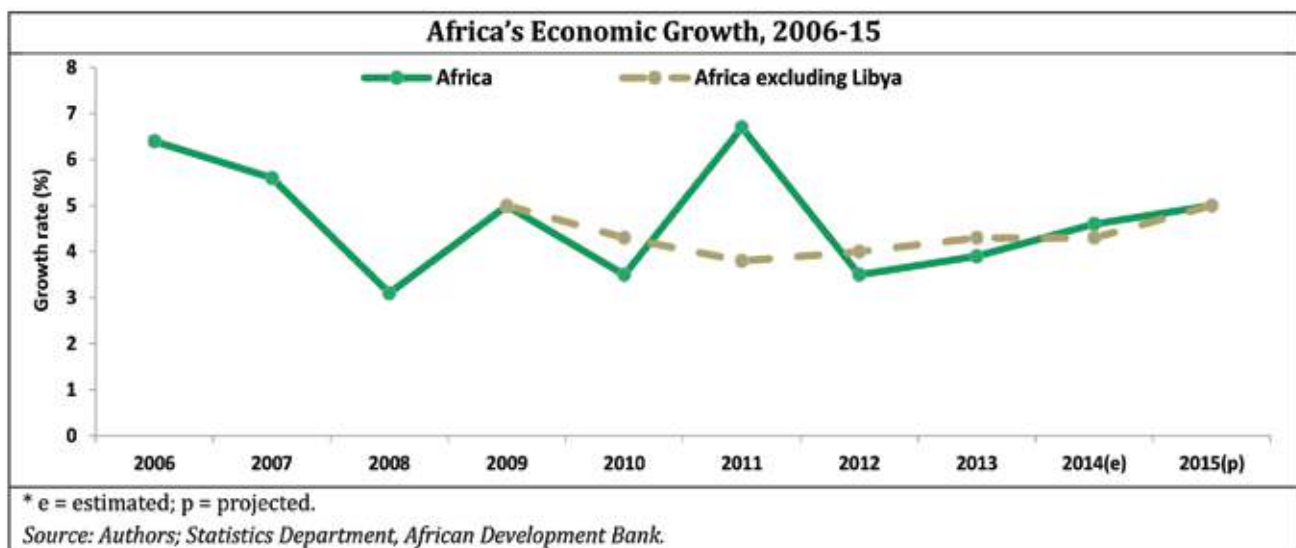
## CHAPTER 2

# SURGING AFRICA: TIME FOR A REINFORCED PARTNERSHIP WITH INDIA

### An Emerging Growth Story in Africa

Africa's collective economy was stagnant during most parts of the 20th century, but in the late 1990s economic activities started showing upward trend. Then in the first decade of the millennium, the continent, as a whole, made significant development. Real GDP increased at an average of 4.9 per cent during the period of 2000-08, buoyed by significant good economic performances in telecom, banking, construction and retail sectors. As a result, foreign investment also started coming in. Though 2008 crisis affected Africa like any other regions, average GDP growth more than doubled between 2001 and 2014 to above 5 per cent – up from a sluggish around 2 per cent growth during the 1980s and 1990s. Growth has remained strong in some countries and moderate in others, but the overall growth rate of the continent is estimated to be 4.5 per cent in 2015 and 5 per cent in 2016, and if similar growth trend persists then Africa will return back to the level of GDP growth rate existing before 2008 financial crisis in the near future.

In sub-Saharan Africa (SSA), growth rate was 5.2 per cent in 2014. It is projected to weaken to 4.6 per cent in 2015, but it is expected to bounce back to 5.4 per cent in 2016. The reason for this volatility lies in relatively low growth in South Africa. Excluding South Africa, SSA is estimated to grow by 5.2 per cent in 2015 and 6.2 per cent in 2016. However, these projections assume an improving world economy, recovering oil prices and successful containment of Ebola. Fragile export markets, especially Europe, and integrated but vulnerable global financial markets remain risk factors to undermine such growth projections.<sup>27</sup>

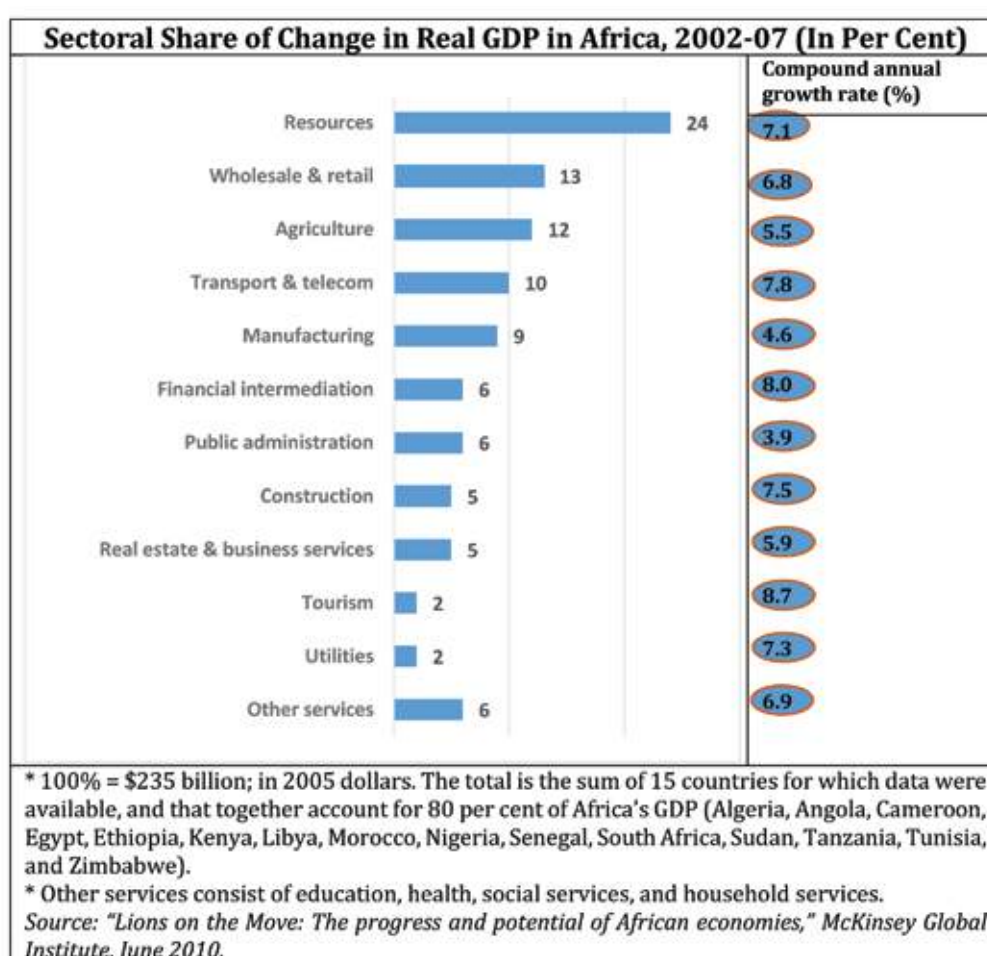


<sup>27</sup> African Economic Outlook 2015, AfDB, OECD Development Centre, UNDP.



## *The continent is not just about resources*

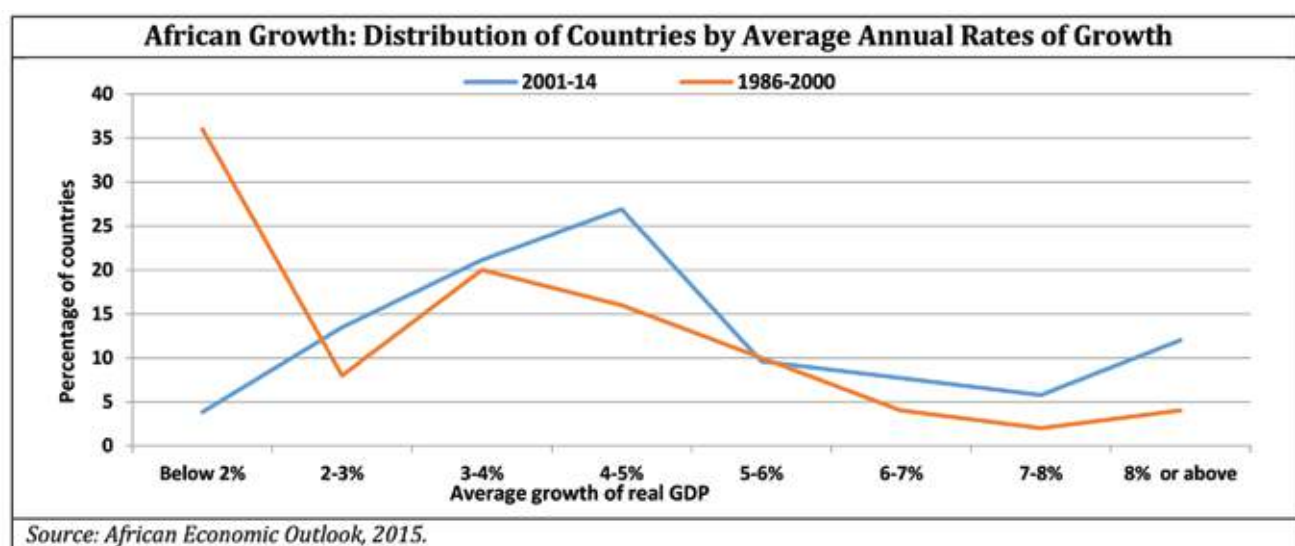
In the first decade of the millennium, there had been an upward rise in global commodity prices and Africa benefitted immensely from that upward surge. Oil prices went up from less than \$20 a barrel in 1999 to more than \$145 in 2008. Prices of minerals, grain, and other raw materials also were buoyed by a rising world demand. That provided credence to the perception that steady good growth rates of African countries are a result of a worldwide commodity boom. But that is only one part of the growth story. Natural resources directly accounted for just 24 per cent of Africa's GDP growth between 2000 and 2008. Remaining contributions came from other sectors, including wholesale and retail trade, transportation, telecommunications, and manufacturing. Economic growth accelerated in 27 of its 30 largest economies, across the geography of the continent. GDP increased in similar rates in countries without significant resource exports, along with countries with significant resource exports, as the following diagram proves. During 2002-07 though the contribution of resources growth in real GDP growth was the highest, other sectors like wholesale and retail, agriculture, transport and telecommunications, and manufacturing also contributed fairly well in that real GDP growth.



## **Green Shoots of Economic Development**

Political stability, more prudent economic policies and rising international commodities demand have all contributed to Africa's economic resurgence in the past couple of decades. Now, Africa is looking to consolidate and make this growth path a long term sustainable one. A comparison of growth performance of individual countries for 1986-2000 and 2001-14 reveals that in the first period more than a third of

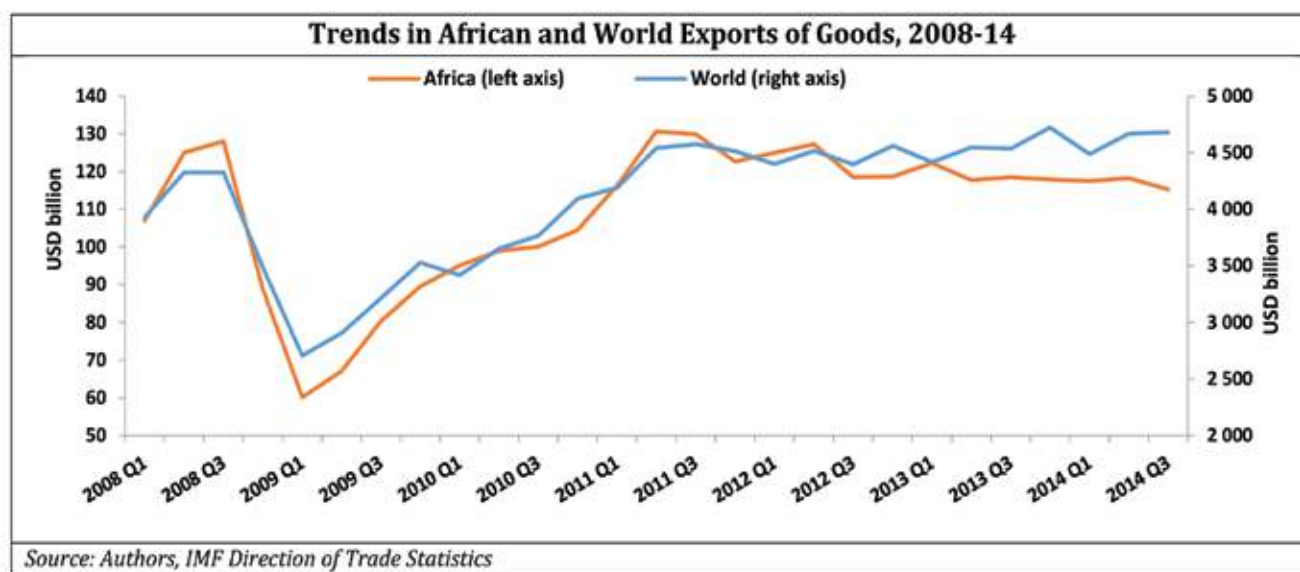
African countries had an average GDP growth of less than 2 per cent, and 44 per cent of the countries were having growth rates below 3 per cent. As population growths were mostly between 2 and 3 per cent, this led to a decline or stagnation in per capita real GDP for most of these countries. But in the second period the number of countries with growth below 3 per cent declined to 17 per cent. Central African Republic and Zimbabwe only have growth rates below 2 per cent during 2001-14. In this second period, the number of countries with growth above 4 per cent was much higher as more than 25 per cent countries clocked growth rates in the range of 4-5 per cent. Lower inflation with stronger budgetary support through more prudent fiscal policies, along with aid relief for some of these countries, resulted into improved macroeconomic stability. Most of the African countries are also making an effort to promote structural transformation from traditional activities to more advanced productive ones. This has helped some countries even without resources, like Ethiopia and Rwanda, to attain high annual growth of 8 per cent or above. However, there is still a lot to do in the area of structural transformation in most of these countries. Following diagram shows the comparison of these two periods, and one of the most salient facts is that during 2001-14 more than 10 per cent of African countries are showing 8 per cent or above growth rates. This shows the true economic potential of the continent.



## Scope for a Consolidated and Sustainable Economic Expansion

Recent African growth is driven by both demand and supply sides. The rise in domestic demand in many countries is fuelled by an evolving upwardly mobile and more urbanised population. However, external demand remained subdued in the wake of dwindling export demands because of world economy slowdown, particularly in advanced industrialised countries. Lower export prices also affected total exports adversely. While it is true that future of African exports is tied to the revival of world economy, simultaneously it is also important to remember that special trade and other economic arrangements with countries like India can solve quite a few growth problems for Africa. Recent trends in African exports show encouraging signs as we can see in the following diagram that after going down in the aftermath of 2008 financial crisis, African exports started going up till second quarter of 2011. After that, it did not rise further but it did not fall down either – creating a stable trend up to third quarter of 2014. One may treat this as stagnation, but given a decelerating world economy this should be treated as a positive opportunity for both India and Africa towards mutual economic benefits.





## Key Future Potential Growth Sectors in Africa

### *Consumer based industries*

Africa is a continent poised for a leap of growth in the immediate future. McKinsey Report on Africa (2010) estimated a combined projection of \$2.6 trillion in annual revenue in consumer goods, resources, agriculture and infrastructure. The biggest opportunity, if such a jump in growth happens, is probably in the consumer-facing sectors like consumer goods, telecom and banking apart from others. By the end of 2008, these sectors started growing two to three times faster than those in OECD countries. As mentioned earlier, the continent's households spent a combined \$860 billion in 2008, more than household expenditure of India or Russia. Though statistically the absolute base volume of such expenditures is still relatively smaller in the continent, with current growth rates of real GDP the spending volume is projected to reach a staggering \$1.4 trillion by the end of the next decade or so. That will be a big business opportunity which nobody can afford to ignore. In specific sectors like banking and financial sector, Africa can benefit from partnership with India since India has developed fairly sound operation systems in the areas of banking, capital markets, commodity markets, and share markets through its expertise in information technology (IT) development.<sup>28</sup>

Food and beverage spending is projected to expand the most in absolute terms, compared to any other consumer good category. However, with continuous development usually the spending pattern shifts towards higher quality goods. If consumption actually rises along with an increase in household income at the current rate then rapid increases are expected in retail banking, telecom and housing. New information and telecommunication technologies are generating growth and productivity, and the rural sector of Africa presents a big opportunity for expansion, especially in telecom. The continent's five largest consumer markets – Alexandria, Cairo, Cape Town, Johannesburg, and Lagos – are projected to have more than \$25 billion per annum household spending each by 2020. That will be comparable to the size of consumer spending of New Delhi and Mumbai. More than a dozen of other African cities – including Dakar, Ibadan, Kano, and Rabat – are projected to have consumer markets worth more than \$10 billion each per annum. So, consumer based industries are expected to be one of the prime growth drivers for the continent, and more trade and business opportunities can be expected from an Indian perspective as well.<sup>29</sup>

<sup>28</sup> ASSOCHAM India-Africa Dialogue, August 6, 2015.

<sup>29</sup> African Economic Outlook 2015, AfDB, OECD Development Centre, UNDP.

## Agriculture

As is widely known, agriculture remains the most important economic sectors as it accounts for around 60 per cent of Africa's total employment and about 25 per cent of its combined GDP. The share of agriculture in GDP has decreased in some countries, like Ethiopia, Ghana and Nigeria, in recent years, but its share has increased in some other countries, like Angola and Kenya. Overall there has been good harvesting in 2014 due to conducive weather. So, while supply has increased because of subdued world demand it has resulted in reduced prices for the consumers.

However, beyond this existing situation there exists an enormous potential of growth in agricultural products in entire Africa. As mentioned earlier, Africa accounts for 60 per cent of the world's uncultivated arable land, and crop yields are also at quite a low level. That takes the continent at the threshold of a "green revolution" – similar to what happened in Asia and Brazil. If "green revolution" widely takes place in the continent then agriculture may become one of the powerhouses Africa is looking for to propel itself in the growth trajectory. Of course, there are several barriers to increase agricultural production, like lack of advanced seeds and other inputs, trade barriers, tax disincentives, inadequate infrastructure, lack of technical assistance, lack of finance – among others. But if Africa is able to transcend these barriers even to a modest extent then agricultural output has the potential to reach \$880 billion by 2030. A growth of that magnitude can drastically increase demand for upstream products like fertilisers, seeds and pesticides, as well as can generate downstream activities like grain refining, biofuel production, and various kinds of food processing. Taken together, these linkages can be worth another additional \$275 billion in revenue by 2030. As almost half of the Indian population also is dependent on agriculture based rural sector, there is a common factor here between the two vast geographical conglomerations. In fact, India has the golden opportunity to initiate a partnership with Africa in agriculture where it can benefit from the increased African output while contributing positively to Africa in terms of technical assistance, skill building, and research and development in agriculture.<sup>30</sup>

## Infrastructure and construction

Africa requires more infrastructure to further boost its growth and productivity. African Development Bank estimates that if Sub-Saharan Africa (SSA) could achieve infrastructure development similar to that of Mauritius, then annual GDP growth in entire region may rise by 2.3 per cent. Ideally, Africa needs \$93 billion every year to create infrastructure for supporting growth and meeting development goals – two third of that sum for new investments and the rest one third for maintenance. Interestingly, African governments spend an average of \$45 billion per annum on infrastructure, two third of which is domestically mobilised from taxes and user charges. Most of the new capital investment comes from external sources.<sup>31</sup>

If we combine private sources with government spending then the investment would touch around \$72 billion every year in new infrastructure across the continent. Africa's private infrastructure investment accounted for 13 per cent of total emerging market infra investment in 2008, up from 7 per cent in 2000. However, there is still a huge need for infrastructure, particularly power, water and transportation, as infrastructure creation is not in sync with the current rapid urbanisation that is taking place in Africa.<sup>32</sup> So, for the specialised private or public sector infra and construction companies in India there are huge opportunities in infrastructure and constructions projects in different parts of Africa.

## Natural resources

Resource-rich countries, however, continue to depend on extractive industries though GDP share of such

<sup>30</sup> Future projections of agricultural output and other data are taken from McKinsey Report (2010), which is also quoted earlier.

<sup>31</sup> <http://www.infrastructureafrica.org/theme>

<sup>32</sup> "Lions on the Move: The progress and potential of African economies," McKinsey Global Institute, June 2010.

industries has gone down in recent times. In 2014, extractive industries were important growth drivers in Algeria (oil), Botswana (diamonds), Democratic Republic of the Congo (copper, gold, diamonds, oil), Republic of the Congo (oil), Namibia (mining), Sudan (gold and oil), and Tunisia (phosphate). Productions of different industries in different countries have substantially slowed down due to the overall slowdown in world economy, but still extractive industries will continue to support growth in 2015 and 2016 in most of the African resource-rich countries.<sup>33</sup>

McKinsey Study (2010) predicts the volume growth rate of the continent's oil, gas, and most minerals to be between 2 and 4 per cent per annum in future. Even at current prices, the value of resource production has the potential to touch \$540 billion in 2020, rising from an approximate \$430 billion currently. If other global commodity prices rise further then that can also boost oil prices and production value in future. But, with more and more buyers of oil, including China, entering the arena there is already an overcrowding. What African resource-rich countries need is not just buyers, but partners who can help in mobilising finance, providing technical expertise and extracting resources with minimum leakages. Foreign investment in infrastructure and resource processing will take centre stage in any such partnership. McKinsey Report (2010) estimates that nearly one-quarter of the major resource deals in the recent times included foreign investments, compared to a figure of just 1 per cent during the 1990s.

### **Africa and India: A New Frontier for Mutual Prosperity**

From the discussions till now, it has become quite clear that India and Africa share many things in common, including heritage, culture and ancient trade. But, in terms of recent economic developments and connections there are broad gaps, and therefore there are huge potentials where these gaps can be bridged. The positive effort of both the sides to connect has to be seen in this light. Also, there needs to be a broader qualitative vision. As trade and other economic activities between India and Africa are still at a relatively lower level, mapping potentials for both the sides cannot be done simply by looking and analysing statistical data. For example, both India and Africa would have a range of products, in which there is no existing partnership – trade or otherwise, but new partnerships in all these sectors can be built.

We make an effort to sketch out the contours of such a broad vision of partnership where there would be continuous sunshine.

#### ***Partnership in agriculture***

African continent has the potential to be the “food basket” for rest of the world since 60 per cent of world's current uncultivated arable lands are in Africa, as mentioned earlier. But simultaneously it is also true that crop yields in Africa have hit a dead end, where further positive developments can only happen with extensive research and development, and subsequent adoption of new technologies in farming process. Vast tracts of agricultural land are available in the continent but financial resources required to utilise that land are also absent in most of the countries. So, Africa is facing a situation where it has abundance of land, a very scarce factor of production in today's world, but it lacks the capital, another scarce factor of production, to fully utilise the land. One can say that the continent is at the doorstep of agricultural prosperity if it is able to undertake a “green revolution,” but the irony of the situation is that it lacks the financial and technological wherewithal to do so. Therefore, a solution lies in strategic mutual partnerships where problems in both sides can be addressed.

As far as India is concerned, the country faces a slightly advanced stage problem in agriculture, but there are similarities. After the “green revolution” in the late 1960s agricultural productivity and crop yields went up substantially. Subsequently, there have been enough food grains to officially ensure food security in the country. However, in recent times agricultural productivity and crop yields have once again stagnated, giving rise to

<sup>33</sup> *African Economic Outlook, 2015.*

gaps in demand-supply scenario. With liberalisation in domestic agricultural commodity market, India is now susceptible to fluctuations in international food prices. As a result, India faces sporadic shortage and rise in prices of some essential food items. In situations of such shortages, more often than not the country has to import that particular commodity, but at a substantially higher price due to higher international demand. These problems can be addressed, to a great extent, by strategic agricultural partnerships with African countries. India has the agricultural research infrastructure but there is a lack of finance for such research. However, mutual innovative partnerships in the field of research and development can provide solutions to both India's and Africa's problems. This is the first and possibly the most important frontier where Africa and India can help each other and produce mutual benefits. While India can help Africa in agricultural capacity building, Africa can help India in ensuring future food security.

### ***Resource based partnership***

Any process of advanced level of industrialisation requires enormous amount of oil and mineral resources. For the countries which are not so resource rich there can be various issues involving energy security. India is at such a crossroad: India's energy consumption has steadily increased over past two decades, as mentioned earlier, but being a country with inadequate oil and other mineral reserves India is always dependent on imports. Then there is the volatility in foreign exchange rates internationally which finally puts pressure on foreign exchange reserves – for any oil importing country like India.

On the other hand, Africa is a continent with an abundance of natural resources. This is also described in detail earlier, but once again the problem is capital investment. In any resource based industry partnership with any resource rich African country, direct investment in infrastructure building and processing of that particular resource, oil or non-oil, will be the pivotal factor. The countries which can strike the right balance in ensuring smooth flow of financial resources will reap the benefit of becoming part of the smooth flow of those natural resources. Building such partnerships has also become very tricky and competitive as more and more countries have started vying for African resources, and hence it is paramount to address issues on the African side adequately if any country is serious about such partnerships. India would do well to explore sustainable ways to contribute to the African growth story while benefitting in terms of its own energy security.

### ***Non-resource based partnership***

Being in early stages of economic development, manufacturing's share in GDP remains relatively small in most of the African countries. Expectedly the share tends to be the smallest in less developed countries where natural resources are abundant. Meanwhile, several oil-rich countries, like Angola, Chad, Gabon and Nigeria, experienced increase in their manufacturing share though the increases are all from low base. Within some of the relatively better industrialised countries the trends are diverse. For example, while in Morocco manufacturing has expanded, in countries like South Africa, Lesotho and Mozambique its share has declined. However, the overall picture suggests widespread scope and potential of development in manufacturing in Africa.

Similarly, the services sector is also an engine of growth in many African countries, although the extent of impact varies across countries. While new IT developments are boosting overall productivity, traditional services, like transport, trade, real estate, public and financial services, are also growing and creating employment, but these services are often operational in informal economy in fairly traditional forms.

In both manufacturing and services, India can play a role in the overall development of these sectors in different African countries. While some countries may need financing, others may be looking for partnerships in skill and capacity building. Different countries will have different economic structures. The idea is to transform that existing economic structure into a more advanced one. Therefore, advancement in manufacturing and services imply transformation in economic structure of the respective country, and therefore any help provided in that

area will spread goodwill and strengthen that partnership.

There is another crucial but often neglected aspect in building such a partnership. As mentioned earlier, there are now many African companies and investors who want to invest in India. Providing preferential treatment to them in some form or the other can take any future partnership to a new level. These can be treated as some sort of confidence building measures, and once Africa also puts its stake in Indian growth story then it will be a mutually beneficial economic journey for both India and Africa. This is also mentioned earlier that if African direct investment comes to India then it makes sense to facilitate them as any direct investment contributes positively under the current “make in India” policy.

### ***Social sector cooperation and investment***

This is one area wherein, many experts believe, lies the key to create trust in an Afro-Indian partnership. We know that 19 institutes were supposed to be built by India in Africa according to the understanding made by the Second Africa-India Forum Summit, but only two of those have been built so far. But beyond just creating specific skill based research institutes or similar organisations, there is a larger scope for investment in human capital development in the African social and welfare sectors. In the area of education, India is now internally operating through a mixture of private and government systems. There is also enough demand for education in both India and Africa. Many African students come to study in India, because of two main reasons: firstly, compared to European countries Indian education is cheaper and the quality of education is also fairly good ; secondly, the cost of living in major Indian metro cities are also relatively affordable compared to European cities. India can utilise these two advantages further by establishing new educational institutes in various parts of Africa and by creating conditions to attract more African students to Indian institutes.

The same argument holds true for the healthcare sector. Many African experts think that healthcare sector presents huge opportunity for India. They also feel that India should not encourage the trend of medical tourism from Africa; they rather advocate a stronger innovative partnership in healthcare sector. While Africa expects state of the art hospitals established by India to tackle health problems by using cutting edge medical technology, the continent also would hugely appreciate establishment of medical education facilities for its youth. Establishment of more hospitals will also help in employing young African medical graduates. The experts from Africa also feel that more frequent people-to-people interactions, cultural, academic and business roadshows can increase the confidence and take trust building levels to a new level.<sup>34</sup>

Pharmaceutical sector of Africa also presents opportunity for Indian companies. India is world’s third largest producer of pharmaceutical products with an annual estimated turnover of \$ 20 billion in domestic prices. Indian prices are significantly lower than global prices because India produces generic drugs which are affordable. But producing generic drugs is also a double-edged sword as it blunts the development of original drugs through biotechnological research and development. Indian presence in pharma is also restricted to Eastern Africa majorly, though there are scopes of expansion in other parts of Africa. More awareness increasing exhibitions probably is needed both in India and different countries of Africa to step up activities.<sup>35</sup>

There can be similar efforts in housing sector as well since Africa is witnessing very rapid industrialisation. It is important for both parties to approach such engagements in the true spirit of partnership which creates a ‘win-win’ for both sides. Therefore, Indian government has a very crucial responsibility as facilitator, arbitrator and regulator in any economic endeavour taken jointly in Africa – by public and private agencies.



<sup>34</sup> ASSOCHAM India-Africa Dialogue, August 6, 2015.

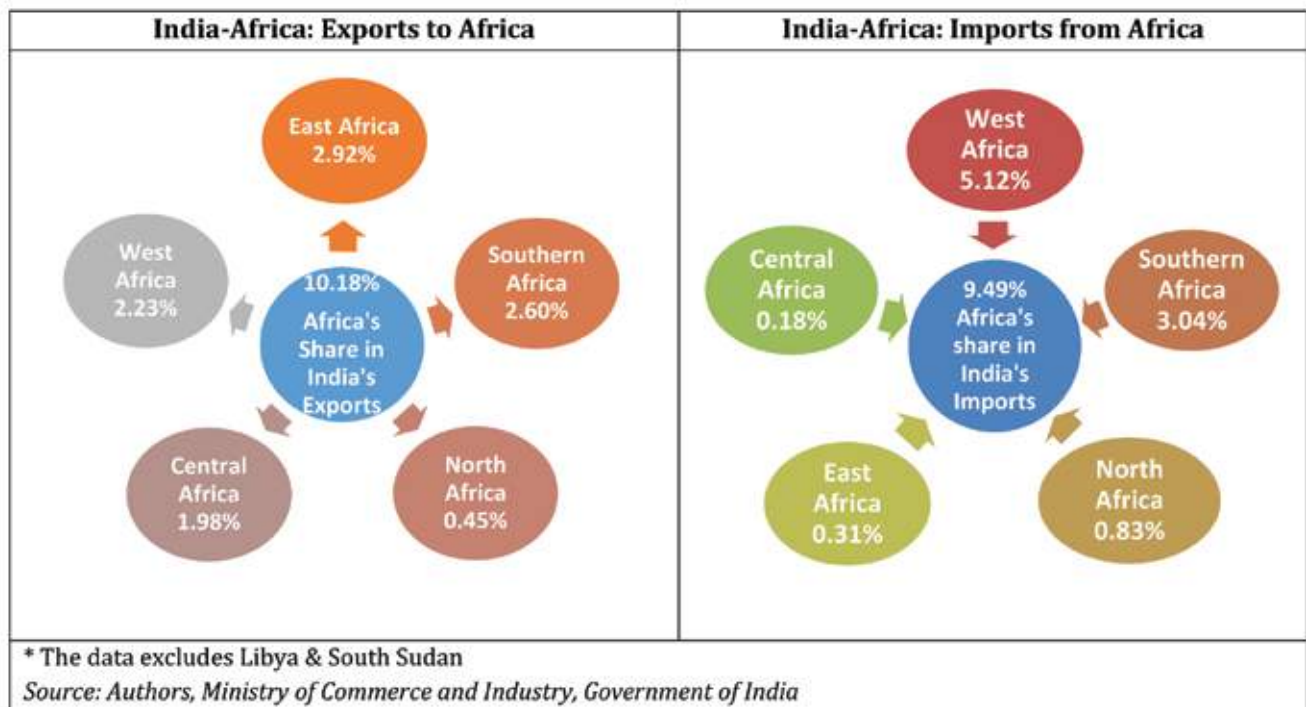
<sup>35</sup> <http://www.indiaafricaconnect.in/index.php?param=news/5771/india-in-africa/117#>



## TRADE DIAGNOSTICS: INDIA-AFRICA - WHERE DO THEY STAND?

### Afro-India Trade Horizon

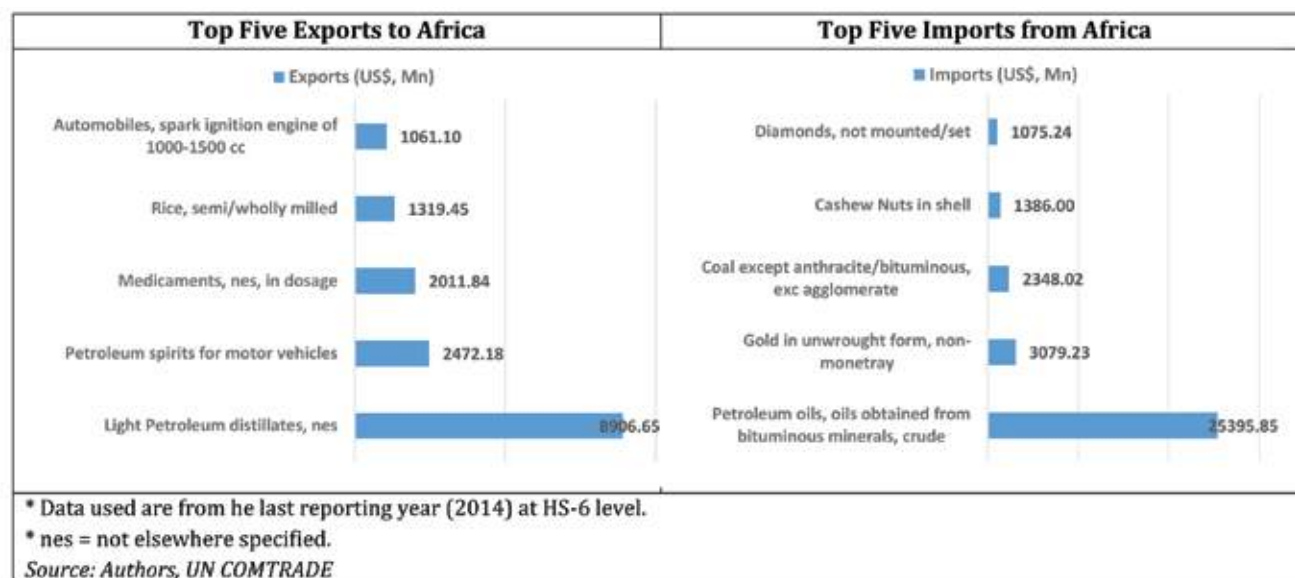
As per the Indian Ministry of Commerce and Industry projections, share of Africa in total exports and imports of India during April-July, 2015 are 10.18 per cent and 9.24 per cent respectively. However, Indo-Africa trade is dominated by a specific set of players. With respect to exports, five nations – South Africa, Nigeria, Egypt, Kenya, and Tanzania – account for more than half of total Indian exports to Africa. Similarly, five nations, namely South Africa, Nigeria, Egypt, Botswana, and Angola, together constitute more than 70% of African exports to India. Regional Trade Analysis also indicates the dominance of East, West and Southern Africa. Together they constitute the bulk of India's total exports to Africa, while Southern and West Africa dominates India's imports from the continent, as can be seen in the following diagram.



In terms of commodities, at HS-6 digit level,<sup>36</sup> petroleum oils constitute 61 per cent of Indian imports from Africa. Gold, cashews, coal, and diamonds form another 18 to 19 per cent. Together these five products constitute around 80 per cent of total imports. While in terms of exports, at HS-6 level, refined petroleum

<sup>36</sup> The World Customs Organization's Harmonized System (HS) uses code numbers to define products. A code with a low number of digits defines broad categories of products; additional digits indicate sub-divisions into more detailed definitions. Six-digit codes are the most detailed definitions that are used as standard. Countries can add more digits for their own coding to subdivide the definitions further according to their own needs. Products defined at the most detailed level are "tariff lines" (from WTO site).

products, medicines, automobiles and rice together constitute around 46 per cent of total exports. On the basis of current existing trade volume, it may be imprudent to project a set of products which would constitute export and import baskets of these two regions. But, still the current trends indicate towards a trade basket, where Africa can help India in managing fuel and energy deficit while India can provide healthcare facilities along with transportation machinery and possibly transport services.



To analyse the pattern of trade at more detailed levels, an elaborate trade diagnostic study is done in this chapter, at individual country level. Though data availability remains a constraint, the diagnosis has been carried out from available authentic sources to capture the nuances.

## Objective of the Diagnosis

As mentioned in earlier two chapters, existing trade between India and various African countries is at lower than desirable levels, and on the occasion of the coming Africa-India Summit avenues to facilitate trade and economic cooperation are being explored. In this endeavour, this study made an attempt to find out the details of existing trade in all African countries so that preliminary product and market identifications, along with future potentials, for Afro-India trade can be contoured. To explore the nature of bilateral trade an attempt has been made to create trade profiles for India and all 54 African nations. However, for Somalia no data could be found in any of the trade databases. Libya is also not considered because there is no possibility of immediate interaction, given existing unrest in the country. Altogether 52 African country profiles are made, out of which 34 country profiles follow same format and 18 follow similar but slightly different format as some related data are missing.

## Choice of Indicators

There are several standard economic and trade indicators which determine the course and pattern of exchange between two potential trading partners. Depending upon constraints, mainly data non-availability, important economic and trade indicators have been shortlisted to analyse the nature of trade relationship between individual African nations and the world, in general, and between individual nation and India, in particular. Shortlisting of indicators is primarily done by referring to "Trade Competitiveness Diagnostic Toolkit," by Reis and Farole (2012), a World Bank publication.<sup>37</sup> Brief descriptions of shortlisted indicators and their significance are as follows.

<sup>37</sup> Reis, J. G., and Farole, T. (2012), "Trade Competitiveness Diagnostic Toolkit," IBRD, World Bank, Washington.

### **Basic economic indicators**

- 1) **GDP growth rate:** It is the rate at which value of all goods and services produced in the economy changes. It is the most basic indicator, and usually a higher growth rate indicates increasing spending ability, which is a determinant of domestic demand.
- 2) **Export and import of goods and services (as percentage of GDP):** Export and import shares of goods and services in GDP provide an idea about the size and importance of trade for the economy. While a high export share indicates the nation's international competitiveness in goods and services, a high import share indicates possibility of a current account deficit and dependence on trading partners.
- 3) **Growth rates of exports and imports:** Growth rates of exports and imports of goods and services are indicative of the direction the economy is following in the international arena.
- 4) **Trade Openness (trade as percentage of GDP):** Trade Openness is the ratio of sum of exports and imports of goods and services to GDP. It is an indicator of the extent of external liberalization of the economy.
- 5) **Trade in services (as percentage of GDP):** Trade in services is the ratio of sum of exports and imports of services to GDP. This indicator has become important as in today's world many transition economies are involved in high volume services trading, along with other nations.
- 6) **Export/Import share of services in GDP:** This indicator gives an idea of the direction of trade the country is experiencing in services – for the same reason as mentioned for the previous indicator.

### **Trade Indicators**

- 1) **Revealed comparative advantage (RCA):** The revealed comparative advantage is an index used in international economics for calculating the relative advantage or disadvantage of a certain country in a certain class of products or services. An index value of more than unity indicates advantage while a value less than unity points at disadvantage. The underlying idea of the index is that the commodity in which country has cost advantage tends to be exported, while the commodity in which the nation has the cost disadvantage tends to be imported.
- 2) **Number of export destinations by product:** Number of export destinations by product indicates the market reach, that is, the supply-side indicator of exports. It takes into account new products that are reaching the countries to whom the economy already exports, and the new destinations to which the economy is exporting products from its existing export basket. This gives an essence of extensive margin<sup>38</sup> in both these cases.
- 3) **Index of export market penetration:** Index of export market penetration also is an indicator of market reach. It gives the idea about the potential number of export relationships (for all product groups) a country can have as compared to how many it has. According to WITS, a benchmark of 50 per cent can be set to examine the market reach of exports of a country.
- 4) **Hirschman-Herfindahl Index (HHI):** This is a measure of export concentration, hence, extensive margin. A country with a perfectly diversified export portfolio will have an index close to zero, whereas a country which exports only one export will have a value of one (least diversified).
- 5) **High-technology exports (as a percentage of manufacturing exports):** This ratio points at the nature and quality of export the nation is exporting. It is an indicator of quality margin, and a high estimate points at the competitiveness an economy is gaining on the account of its engagement in research and development, therefore, technological and scientific advancement.

<sup>38</sup> Extensive margin is broadly defined as the number of new products a country exports, or number of new export destinations it reaches – in a given year or a particular period of time.



- 6) **Top five export and import commodities:** Top five commodities in both export and import baskets provide broad existing direction of trade vis-à-vis a particular country, and that helps in understanding the direction of a possible trade arrangement.

In the next step, based on these indicators an analysis is done for all 37 African countries, for which full set of data are available. An attempt has also been made to identify potential tradeable goods, from India's side, by looking at the comparative advantages and disadvantages of each country and matching them with India's existing export basket. However, these projections or estimates are more indicative than definitive. Individual country profiles, with basic economic and trade indicators, can be seen in the appendices of this report. The appendices also contain 14 countries' profiles, for which datasets are incomplete due to non-availability of authentic data. The basic economic indicators are given for all these 14 countries. Same profiling has also been done for India and given in the appendices.

## Data sources

Data used are extracted from World Development Indicators (WDI) database of World Bank, World Integrated Trade Solution (WITS) database and UN COMTRADE database.

## Methodology

Apart from two indicators, namely, number of export destinations by product, and top five export and import commodities, most of the indicators are directly reported from the extracted data. For the number of export destinations by product, export basket of the nation at HS 4 digit level is studied. Log of trade value against number of export destinations reached at product level has been plotted. Depending upon the data availability, this exercise is carried out together for two years, 2010 and the last reporting year. Log of the trade value is used for the convenience of scaling and plotting scatter diagrams. Top five export and import commodities have been identified at HS-6 digit level. Data used and analysed are of the last reporting year.

## Country Trade Indicators Diagnosis with Respect to India

### 1. Algeria

Petroleum and associated products, and natural gas are the main products in the export basket of Algeria, while import basket majorly consists of medicines, refined petroleum, automobiles, wheat, and iron products. In terms of revealed comparative advantage (RCA), Algeria holds advantage in consumer goods and raw materials, while it has a disadvantage in capital and intermediate goods. As per the estimates of Indian Ministry of Commerce and Industry, during April to July, 2015, projected shares of Algeria in India's exports and imports are 0.38 per cent and 0.02 per cent respectively. After analysing Algeria's import trends and RCA, and India's export basket the study estimates that India has the potential to export cereals, refined petroleum, automobiles and medicines to Algeria.

### 2. Benin

Benin's export basket is quite versatile. Top five exports are cotton, light petroleum distillates, cashew nuts, parts of machinery, yachts and other pleasure/sport vessels. This versatility is also seen in the import basket, which ranges from rice to refined petroleum, energy, vessels and meat (edible offal). In terms of RCA, Benin holds advantage in consumer goods and raw materials, and disadvantage in capital and intermediate goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Benin are 0.14 per cent both in India's exports and imports. After analysing Benin's import trends, RCA and India's export basket it can be projected that India has the potential to export refined petroleum products and floating docks to Benin.

### **3. Botswana**

Botswana's export basket consists of unsorted diamonds, light oils, automobiles, energy and automobiles, while import basket has items ranging from meat (edible offal), copper ore, nickel, non-industrial and other diamonds. In terms of RCA, Botswana holds advantage in raw materials. Though till 2010, the nation enjoyed advantage in terms of intermediate goods but recent estimates show a deterioration, and hence disadvantage, along with capital goods and consumer goods. As per the estimates of Indian Ministry of Commerce and Industry, during April to July, 2015, projected shares of Botswana in India's exports and imports are 0.03 per cent and 0.20 per cent, respectively. After analysing Botswana's import trends, RCA, and India's export basket it can be estimated that India has the potential to export refined petroleum products i.e. light oils and preparations along with non-industrial diamonds.

### **4. Burkina Faso**

Burkina Faso's export basket consists of sesamum seeds, gold, cotton and petroleum products, while import basket has items ranging from medicines, refined petroleum products, butanes and circular cross of bars and rods. In terms of RCA, Burkina Faso holds advantage in raw materials. Though the nation has witnessed several years of advantage with respect to intermediate goods but recent trends indicates disadvantage in this product group. In capital goods and consumer goods Burkina Faso has comparative disadvantage. As per the estimates of Indian Ministry of Commerce and Industry, during April to July, 2015, projected share of Burkina Faso in India's exports is 0.03 per cent while the share of imports is 0.08 per cent. After analysing Burkina Faso's import trends, RCA, and India's export basket it can be indicated that India has the potential to export refined petroleum products and medicines to Burkina Faso.

### **5. Burundi**

Burundi's export basket consists of tea, coffee, toilet soaps, gold and packing material, while import basket has items ranging from automobiles, refined petroleum products, wheat and medicines. In terms of RCA, Burundi holds advantage in raw materials, while it has disadvantage in capital goods, consumer goods and intermediate goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected share of Burundi in India's exports is 0.01 per cent while the share of imports is negligible. After analysing Burundi's import trends, RCA, and India's export basket it is projected that India has the potential to export refined petroleum products, cereals and medicines.

### **6. Cabo Verde**

Cabo Verde's export basket mainly consists of several varieties of fishes, namely yellowfin tunas, mackerel, skipjack and bonito, parts of footwear, and preparations from fish eggs like caviar. Import basket of the country is quite wide, and it has items ranging from refined petroleum products, sweet-less milk and cream, rice, cement and meat (edible offal). In terms of RCA, Cabo Verde holds advantage in consumer goods and raw materials, while it has disadvantage in intermediate goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected share of Cabo Verde in India's exports is 0.01 per cent while the share of imports is negligible. After analysing Cabo Verde's import trends, RCA, and India's export basket it is projected that India has the potential to export refined petroleum products and rice to Cabo Verde.

### **7. Cameroon**

Cameroon's export basket mainly consists of petroleum products, some varieties of wood and cocoa beans, while import basket of the country consists of refined petroleum products, wheat and rice. In terms of RCA, Cameroon holds advantage in raw materials, and disadvantage in intermediate goods, capital and consumer goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected share

of Cameroon in India's exports is 0.09 per cent while the share of imports is 0.21 per cent. After analysing Cameroon's import trends, RCA, and India's export basket it is projected that India has the potential to export refined petroleum products and rice to Cameroon.

### **8. Côte d'Ivoire**

Côte d'Ivoire's export basket consists of gold, cashew nuts, cocoa beans and paste, and petroleum products, while import basket of the country mainly consists of refined petroleum products, medicines, textile products, rice and floating production platforms. In terms of RCA, Côte d'Ivoire holds advantage in raw materials, and disadvantage in intermediate goods, capital and consumer goods. As per the estimates of Indian Ministry of Commerce and Industry, during April to July, 2015, projected share of Côte d'Ivoire in India's exports is 0.14 per cent while the share of imports is 0.25 per cent. After analysing Côte d'Ivoire's import trends, RCA, and India's export basket it is indicated that India has the potential to export medicines, rice and floating production platforms to Côte d'Ivoire.

### **9. Central African Republic**

Central African Republic's export basket consists of cotton, some varieties of wood and self-propelled front end shovels, while import basket of the country consists of medicines, wheat, palm oil and sugar. In terms of RCA, Central African Republic holds advantage in raw materials, and disadvantage in intermediate goods, capital and consumer goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Central African Republic in India's exports and imports are negligible. After analysing Central African Republic's import trends, RCA, and India's export basket it is projected that India can export medicines to Central African Republic.

### **10. Republic of Congo**

Congo's export basket consists of cotton, some varieties of vessels, petroleum products and butanes, while import basket of the country consists of some varieties of vessels, tugs and pusher crafts and floating/submersible production platforms. In terms of RCA, Congo holds advantage in raw materials, and disadvantage in intermediate goods, capital and consumer goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Congo in India's exports and imports are 0.07 per cent and 0.10 per cent respectively. After analysing Congo's import trends, RCA, and India's export basket it is assessed that India may export light vessels and floating/submersible production platforms to Republic of Congo.

### **11. Egypt**

Egypt's export basket consists of cotton, petroleum products, reception apparatus for television and gold, while import basket of the country consists of wheat, maize, refined petroleum products and automobiles. In terms of RCA, Egypt holds advantage in raw materials, intermediate goods and consumer goods and has disadvantage in capital goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Egypt in India's exports and imports are 1.07 per cent and 0.47 per cent respectively. After analysing Egypt's import trends and revealed comparative advantage and India's export basket it can be estimated that India may export refined petroleum products to Egypt.

### **12. Ethiopia**

Ethiopia's export basket consists of vegetables, coffee, sesamum seeds, fresh roses and light petroleum distillates, while import basket of the country consists of wheat, medicines, refined petroleum products, palm oil and dumpers. In terms of RCA, Ethiopia holds advantage in raw materials, and disadvantage in intermediate, consumer and capital goods. As per the estimates of Ministry of Commerce and Industry, during April to July,

2015, projected shares of Ethiopia in India's exports and imports are 0.28 per cent and 0.02 per cent respectively. After analysing Ethiopia's import trends, RCA, and India's export basket it is indicated that India may export refined petroleum products to Ethiopia.

### **13. *Gambia***

Gambia's export basket consists of printed woven fabric of artificial yarn, cashew nuts, wood, homogenized preparation of wheat, self-propelled tamping machines and road rollers, while import basket of the country consists of wheat, refined petroleum products, linseed oil, sugar and broken rice. In terms of RCA, Gambia holds advantage in raw materials, and disadvantage in intermediate, consumer and capital goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Gambia in India's exports and imports are 0.02 per cent and 0.01 per cent respectively. After analysing Gambia's import trends, RCA, and India's export basket it is assessed that India may export refined petroleum products to Gambia.

### **14. *Ghana***

Ghana's export basket consists of petroleum products, beauty products, gold (in unwrought and semi-manufactured forms) and cocoa beans, while import basket of the country consists of wheat, refined petroleum products, cement clinkers, automobiles and broken rice. In terms of RCA, Ghana holds advantage in raw materials, and disadvantage in intermediate, consumer and capital goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Ghana in India's exports and imports are 0.21 per cent and 0.95 per cent respectively. After analysing Ghana's import trends, RCA, and India's export basket it is found that Ghana's top imports are not in the list of India's top exports, and as a result tentatively it can be indicated that India may have potential to export refined oil or petroleum products to Ghana.

### **15. *Kenya***

Kenya's export basket consists of printed woven fabric of light petroleum distillates, fresh roses, black tea, coffee and metal carbonates, while import basket of the country consists of medicines, refined petroleum products and palm oil. In terms of RCA, Kenya holds advantage in consumer goods and raw materials, while the country has disadvantage in intermediate and capital goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Kenya in India's exports and imports are 1.16 per cent and 0.03 per cent respectively. After analysing Kenya's import trends, RCA, and India's export basket it is assessed that India may export medicines and refined petroleum products to Kenya.

### **16. *Lesotho***

Lesotho's export basket consists of ice and snow, women apparels, cotton men apparels, greasy wool, parts and electric switches of connectors, while import basket has items ranging from polymer sack and bags, refined petroleum products, cotton and denim cotton. In terms of RCA, Lesotho holds advantage in consumer goods, and disadvantage in capital goods, raw materials and intermediate goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected share of Lesotho in India's exports is 0.01 per cent while the share of imports is negligible. After analysing Lesotho's import trends, RCA, and India's export basket it is assessed that India may export refined petroleum products and cotton to Lesotho.

### **17. *Madagascar***

Madagascar's export basket consists of printed titanium, unwrought nickels, petroleum products, prawns and cloves, while import basket of the country consists of wheat, rice, refined petroleum products and sulphur. In terms of RCA, Madagascar holds advantage in consumer goods and raw materials, and disadvantage in intermediate and capital goods. As per the estimates of Ministry of Commerce and Industry, during April to

July, 2015, projected shares of Madagascar in India's exports and imports are 0.08 per cent and 0.04 per cent, respectively. After analysing Madagascar's import trends, RCA, and India's export basket it is projected that India can export rice and refined petroleum products to Madagascar.

### **18. Malawi**

Malawi's export basket consists of uranium, black tea, cane sugar and tobacco, while import basket of the country consists of tobacco, medicines, fertilisers, refined petroleum products and urea. In terms of RCA, Malawi holds advantage in raw materials and a recent trend indicates that the country is gaining advantage in intermediate goods. The nation has disadvantage in consumer and capital goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected share of Malawi in India's exports is 0.06 per cent while share of imports is negligible. After analysing Malawi's import trends, RCA, and India's export basket it is assessed that India may export medicines to Malawi.

### **19. Mali**

Mali's export basket consists of sheep, bovine animals, fertilisers, gold and cotton, while import basket of the country consists of medicines, cement, refined petroleum products and urea. In terms of RCA, Mali holds advantage in raw materials, and disadvantage in consumer, intermediate and capital goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected share of Mali in India's exports is 0.04 per cent while share of imports is 0.03 per cent. After analysing Mali's import trends, RCA, and India's export basket it is assessed that India may export medicines and refined petroleum products to Mali.

### **20. Mauritania**

Mauritania's export basket consists of fish, octopus, iron, copper and gold, while import basket of the country consists of wheat, construction machinery, refined petroleum products, tug and pusher craft and floating production platforms. In terms of RCA, Mauritania holds advantage in raw materials, and disadvantage in consumer and intermediate goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected share of Mauritania in India's exports is 0.02 per cent while share of imports is negligible. After analysing Mauritania's import trends, RCA, and India's export basket it is assessed that India may export floating production platforms and refined petroleum products to Mauritania.

### **21. Mauritius**

Mauritius's export basket consists of several varieties of fish, cotton shirt and t-shirts for men, sugar and cellular phones, while import basket of the country consists of diamonds, butane petroleum products, cellular phones and yellowfin tunas. In terms of RCA, Mauritius holds advantage in consumer goods, and disadvantage in raw materials, capital and intermediate goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected share of Mauritius in India's exports is 0.40 per cent while share of imports is 0.01 per cent. After analysing Mauritius's import trends, RCA, and India's export basket it is assessed that India may export diamonds and refined petroleum products to Mauritius.

### **22. Morocco**

Morocco's export basket consists of diammonium hydrogen phosphate, light petroleum distillates, natural calcium phosphates, ignition and other wiring sets of vehicles, aircrafts and ships, phosphoric and poly phosphoric acid, while import basket of the country consists of wheat, butane, automobile and refined petroleum products. In terms of RCA, Morocco holds advantage in consumer goods raw materials and intermediate goods and disadvantage in capital goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected share of Morocco in India's exports is 0.11 per cent while share of imports is 0.29 per cent.

After analysing Morocco's import trends, RCA, and India's export basket it is assessed that India may export refined petroleum products to Morocco.

### **23. Mozambique**

Mozambique's export basket consists of electrical energy, aluminium, coke and semi-coke of several varieties of coal, aluminium products, while import basket of the country consists of aluminium, electrical energy, automobile, and refined petroleum products. In terms of RCA, Mozambique holds advantage in consumer goods raw materials and intermediate goods while there is some disadvantage in capital and consumer goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected share of Mozambique in India's exports is 0.57 per cent while share of imports is 0.08 per cent. After analysing Mozambique's import trends, RCA, and India's export basket it is assessed that India may export aluminium made products and refined petroleum products to Mozambique.

### **24. Namibia**

Namibia's export basket consists of zinc, uranium, diamond, floating production platform and tug and pusher craft, while import basket of the country consists of diamonds, copper, floating production platform, automobile and refined petroleum products. In terms of RCA, Namibia holds advantage in consumer goods raw materials and intermediate goods and disadvantage in capital and consumer goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected share of Namibia in India's exports is 0.02 per cent while share of imports is negligible. After analysing Namibia's import trends, RCA, and India's export basket it is assessed that India may export diamonds, floating structures, and refined petroleum products to Namibia.

### **25. Niger**

Niger's export basket consists of rice, uranium, petroleum products and surveying instruments, while import basket of the country consists of rice, parts of boring machines and air-crafts, automobile and surveying instruments. In terms of RCA, Niger holds advantage in intermediate goods and disadvantage in raw materials, capital and consumer goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Niger in India's exports and imports are negligible. After analysing Niger's import trends, RCA, and India's export basket it is assessed that India may export rice to Niger.

### **26. Nigeria**

Nigeria's export basket consists of cocoa beans, technically specialised natural rubber, natural gas, petroleum products and waste oils, while import basket of the country consists of wheat, technically specialised natural rubber, refined petroleum products and cigarettes. In terms of RCA, Nigeria holds advantage in raw materials and disadvantage in intermediate goods, capital and consumer goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Nigeria in India's exports and imports are 0.85 per cent and 3.14 per cent respectively. After analysing Nigeria's import trends, RCA, and India's export basket it is assessed that India may export refined petroleum products and possibly natural rubber products to Nigeria.

### **27. Rwanda**

Rwanda's export basket consists of tea, coffee, light petroleum distillates, tin and niobium, tantalum, vanadium or zirconium ores and concentrates, while import basket of the country consists of acrylic polymers, portland cement, cellular phones, refined petroleum products and medicines. In terms of RCA, Rwanda holds advantage in raw materials and disadvantage in intermediate goods, capital and consumer goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Rwanda in India's exports



and imports are negligible. After analysing Rwanda's import trends, RCA, and India's export basket it is assessed that India may export medicines and refined petroleum products to Rwanda.

### ***28. Sao Tome and Principe***

Sao Tome and Principe's export basket consists of cocoa beans, coconut, pepper, rice, chocolates and other products containing cocoa, while import basket of the country consists of edible frozen and cut offal, rice, refined petroleum products, wheat and portland cement. In terms of RCA, Sao Tome and Principe holds advantage in raw materials. In consumer goods, after enjoying a period of advantage country is witnessing a comparative disadvantage. The country also has disadvantage in intermediate and capital goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Sao Tome and Principe in India's exports and imports are negligible. After analysing Sao Tome and Principe's import trends, RCA, and India's export basket it is assessed that India may export rice to Sao Tome and Principe.

### ***29. Senegal***

Senegal's export basket consists of soap, fish, light petroleum distillates, portland cement and gold, while import basket of the country has refined petroleum products, medicines, broken rice and food preparations of malt. In terms of RCA, Senegal holds advantage in raw materials, consumer and intermediate goods while the country has disadvantage in capital goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Senegal in India's exports and imports are 0.21 per cent and 0.07 per cent, respectively. After analysing Senegal's import trends, RCA, and India's export basket it is projected that India may export medicines and refined petroleum products to Senegal.

### ***30. South Africa***

South Africa's export basket consists of light oil, coal, gold, iron ore and concentrates and ferro-chromium, while import basket of the country consists of refined petroleum products, medicines, automobiles, and telephones. In terms of RCA, South Africa holds advantage in raw materials and intermediate goods while with respect to consumer and capital goods the nation has a comparative disadvantage. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of South Africa in India's exports and imports are 1.63 per cent and 1.77 per cent, respectively. After analysing South Africa's import trends, RCA, and India's export basket it is assessed that India may export medicines, refined petroleum products, and automobile or auto components to South Africa.

### ***31. Sudan***

Sudan's export basket consists of gold, coal tar, petroleum products, sheep and sesamum seeds, while import basket of the country consists of sugar, medicines, refined petroleum products, semi-finished products of iron and non-steel alloy and bitumen and asphalt rocks. In terms of RCA, Sudan holds advantage in raw materials, and comparative disadvantage in intermediate, consumer, and capital goods. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected share of Sudan in India's exports is 0.35 per cent while share of imports is 0.07 per cent. After analysing Sudan's import trends, RCA, and India's export basket it is projected that India may export refined petroleum products to Sudan.

### ***32. Tanzania***

Tanzania's export basket consists of sesamum seeds, cashew nuts, gold, precious metals ores and concentrates, while import basket of the country consists of refined petroleum products, medicines, wheat and palm oil. In terms of RCA, Tanzania holds advantage in raw materials and intermediate goods while with respect to consumer and capital goods the nation has a comparative disadvantage. As per the estimates of Ministry of



Commerce and Industry, during April to July, 2015, projected shares of Tanzania in India's exports and imports are 0.69 per cent and 0.18 per cent respectively. After analysing Tanzania's import trends, RCA, and India's export basket it is assessed that India may export wheat, medicines and refined petroleum products to Tanzania.

### **33. Togo**

Togo's export basket consists of cotton, portland cement, cement clinkers, circular casing of iron/still for drilling purpose, light floating vessels including cranes, while import basket of the country consists of refined petroleum products, medicines and cement clinkers. In terms of RCA, Togo holds advantage in raw materials and intermediate goods while with respect to consumer and capital goods the nation has a comparative disadvantage. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Togo in India's exports and imports are 0.16 per cent and 0.10 per cent respectively. After analysing Togo's import trends, RCA, and India's export basket it is assessed that India may export medicines and refined petroleum products to Togo.

### **34. Tunisia**

Tunisia's export basket consists of cotton apparels for men, reception apparatus for television, petroleum products and other electrical conductors, while import basket of the country consists of refined petroleum products and diesel trucks. In terms of RCA, Tunisia holds advantage in consumer goods. With respect to raw materials, intermediate, and capital goods the nation has a comparative disadvantage. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Tunisia in India's exports and imports are 0.03 per cent and 0.07 per cent, respectively. After analysing Tunisia's import trends, RCA, and India's export basket it is assessed that India may export refined petroleum products to Tunisia.

### **35. Uganda**

Uganda's export basket consists of tobacco, coffee, Portland cement, petroleum products and Nile perch, while import basket of the country consists of sugar, automobiles, refined petroleum products and medicines. In terms of RCA, Uganda holds advantage in raw materials, and with respect to consumer, intermediate, and capital goods the nation has a comparative disadvantage. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Uganda in India's exports and imports are 0.20 per cent and 0.01 per cent respectively. After analysing Uganda's import trends, RCA, and India's export basket it is projected that India may export medicines, refined petroleum products, and possibly automobile or auto components to Uganda.

### **36. Zambia**

Zambia's export basket consists of copper articles, cobalt articles, copper alloys and sulphuric acid, while import basket of the country consists of copper and cobalt ores, iron made products and refined petroleum products. In terms of RCA, Zambia holds advantage in intermediate goods. With respect to raw materials, consumer, and capital goods the nation has a comparative disadvantage. As per the estimates of Ministry of Commerce and Industry, during April to July, 2015, projected shares of Zambia in India's exports and imports are 0.10 per cent and 0.07 per cent respectively. After analysing Zambia's import trends, RCA, and India's export basket it is projected that India may export refined petroleum products to Zambia.

### **37. Zimbabwe**

Zimbabwe's export basket consists of gold, tobacco, diamonds, ferro chromium and nickel ores and concentrates, while import basket of the country consists of ammonium nitrate, medicines, diesel engine trucks and refined petroleum products. In terms of RCA, Zimbabwe holds advantage in raw materials, and in intermediate, consumer, and capital goods the nation has a comparative disadvantage. As per the estimates of Ministry of

Commerce and Industry, during April to July, 2015, projected share of Zimbabwe in India's exports is 0.11 per cent while share of imports is negligible. After analysing Zimbabwe's import trends, RCA, and India's export basket it is assessed that India may export medicines and refined petroleum products to Zimbabwe.

This individual country-to-country analysis points to one particular product category, which is refined oil and petroleum products. This is significant, because India has built a substantial refinery infrastructure over the years. As a result, the country imports crude and then exports petroleum products after refining. Expertise in refining capability may become an important factor in building up relationships with individual African countries, particularly the resource rich nations. Apart from trade, the investment in respective African countries in refining may also play a crucial and complementary role in the partnership.

## Opportunities in Trade of Services

Following table gives a snapshot of trade flows in all kinds of services in 2013. The figures for Africa, Asia and World are only taken to assess the volume, share and annual percentage changes.

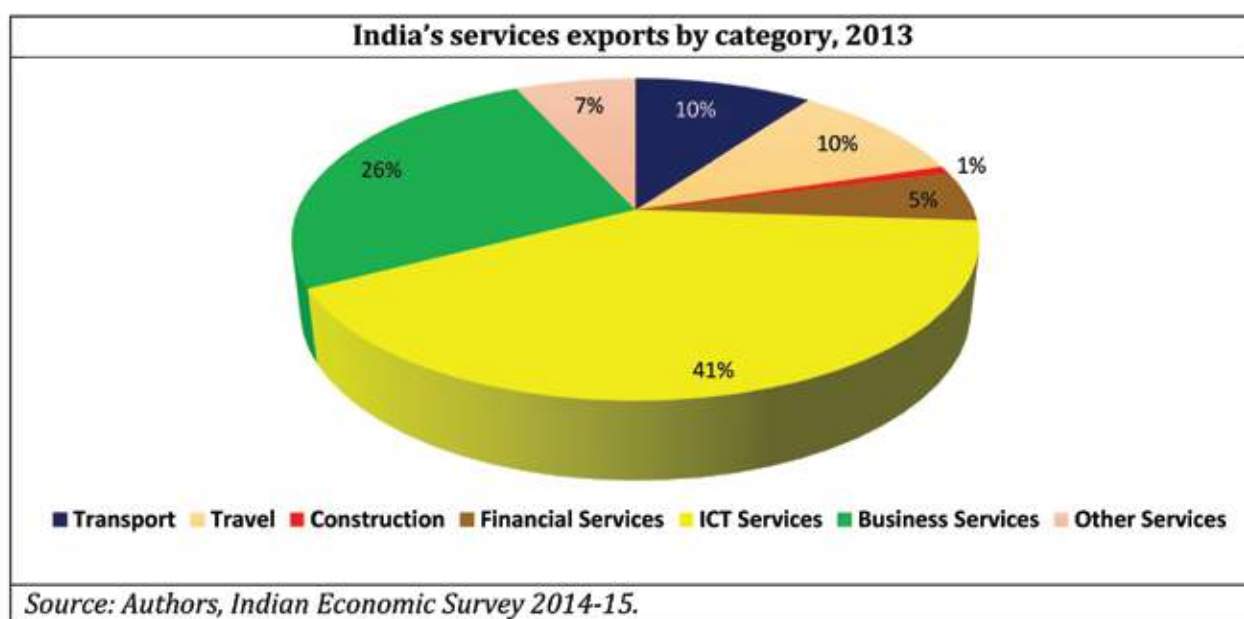
Services trade in Africa, Asia and World (in billion dollars and %)							
	Value	Share		Annual % change			
Transportation Services							
Exports	2013	2005	2013	2005-13	2011	2012	2013
World	905	100	100	6	9	1	2
Africa	27	2.6	3	8	7	8	2
Asia	248	26.7	27.4	6	5	5	-3
Imports	2013	2005	2013	2005-13	2011	2012	2013
World	1165	100	100	7	14	3	2
Africa	65	4.6	5.6	10	8	10	-2
Asia	396	30.3	34	8	16	6	-1
Travel							
Exports	2013	2005	2013	2005-13	2011	2012	2013
World	1185	100	100	7	12	4	7
Africa	39	4.1	3.3	4	-3	6	-10
Asia	356	19.8	30	12	18	10	9
Imports	2013	2005	2013	2005-13	2011	2012	2013
World	1070	100	100	6	10	5	8
Africa	26	1.9	2.4	9	7	-6	-1
Asia	315	...	29.4	...	16	15	9
Other Commercial Services							
Exports	2013	2005	2013	2005-13	2011	2012	2013
World	2550	100	100	9	14	2	6
Africa	24	1	0.9	9	5	7	2
Asia	611	20.6	24	12	13	8	7
Imports	2013	2005	2013	2005-13	2011	2012	2013
World	2085	100	100	9	12	2	5

Africa	68	2.6	3.3	12	20	-2	0
Asia	517	22	24.8	11	12	6	5
	Value	Share		Annual % change			
Communication Services							
Exports	2012	2013	2005	2013	2005-13	2012	2013
World	110	120	100	100	9	5	9
Africa	5	5	3.2	3.9	12	4	3
Asia	15	16	14.7	13.2	8	1	9
Construction							
Exports	2012	2013	2005	2013	2005-13	2012	2013
World	105	105	100	100	8	0	-2
Africa	2	2	2	1.7	7	6	0
Asia	50	47	31.6	44.6	13	6	-7
Insurance Services							
Exports	2012	2013	2005	2013	2005-13	2012	2013
World	105	105	100	100	10	-1	-2
Africa	1	1	2.4	1.1	0	-5	-4
Asia	12	15	11.5	14.3	13	-9	18
Financial Services							
Exports	2012	2013	2005	2013	2005-13	2012	2013
World	310	335	100	100	8	-3	9
Africa	2	2	0.6	0.7	9	10	5
Asia	48	54	12.3	16.3	12	3	13
Computer & communication Services							
Exports	2012	2013	2005	2013	2005-13	2012	2013
World	260	285	100	100	14	5	10
Africa	1	1	0.3	0.5	19	6	2
Asia	75	80	21.2	28	18	7	7
Other business services							
Exports	2012	2013	2005	2013	2005-13	2012	2013
World	1175	1245	100	100	9	4	6
Africa	11	12	1	0.9	9	9	3
Asia	321	350	25.1	28.1	11	10	9
<i>* Other commercial services, by definition, consist of communication services (telecom, postal and courier), construction services, insurance services, financial services, computer and information services (including news agency services), royalties and license fees, other business services, and personal, cultural, and recreational services.</i>							
<i>* Other business services comprise of trade related services, operational leasing (rental), and misc. business, professional and technical services such as legal, accounting, management consulting, public relations, advertising, market research and public opinion polling, R&amp;D services, architectural, engineering, and other technical services, agricultural, mining and on-site processing.</i>							
Source: International Trade Statistics 2014, WTO.							

It is quite clear from the table above that in terms of absolute volume of trade in services figures are yet to cross a substantial threshold in Africa, whereas Asia shows good amount of absolute flow – seemingly once again led by China. However, the good news about Africa is that in most of the services trade the continent overall shows very healthy and consistent rates of growth. This makes the continent and the individual African countries potential destinations even for services trade, given rapid urbanization rate and burgeoning demand generated from an increasing youth population.

African countries are also striving to get better quality and delivery of services, particularly urban services. That also implies that more African countries will be interested in foreign direct investment in major services like telecom or power. The pattern of investment across Africa also bears testimony to this fact. This, in turn, means fewer opportunities as far as pure trade in services are concerned. Services trade often entails consultancy or similar kind of ad-hoc services, but African demand is clearly not for ad-hoc temporary solutions. So, most of the services demand generated in Africa can only be met with direct investments, rather than services trade. In the next chapter, this issue will be dealt with, where investment prospects will be discussed.

On the other hand, India's services trade, particularly exports, shows consistent patterns and trends. This is also quite expected since it is well known that India's growth story, till now, relies on the services sector growth. The shares of different categories of services exports, as given in the following diagram, expectedly show ICT (information and communication technology) as the main driver at 41 per cent. Though business services is the second largest with 26 per cent share, as we have discussed in earlier chapters services like construction and financial services are much more relevant – as far as African countries are concerned. If the story of Indo-African trade in goods is an ongoing one, then the story of Indo-African trade in services is possibly at the cusp of happening. It undoubtedly has great potential but enhanced engagement at policy level is required, to begin with.



## Potential Sequence of Indo-Africa Engagement

The African continent constitutes 54 big and small nations. Even if a country like India wishes, it possibly cannot engage with all of them at the same level simultaneously. Therefore, there has to be a sequence to that engagement. The objective is to find broad two sets of countries and then stagger the level of engagement over a period of time. We propose two waves of such engagement:

### *Wave 1 – Indian engagement may be initiated in the next 1-3 years*

### *Wave 2 – Indian engagement may be initiated in the next 3-5 years*

In order to derive two such sets of countries, the study has attempted to ‘rank’ all African nations (excluding Libya) on the basis of five economic indicators, as below:

- 1) Per Capita GDP:** It is a determinant of purchasing power, the central determinant of demand, at individual level. Because of its immense importance in generating demand, it has been given the highest weightage in the ranking exercise.
- 2) Agriculture value added (as a percentage of GDP):** Many African economies are agrarian in nature, and therefore, presents opportunity for India in manufacturing and services sectors, along with obvious agro-based potential. Hence, it is given the second highest weightage.
- 3) Ease of doing business ranking (percentage change):** It is an indicator of business and investment environment, both of which are important from investment perspective. Therefore, this indicator ranks third in weightage.
- 4) Exports Share (percentage):** This indicates the importance of trading partners to a nation as well as their dependence and comparative advantage in various goods and services. Given the absence of trade or low volume of trade with quite a few countries, this indicator is given lower weightage.
- 5) Imports Share (percentage):** This indicates the dependence of a nation on its trading partners for various commodities. Trade is a two way process and has to be beneficial for both the trading partners. Keeping the organic nature of partnership, this also has been given lower weightage.

### *Data sources*

Data and indices used are extracted from World Development Indicators (WDI) database of World Bank, and World Integrated Trade Solution (WITS) database.

### *Methodology*

- Firstly, depending on the data, five year average/median of the individual indicators has been taken. Ease of doing business indices are taken from WDI database for the years 2013 and 2014 only, because the methodology was changed 2013 onwards. Earlier indices could not be considered as earlier series is not statistically comparable with the changed current one.
- Nations has been sequenced after the step 1. A high (low) rank means the nation lies among the top (bottom) nations in terms of that indicator.
- Using the ranking done in step 2, weighted average of the rankings has been taken.

Indicators	Weights Assigned
Per Capita GDP(Rate of growth)	0.40
Agriculture, Value Added (as a % of GDP)	0.30
Ease of doing business ranking (rate of growth of ranking)	0.15
Exports (%)	0.125
Imports (%)	0.125

After this, the countries are divided into two groups. The objective, as earlier mentioned, is to create two levels of engagement with African countries. It may be emphasized here that this is not a ranking exercise as commonly understood but only for the perspective of sequencing effort. The first 24 countries are put into the Wave 1 category, while the rest 29 are in Wave 2.

The idea or objective is to engage immediately or within the short term with Wave 1 countries, while creating partnerships with Wave 2 countries in the medium term.

Wave 1 countries: Immediate engagement			
Country	Final Rank	Country	Final Rank
South Africa	1	Ghana	13
Morocco	2	Kenya	14
Namibia	3	Tanzania	15
Nigeria	4	Cabo Verde	16
Sudan	5	Madagascar	17
Tunisia	6	Malawi	18
Algeria	7	Gabon	19
Senegal	8	Zambia	20
Cameroon	9	Cote d'Ivoire	21
Botswana	10	Benin	22
Mauritius	11	Comoros	23
Egypt	12	Burkina Faso	24

Wave 2 countries: Engagement in Medium Term			
Country	Final Rank	Country	Final Rank
Mozambique	25	Congo, Rep.	40
Angola	26	Burundi	41
Libya	27	Mauritania	42
Togo	28	Liberia	43
Seychelles	29	Djibouti	44
Zimbabwe	30	Chad	45
Guinea	31	Uganda	46
Ethiopia	32	Sierra Leone	47
Lesotho	33	Swaziland	48
Niger	34	Central African Republic	49
Rwanda	35	Gambia, The	50
Guinea-Bissau	36	Eritrea	51
Congo, Dem. Rep.	37	Sao Tome and Principe	52
Equatorial Guinea	38	South Sudan	53
Mali	39		

The calculated weighted index, with the help of the five above mentioned indicators, captures the internal demand generating capacity and existing external exposure of the economy simultaneously. As a result, there can be different mixtures of strengths and weaknesses across the list. For example, there may be countries higher in the list which are relatively weak in internal demand generation but good in trade, but similarly there may be countries lower in the list, with similar pattern of internal and external economic strengths. But given this study's scope and focus on trade, a balance has to be created between these internal and external economic aspects.

In the next step, an element of workability is introduced by categorising the countries into Wave 1 and Wave 2, as it may not be possible for India to engage with all of them immediately. However, this categorisation, in no way, indicates any special importance attached to any particular country. India is keen to create robust partnerships with the entire African continent.



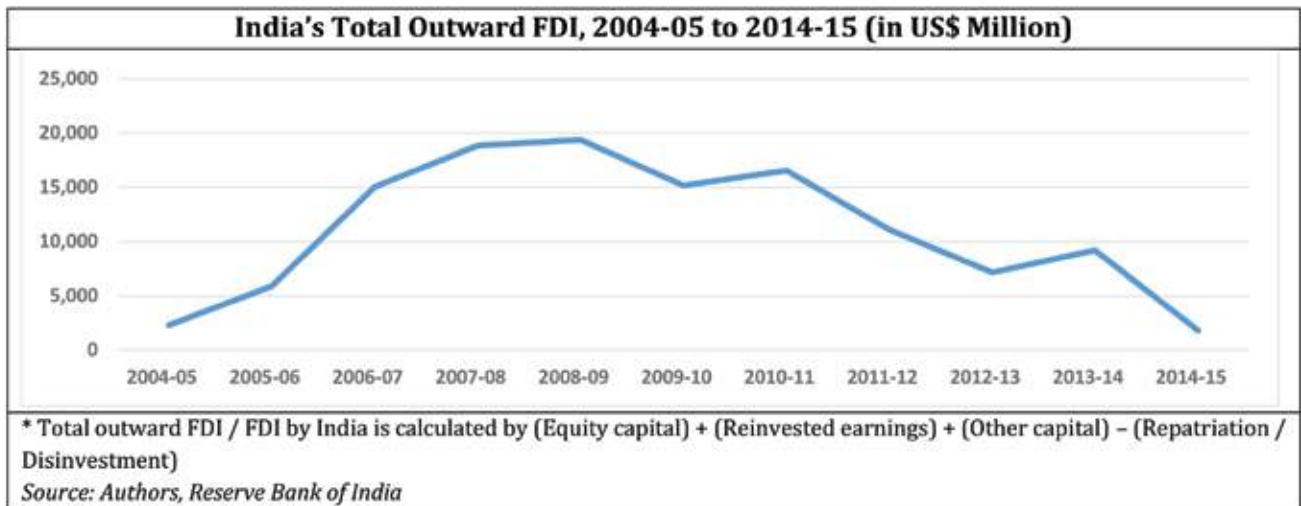


## CHAPTER 4

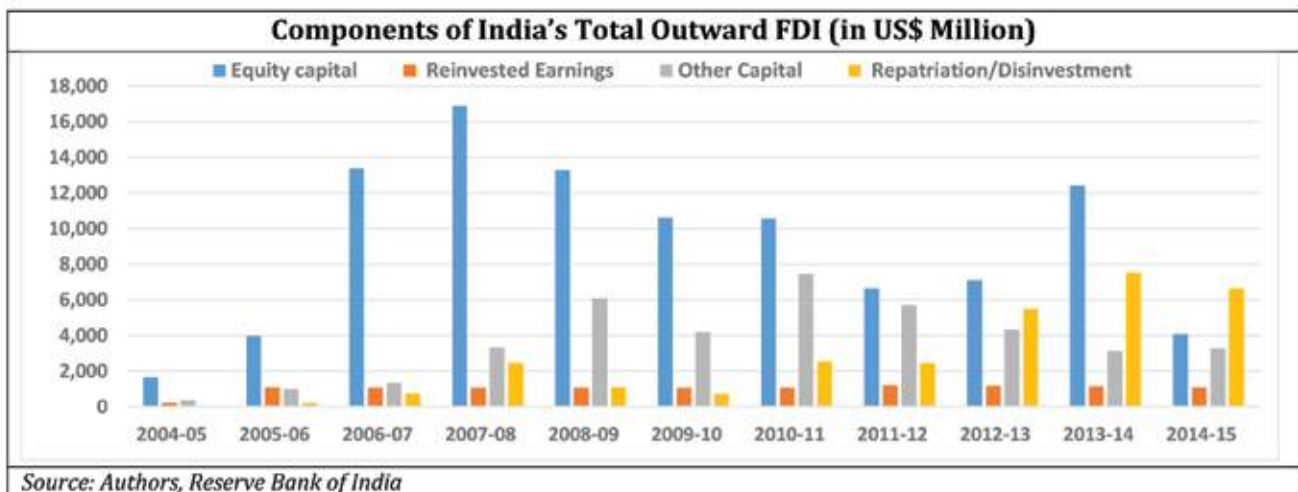
# EXPLORING INVESTMENT OPPORTUNITIES: MUTUAL BENEFITS

### Trends in India's Outward FDI

India's outward FDI, or Indian direct investment in other countries, picked up pace in the new millennium from a relatively low base. The upward trend continued till 2008-09, and quite expectedly in the aftermath of 2008 crisis it started decreasing thereafter. The level of such offshore Indian direct investment in 2014-15 has, in fact, gone down even below the level of 2004-05.



If we look into the major components of outward FDI then we can see that equity capital, the major contributor, started going down since 2007-08, with the exception of 2013-14 when it went up compared to the previous year. 'Other capital,' as component, went up for some time till 2010-11, but after that it has also started decreasing. However, repatriation of capital (or disinvestment) started going up substantially after 2009-10, indicating capital flow back to the host country. Given the weak world cue, this is not totally unexpected either.



These broad trends in India's outward FDI are not out of pattern with broader trends in the world economy. With most of the countries not fully recovered and the rest struggling with slowdown, the investment environment remains weak throughout the world. In such a scenario, it is expected that investors will invest less and will repatriate as much as possible to reduce their financial risks. But, that is a micro point of view. If we consider the broader macro picture, then with Chinese economy in visible discomfort India, despite a slowdown, is in a better position to engage with rest of the world, wherever possible. An economic engagement with Africa also should be seen in that light. Indian government-backed initiative to engage with Africa should provide ample opportunities for Indian outward FDI as well, and no Indian engagement with Africa will be complete without mutual exchange of direct investment.

## An Overview of Indian Involvement in Investment in Africa

Like other economic and cultural links, Indian investment in Africa also has a long history. The first ever outward Indian FDI went to Africa – a textile mill established by the Birla Group in Ethiopia in 1959. During the 1960s number of Indian direct investments went to Kenya, Uganda and Nigeria among others, though the amounts of those investments were much smaller in volume than present day investments. Similarly, the Tata Group has a presence in Africa since 1976 in the transport, information technology, hotels, mining and telecom sectors, and the quantum of investments increased substantially in the last decade. Other recent notable contributors to this pool of India's outward FDI in Africa are Bharti in telecom, TCS, Wipro and NIIT in IT and IT enabled services, State Bank of India, Bank of Baroda, ICICI Bank and Exim Bank of India in banking.<sup>39</sup>

**Indian Investment Flows to Select African Countries, 1996-2009 (in US\$ Million)**

	1996-2002	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Total
Mauritius	618	133	176	149	333	1163	1506	2087	6165
Sudan	-	750	162	52	63	118	8	38	1191
Egypt	9	0	-	3	0	0	790	19	821
Nigeria	7	4	2	8	4	12	27	237	301
Liberia	0	-	-	-	155	-	18	16	189
Kenya	13	1	2	0	0	0	133	0	149
Libya	30	-	-	-	25	75	0	13	143
South Africa	22	0	1	3	10	23	46	12	118

Source: "India-Africa: South-South Trade and Investment for Development," WTO, 2013.

Indian multinationals have ventured into both greenfield and existing investments – in telecom, energy, computer services, power and automobile sectors, among others. The outward investment data from India to Africa remains sketchy because of the reporting and other technical issues. However, Indian outward FDI stock in Africa in 2008-09 roughly stood at more than US\$ 9.2 billion. Another IMF estimate puts total Indian investments in Africa at the end of 2011 at US\$ 14.1 billion. There are other figures as well, the upward range of which even touches US\$ 35 billion. This is one area where possibly more efficient and updated periodic data collection is required to understand the trends and dynamics of Indian outward FDI towards Africa.<sup>40</sup>

<sup>39</sup> "India-Africa: South-South Trade and Investment for Development," WTO, 2013.

<sup>40</sup> *ibid*

## Major Reasons Behind Rising Trend of Indian Investment in Africa

India's outward FDI (OFDI) showed major structural shifts in the new millennium, making India the world's 21st largest outward investor. Government policies, coupled with moderate but consistent economic growth, have given confidence to Indian companies to invest abroad through FDI route. However, the investment figures show high range of fluctuations; this may be because of large amounts of oil and infrastructure investments which require substantial initial fixed costs. Overseas investment by domestic corporate sector via FDI not only provides access to global markets and networks, skills, and technologies, but also helps in building up global and larger brand images. In the increasingly globalised competitive market OFDI possibly plays an important part in corporate strategies as well. And of course, there is a growing realisation that African economies hold global strategic importance as far as economics and business are concerned.

Bilateral investment treaties (BIT) and double taxation treaties (DTT) also encourage better flow of FDI in host countries. India has BITs with seven African countries and DTTs with nine African countries.<sup>41</sup> Host country policies, like changes in corporate tax rates, other fiscal incentives and other privatisation policies, also influence OFDI. One 2006 UNCTAD study<sup>42</sup> noted that Indian FDI appears to be relatively more influenced and driven by favourable host country policies and incentives rather than Indian government's FDI related policies. Political and cultural factors definitely play a role in attracting FDI, and Indian OFDI is also no exception. Existing Indian diaspora in African countries more often than not influences private Indian investment decisions. Another observation noted by a few experts is that till now Indian OFDI tended to majorly go to those African countries which are English speaking. Possibly, Indian comfort in the language also influences OFDI decisions due to more ease in day-to-day functioning of business. Apart from these factors, quite understandably geographical location influences investment decisions. For example, any coastal country with existing ports may attract more investment than a land-locked country would attract.<sup>43</sup>

## Composition of Indian FDI in Africa

As far as primary commodities are concerned, Indian FDI in Africa has trends of concentrating towards oil, gas and mining. However, Indian investment is substantial in secondary sector also. In manufacturing sectors, automobile and pharmaceutical firms historically invested in different African countries. Big pharma names like Dr. Reddy's and Ranbaxy and auto majors like Tata Motors have a strong presence in the continent. In the tertiary sector, most of the investments are in telecommunications sector. Notably, Bharti Airtel acquired Zain Africa BV that has a pan-African presence. HCL started its operation in 2009 in Cape Town and Johannesburg, and subsequently established a 'Glocal' Centre of Excellence. Growing at around 30 per cent year-on-year, HCL is now a prominent IT company in South Africa and provides services across telecom, financial services, retail, manufacturing and healthcare.

*Some of the more high profile Indian investments in Africa in recent times are as follows:*

- 2004 – Vedanta invested around US\$ 700 million in Konkola Copper Mines (metals and ores), Zambia.
- 2004 – Dabur India invested around US\$ 4 million in a joint venture (household goods) in Nigeria.
- 2004 – Mahindra & Mahindra invested in greenfield projects (automobile) in South Africa and Egypt.
- 2005 – ONGC Mittal Energy Limited invested US\$ 6 billion in infrastructure in Nigeria.
- 2006 – Tata Steel invested US\$ 80 million in a ferro chrome project (metals and ores) in South Africa.

<sup>41</sup> BITs with Mauritius, Sudan, Ghana, Zimbabwe, Djibouti, Ethiopia, Egypt; and DTTs with Mauritius, Libya, Côte d'Ivoire, Kenya, Tanzania, Uganda, Zambia, Sierra Leone, Namibia.

<sup>42</sup> UNCTAD (2006), "World Investment Report 2006 – FDI from Developing and Transition Economies: Implications for development, UN, New York.

<sup>43</sup> Paul, A. (2012), "Indian Foreign Direct Investment in Africa," CUTS CCIER Working Paper, No. 1/2012.

- 2007 – Ranbaxy Labs invested US\$ 70 million in a pharmaceutical project in South Africa.
- 2007 – Tata Steel invested US\$ 1.5 billion in an iron ore project (metals and ores) in Côte d'Ivoire.
- 2009 – Essar Group invested around US\$ 450 million in Econet Wireless Holdings (telecom), Kenya.
- 2010 – Bharat Heavy Electrical Limited (BHEL) invested around US\$ 2000 million in a greenfield multi-country energy project.
- 2010 – Essar Africa Holdings invested around US\$ 750 million in Zimbabwe Iron and Steel Company (metals and ores), Zimbabwe.
- 2010 – Bharti Airtel invested around US\$ 10,700 million in acquiring Zain Africa BV (telecom), which has Africa-wide business.
- 2011 – Wipro Technologies invested substantial but undisclosed amount in acquiring various subsidiaries of IT-enabled services in South Africa and Ethiopia.
- 2011 – Tata Chemicals invested around US\$ 290 million in starting a greenfield project (chemicals/fertiliser) in Gabon.
- 2012 – Cairn India invested around 60 per cent of the total in oil and gas bloc investment in PetroSA (energy), South Africa.<sup>44</sup>

## Africa: New Destination for Investment and Capital Flow

According to Financial Times data division, Africa is the fastest growing destination for FDI. In 2014, the capital investment coming into the region grew by 65 per cent to an estimated US\$ 87 billion, while the global greenfield FDI market expanded by only 1 per cent. The number of projects in Africa increased by 6 per cent. Growth in FDI was balanced in two major parts of Africa – while investment in North Africa more than doubled from US\$ 10 billion in 2013 to US\$ 26 billion in 2014, Sub-Saharan Africa witnessed a rise from US\$ 42 billion to US\$ 61 billion in the same period. Roughly one third of total foreign investments were in oil and gas, followed by real estate and communications. Angola attracted relatively more capital investment, as second top destination for FDI after Egypt, mostly in oil and gas sector. Mozambique and Morocco experienced the biggest increases in number of projects, albeit from a relatively small base.<sup>45</sup> For the first time, FDI inflows have bypassed total amount of development assistance in Africa.

FDI in Africa by Capital Investment, 2014 – Top Five Destinations		FDI in Africa by Project Numbers, 2014 – Top Five Destinations		
Country	Capital investment (US\$ billion)	Country	Projects (2014)	% year on year change
Egypt	18	South Africa	116	-15%
Angola	16	Morocco	65	59%
Nigeria	11	Kenya	57	-12%
Mozambique	9	Egypt	51	42%
Morocco	5	Mozambique	50	67%

\* Capital investment figures include estimates.

Source: Financial Times (at <http://www.ft.com/cms/s/0/79ee41b6-fd84-11e4-b824-00144feabdc0.html#axzz3lDh0qQCx>)

If one looks at the trend of capital flows in different regions, then compared to 2013 North Africa has made a rebound from decreasing flow pattern of previous year, mainly led by Egypt and Morocco. However, Sub-

<sup>44</sup> Information source: WTO Study (2013), and Paul, A. (2012).

<sup>45</sup> Financial Times (at <http://www.ft.com/cms/s/0/79ee41b6-fd84-11e4-b824-00144feabdc0.html#axzz3lDh0qQCx>)

Saharan Africa shows contrasting trends across countries. While some countries, including South Africa, Angola, Nigeria, Ghana and Kenya, received fewer number of FDI projects, some countries like Ethiopia and Mozambique attracted more projects. Traditional investors, including those from North America and the Middle East, regained their interest in Africa in 2014. Majorly active investors were mainly from the USA, the UAE, Portugal and China. But, in terms of regions, Western Europe and Africa itself remained the biggest sources of foreign direct investment into the continent. The salient feature of these investments is that the projects announced in 2014 are estimated to create 188,400 jobs in Africa, which is 76,200 more than the total job creation by FDI in 2013. Africa's share in the total jobs, created globally by FDI, increased from 5.9 per cent in 2013 to 8.7 per cent in 2014. However, since the projects are more capital oriented they tend to generate lower number of jobs per unit of capital; for example, though Africa attracted 17.1 per cent of global FDI inflows it created only 8.7 per cent jobs in that period. Pattern of investments, characterised by investment into large projects in natural resources, partly explains this imbalance. From a broader perspective, though there is an improvement in this area in 2014, still a much larger rebalancing is warranted in the sectoral pattern of investment flows. The share of intra-African investment, the second largest source of FDI, decreased from 24.5 per cent of total in 2013 to 19.2 per cent in 2014. Interestingly, though projects from intra-African FDI are fewer they provide more jobs, with exceptions like investments made by some of the bigger South African companies. Apart from investments in resources, there have been strong FDI inflows into real estate, hospitality and construction in 2014. Consumer facing sectors like technology, media and telecom, along with financial services, consumer products and retail attracted a large share of investment activities. Though not so much in focus in recent past, there has also been visible enthusiasm about agricultural sector based investment activities in 2014.<sup>46</sup>

## Africa's Outward FDI: Possibilities and Realities

Countries in early stage of development usually face a scarcity of capital; and therefore tend to restrict its capital to flow outside. However, times have changed and in today's financially integrated world capital also creates aspirations for itself – even the capital from an early stage economy. The comparatively low figures of FDI from Africa in the following table also broadly support the traditional view.

**FDI Outflows by Region, 2005-14 (in US\$ Billion)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
World	795.9	1344.5	2129.9	1693.9	1101.3	1366.1	1587.4	1283.7	1305.9	1354.0
Developed economies	667.2	1111.5	1810.1	1359.5	819.6	963.2	1156.1	872.9	833.6	822.8
Developing economies	109.6	202.7	269.6	275.2	234.5	340.9	357.6	357.2	380.8	468.1
Africa	2.1	8.3	11.1	10.0	6.2	9.3	6.5	12.4	16.0	13.1
Asia	88.2	152.3	235.4	225.8	214.9	284.1	313.6	299.4	335.3	431.6

Source: World Investment Report 2015: Annex Tables, UNCTAD.

However, there is also an important point to be noted here. African outward FDIs include intra-continent investment of African capital, and intra-African investment is the second largest source of FDI in Africa. Excluding that, the capital outflow will be relatively quite small.

Broadly there are two mechanisms, by which FDI outflows may affect the home country's domestic investment. The first channel is that of domestic financial markets. Assuming early stage of development and resultant imperfect financial market structure and scarce financial resources, outward movement of FDI implies shifting

<sup>46</sup> Data and information in this paragraph have been taken from "EY's attractiveness survey – Africa 2015: Making choices," Ernst & Young.



part of home country's resources. This will put pressure on domestic investment by increase in interest rates. Therefore, FDI outflows will, in a way, discourage the home country's domestic investment – more so, if domestic firms start financing their overseas activities internally. The second channel is that of shifting production abroad by investing in foreign country's production or producing for home country in foreign soil. The effect would be the same, or even worse. Usually there is a negative correlation between outward FDI of a developing country and its domestic investment.<sup>47</sup> Nevertheless, employing a part of country's financial resources outside remains essentially a policy decision, and an issue of political economy in any particular country.

However, there are also countries in Africa which are in advanced stages of development. For example, South African companies are quite keen on investing not only inside but also outside the continent. In other economies, which are in relatively higher stages of development, there is enthusiasm to invest abroad. Some African companies acknowledge that they have a presence in China but not in India, and would like to explore investment in India, particularly in food and hospitality sector. Such companies look for assistance and facilitation – both from the Indian government and Indian business. For Indian investments in Africa, the general perception in Africa is that there is too much dependence on line of credits (LOC) even though Indian companies have the capacity to invest their own capital in the continent. These two factors, in their opinion, may help in clearing quite a few bottlenecks for investment in Africa. Apart from these, African business feel that with more business-to-business interactions with the help of chambers of commerce of Africa and India – most of these investment flows in both these regions can be improved qualitatively and quantitatively.<sup>48</sup>

## Outward Investing African Countries and India as the Potential Destination

In a financially integrated world, foreign investment is increasingly transforming itself into a two-way affair because of global aspirations of transnational capitals. According to "The Economist," in 2014 Africa's outward investment touched US\$ 11.4 billion, up by nearly two-fifths compared to figures in 2011-12.<sup>49</sup> Though it is difficult to find exact figures of gainful outward FDIs, FDI outflow figures can be taken from UNCTAD as the closest possible proxy. In UNCTAD database, data on FDI flows are on a net basis (capital transactions' credits less debits between direct investors and their foreign affiliates). Net decreases in assets (FDI outward) are recorded as credits (recorded with a positive sign in the balance of payments), while net increases in assets are recorded as debits (recorded with a negative sign in the balance of payments). Hence, FDI flows with a negative sign indicate that at least one of the three components of FDI (equity capital, reinvested earnings or intra-company loans) is negative and not offset by positive amounts of the remaining components.<sup>50</sup> FDI outflow figures for African countries are given in the following table.

From the table, we can find that a high-profile country like Mauritius shows steady outflow of FDI but interestingly the annual flows are not high for Mauritius with respect to direct investment figures of other African countries. Democratic Republic of the Congo has shown quite a big jump in FDI outflows in the last three years. There are other countries which show sporadic outflows – high figures in some years, while low and even negative figures in others. Tunisia, Burkina Faso, Guinea, Senegal, Togo, Cameroon, Gabon, Zambia and Zimbabwe fall under this category. However, there is a set of countries which have shown steady and quite high outflows of FDI in recent times. They are Algeria, Egypt, Libya, Morocco, Liberia, Nigeria, Angola, and South Africa. Out of all these countries, South Africa has the history of directly investing abroad – both inside the continent and outside, but recent times have witnessed heightened economic activities in countries like Liberia, Nigeria and Angola. Egypt's flows were subdued in recent times perhaps due to political turmoil, while despite unrest Libya showed very high amount of FDI outflows.

<sup>47</sup> Al-Sadig, A. J. (2013), "Outward Foreign Direct Investment and Domestic Investment: The case of developing countries," IMF Working Paper, WP/13/52.

<sup>48</sup> ASSOCHAM India-Africa Dialogue, August 6, 2015.

<sup>49</sup> "Investment in Africa," *The Economist*, May 30, 2015.

<sup>50</sup> UNCTAD.



**African FDI Outflows, 2005-14 (in US\$ million)**

Region/ economy	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Africa	2144.3	8269.8	11077.0	9986.0	6224.9	9264.0	6500.1	12385.6	15950.6	13072.9
North Africa	286.8	1134.9	5548.8	8654.2	2497.8	4780.7	1490.9	3332.2	951.3	1671.7
Algeria	- 20.2	34.6	295.1	318.4	214.4	220.4	534.1	192.5	116.8	..
Egypt	92.0	148.4	664.8	1920.2	571.1	1175.5	625.5	211.1	301.0	252.7
Libya	128.0	474.0	3947.0	5888.2	1165.0	2722.0	131.0	2509.0	180.0	940.0
Morocco	74.6	444.9	621.6	485.2	470.3	588.8	179.0	406.1	332.0	443.7
Tunisia	12.3	33.1	20.3	42.2	77.0	74.1	21.3	13.4	21.5	39.3
Other Africa	1857.5	7134.9	5528.2	1331.8	3727.1	4483.2	5009.2	9053.4	14999.3	11401.2
West Africa	418.1	669.5	1273.9	1704.2	2120.2	1292.2	2525.9	3500.5	2165.9	2254.7
Benin	- 0.4	- 1.7	- 6.1	- 4.0	31.2	- 17.9	59.6	18.9	58.6	31.5
Burkina Faso	- 0.2	1.0	0.2	- 0.2	8.5	- 3.5	102.2	73.0	58.3	59.0
Cabo Verde	-	-	0.4	0.1	0.8	0.0	1.4	- 3.4	- 5.3	- 4.6
Côte d'Ivoire	-	-	-	-	- 9.5	24.9	15.3	14.3	- 6.4	9.0
Ghana	-	-	-	8.0	6.9	-	25.4	1.1	8.8	11.8
Guinea	-	-	-	126.1	-	-	0.8	1.9	- 0.1	0.9
Guinea-Bissau	0.7	0.4	- 0.3	- 0.8	- 0.1	5.5	0.9	- 0.1	0.0	0.2
Liberia	436.8	346.4	362.6	381.9	363.6	369.4	371.7	1354.1	698.4	-
Mali	- 0.9	1.2	7.3	0.6	- 1.0	7.4	4.4	16.0	2.9	7.8
Mauritania	2.0	5.1	3.8	4.1	4.3	4.1	4.2	4.2	4.2	4.2
Niger	- 4.4	- 1.0	8.1	24.4	59.3	- 59.7	9.3	2.2	100.7	21.0
Nigeria	14.6	322.5	875.0	1058.3	1542.0	922.7	823.6	1542.6	1237.5	1614.3
Senegal	- 7.7	9.9	24.7	126.3	77.1	2.2	47.5	56.0	33.3	37.0
Sierra Leone	- 7.5	0.1	- 1.1	- 4.5	- 0.4	- 0.0	-	- 0.4	- 4.3	- 1.6
Togo	- 14.9	- 14.4	- 0.7	- 15.9	37.4	37.2	1059.8	420.3	- 20.7	464.1
Central Africa	174.7	122.5	87.1	150.4	48.0	594.6	419.3	191.4	119.6	278.5
Burundi	-	-	0.0	0.6	-	-	-	-	0.3	0.0
Cameroon	- 13.7	- 5.3	- 7.7	- 2.2	- 68.8	502.5	186.9	- 284.0	- 379.3	- 158.8
Congo	1.1	0.2	5.6	1.8	- 5.2	4.2	53.4	- 30.7	- 0.4	7.4
Congo, Democratic Republic of the	13.4	18.4	14.3	54.1	34.8	7.2	90.9	420.5	400.7	343.6
Gabon	159.2	106.1	58.8	96.0	87.0	80.6	87.9	85.2	84.5	85.9
Rwanda	-	-	12.9	-	-	-	-	-	13.5	-
Sao Tome and Principe	14.6	3.1	3.1	0.1	0.2	0.1	0.3	0.4	0.3	0.3
East Africa	90.6	42.1	110.8	108.9	117.7	173.6	163.3	251.3	100.9	99.3
Kenya	9.7	24.0	36.0	43.8	46.0	1.6	9.4	16.1	5.6	-

Mauritius	47.5	10.2	57.0	52.2	37.5	128.7	157.8	180.4	134.6	90.8
Seychelles	33.4	8.0	17.8	13.0	5.4	6.2	7.9	8.5	7.9	8.1
Uganda	-	-	-	-	28.9	37.2	- 11.8	46.3	- 47.2	0.4
Southern Africa	1174.1	6300.8	4056.4	- 631.8	1441.1	2422.8	1900.7	5110.3	12612.9	8768.7
Angola	219.4	190.6	911.8	2569.6	6.8	1340.4	2092.6	2740.8	6044.2	2131.0
Botswana	55.9	49.8	50.6	- 91.4	5.8	- 0.9	9.7	- 8.0	- 84.6	- 43.0
Lesotho	- 0.9	3.1	- 0.0	- 0.0	1.9	- 20.9	- 41.2	- 38.2	- 34.0	- 31.4
Malawi	3.0	5.9	13.6	18.6	- 1.3	42.3	49.6	49.8	- 46.0	- 50.0
Mozambique	-	0.4	- 0.3	-	2.8	2.4	2.9	3.2	-	-
Namibia	- 12.6	- 11.6	2.9	5.1	- 2.9	4.5	5.3	- 11.3	- 13.2	- 34.2
South Africa	930.3	6063.3	2965.9	- 3133.7	1151.4	- 75.7	- 256.8	2987.6	6648.9	6937.5
Swaziland	- 22.0	- 0.6	23.2	- 7.9	7.0	- 8.1	- 2.2	39.3	4.4	- 0.7
Zambia	-	-	85.6	-	269.6	1095.4	- 2.0	- 701.9	66.2	- 212.6
Zimbabwe	1.1	0.0	3.1	8.0	-	43.3	42.7	49.0	27.0	72.0

Source: World Investment Report 2015: Annex Tables, UNCTAD.

As mentioned, the flows consist of three components of FDI, namely equity capital, reinvested earnings, and intra-company loans. That implies that some parts of these flows may be internal financial transaction of the companies involved, but still this statistics broadly validates the names of countries which have experienced heightened economic activities in recent times, as referred in various other studies and academic references. Given the right imperatives and concerted efforts, some of the countries from this group (made up by Algeria, Egypt, Libya, Morocco, Liberia, Nigeria, Angola, and South Africa) may be incentivised to invest in India.

## Towards a New Era of Investment between Africa and India

Abundance of resources has its advantages but it also has some disadvantages. Concentrating only on resources sector often stagnates an economy at lower level of development, and therefore at less diversified economic structure. Ideally, the resources should be used to transform the internal economic structure of the country. That can only be done when there is a policy thrust towards other sectors. Most of the African countries are aware of this “resource curse,” and some of them have definitely made progress in tackling the problem. In these countries we can see development in consumer goods and some intermediate goods sectors, and an effort to diversify in other sectors. But, not all African resource-rich economies have been able to achieve that. In such countries, inward FDIs can play a positive role by narrowing the savings-investment gap. However, as can be seen worldwide – FDI is essentially capital and with relatively free movement of capital, if there are inward flows then there is bound to be some flows outside also. In that case, ideally policy care needs to be taken to nurture and enhance conditions such that while capital freely flows outside, there are enough incentives to bring back substantial parts of that capital into internal domestic key sector investment. It can then be a win-win situation for all participants involved.

Given the age-old relationship with Africa, India is in a perfect position to initiate a mutual organic growth partnership. The relationship has to be built not only on economic fundamentals, but also on mutual trust. With India’s clear intention to contribute in the capacity and skill building in Africa, the cornerstone of the relationship must be trade. With relatively free flowing capital and enhanced facilitation on both sides, both India and Africa can contribute to each other’s growth story even in the area of direct investment. It will feed positively into economic multiplier mechanism and boost economic development in both the regions.



## CHAPTER 5

# ROLE OF TRADE AGREEMENTS IN FACILITATING TRADE

### Trade Agreements and Trade Blocs in Africa

Trade agreements are typically treaties signed by two or more countries which involve reaching an understanding on tax, tariff and restrictions applicable on the export and import of goods and services. They encourage unrestricted flow of goods and services and facilitate their availability at cheaper prices. These arrangements can be of various types such as bilateral trade agreement, preferential trade agreement, regional trade agreement, customs union, and comprehensive economic cooperation agreement.

Trade agreements offer all trade partners several benefits in terms of varieties of products, availability of products at competitive prices, and access to multiple markets. They further help companies to protect themselves from the risk of confiscation or expropriation of exported goods and to eliminate the possibility of a shipment facing the risk of an 'import ban' after it has been dispatched.<sup>51</sup>

Since the early 1990s many African countries have made significant progress in opening up their economies to the rest of the world, either through trade liberalisation or by exchange rate liberalisation. With the creation of regional trade agreements in other parts of the world to facilitate trade and economic growth, African nations too entered into 30 regional trade agreements (RTAs) or trade blocs, many of which are part of deeper regional integration schemes. The main trade blocs in Africa are as follows.<sup>52</sup>

#	Trade Blocs	Member Countries
1.	Common Market for Eastern and Southern Africa (COMESA)	Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Arab Republic of Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Tanzania, Zambia & Zimbabwe
2.	Southern Africa development Community (SADC)	Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia & Zimbabwe
3.	South Africa Customs Union (SACU)	Botswana, Lesotho, Namibia, South Africa & Swaziland
4.	West Africa Economic and Monetary Union (WAEMU)	Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal & Togo
5.	Economic Community of West Africa States (ECOWAS)	Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, the Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone & Togo
6.	East Africa Community (EAC)	Burundi, Kenya, Rwanda, Tanzania and Uganda
7.	Economic and Monetary Community of Central Africa (CEMAC)	Cameroon, the Central Africa Republic, Chad, the Republic of Congo, Equatorial Guinea, Gabon, and Sao Tome & Principe
8.	Economic Community of the Countries of the Great Lakes (CEPGL)	Burundi, the Democratic Republic of Congo & Rwanda

<sup>51</sup> <http://www.economywatch.com/international-trade/trade-agreement.html>

<sup>52</sup> <http://rtais.wto.org/UI/PublicSearchByCrResult.aspx>

According to 'Focus Africa,' a portal set up by the Department of Commerce, Ministry of Commerce and Industry, Government of India,<sup>53</sup> these trade blocs are anticipated to strengthen trade and investment relations amongst member countries by eliminating or reducing tariffs and other arrangements. In some cases, the arrangements also aim at fostering a common economic and monetary union amongst member states, as also a common currency such as the European Union. SADC, ECOWAS, COMESA, Cross Border Initiative and UEMOA have been more successful in fostering intra-regional trade.

## India's Trade Agreements with African Countries

From the elaborate discussions and analyses earlier in this study, the context and horizon of trade and economic relationship between India and Africa is quite definitively established. To take existing economic relationships to the next level, India needs to make formal economic and trade agreements at all possible levels. India has already signed bilateral free trade agreements with 19 African nations. A list of these countries is given below.<sup>54</sup>

#	Name of Country	#	Name of Country	#	Name of Country
1	Angola	8	Mozambique	15	Tanzania
2	Botswana	9	Nigeria	16	Uganda
3	Cameroon	10	Rwanda	17	Zaire
4	Cote D Ivore	11	Senegal	18	Zambia
5	Ghana	12	South Africa	19	Zimbabwe
6	Liberia	13	Swaziland		
7	Mauritius	14	Seychelles		

India also has Preferential Trade Agreements (limited tariff lines with margin of preference, i.e., percentage of tariff concession) with 13 other African countries which were mostly signed during 1980s. The list of those countries is given below.

#	Name of Country	#	Name of Country	#	Name of Country
1	Algeria	6	Guinea	11	Tanzania
2	Benin	7	Morocco	12	Tunisia
3	Cameroon	8	Mozambique	13	Zimbabwe
4	Egypt	9	Nigeria		
5	Ghana	10	Sudan		

India has followed the path of economic liberalisation since 1991, but the process of opening up got momentum in most African economies only during the last one and half decades. Though still at a relatively low absolute volume, the growth rates of trade, particularly of African exports to India, have sharply increased in recent times. This has resulted in the perceived need to further strengthen existing relations by entering into new agreements. Currently, India is negotiating for preferential trade agreements with SACU countries and other trade blocs such as RECs, COMESA and ECOWAS to create a conducive environment of trade and provide a mechanism to negotiate and conclude a comprehensive Free Trade Agreement. India is also negotiating a Comprehensive Economic Cooperation and Partnership Agreement (CECPA)<sup>55</sup> with Mauritius.

<sup>53</sup> [http://focusafrica.gov.in/Trade\\_Agreements\\_Africa.html](http://focusafrica.gov.in/Trade_Agreements_Africa.html)

<sup>54</sup> [http://commerce.nic.in/trade/international\\_ta\\_indaf.asp](http://commerce.nic.in/trade/international_ta_indaf.asp)

<sup>55</sup> <http://pib.nic.in/newsite/PrintRelease.aspx?relid=111882>

## Impact of Existing Trade Agreements and Blocs on Indo-Africa Trade

India is the fifth largest trade partner of Africa with a share of 5 per cent in total African trade.<sup>56</sup> Therefore, trade agreements with various African countries are bound to play a positive role in Indian economic growth. India's trade agreements with African countries date as far back as 1966 and 1968, with Tanzania and Cameroon respectively, and later with Senegal in 1974.

Substantial evidence supports the fact that signing of agreements with Africa gave a fillip to the existing trade between the two regions. In 1991 where India's total trade with Africa was only 97 million USD,<sup>57</sup> it reached 71 billion USD<sup>58</sup> in 2014-15 with a compound annual growth rate (CAGR) of 31 per cent. Another important feature of Indo-African trade, in recent past, was reflected in the trade deficit, which India had with African countries since 2007 due to import of primary goods such as crude oil, gold, copper, manganese ore, cobalt ores and other minerals.<sup>59</sup> However, in last few years after increase in exports of various Indian commodities like high speed diesel, aviation turbine fuel, medicines and pharmaceutical products, vehicles, machinery and equipment, minerals/chemical fertilizers, printed books, and garments, trade balance of India with African countries has substantially improved, which is a positive development in Indo-Africa trading relations.

## Implications of the Africa Free Trade Zone

The proposal to create a free trade area from Cape Town to Cairo in June 2015 is possibly the most significant event in Africa since the formation of the Organization of African Unity in 1963. It is a giant step to merge existing regional organisations into a single African Economic Community. The Tripartite Free Trade Area (TFTA) so formed, will integrate the 26 member countries of COMESA, EAC, and SADC, covering a population of 632 million and a combined GDP of \$1.3 trillion. The area under coverage spans 17.3 million square km, which is nearly twice the size of China or the United States.<sup>60</sup> Future targets of all these trade negotiations also include a gigantic plan to create a Continental Free Trade Area (CFTA), consisting of all 54 nations by 2017, which will have a combined market of one billion people. There is a proposal for an African Monetary Union as well, reminiscent of European Monetary Union.

The primary aim of the proposed TFTA is to promote development through increased economic integration of North, East, and South Africa. The project forms part of a larger regional integration strategy that focusses on infrastructure development, industrialization, and free movement of business persons. According to Quartz Africa, currently Africa is the least economically integrated region in the world, measured in terms of intra-regional trade flows.<sup>61</sup> Trade between African countries, as a share of the continent's total trade has hovered at 10 per cent for decades only to gain momentum in recent years, whereas the same proportions in Europe and Asia are close to 60 per cent.

African countries as of now belong to several groups, thereby making the process of any trade agreement with them cumbersome. It is hoped that TFTA will ease access to markets within the region and end overlapping membership complications. The deal also aims to strengthen the blocs' bargaining power while negotiating at international level. The TFTA is also anticipated to promote greater interaction between the BRICS countries (Brazil, Russia, India, China and South Africa) and the African nation as a whole, especially in the light of the International Monetary Fund's (IMF) optimism about Africa's growth potential.

<sup>56</sup> *The Rising Africa*

<sup>57</sup> *A Study on Africa's Trade Composition*

<sup>58</sup> *Ministry of Commerce and Industry, Import-Export Database 2014-15*

<sup>59</sup> *A Study on Africa's Trade Composition*

<sup>60</sup> *The Benefits of Africa's New Free Trade Area*, Belfer Centre, June 2015

<sup>61</sup> *The tripartite free trade area agreement in Africa is bound to disappoint*, Quartz Africa

In a study by Trade Law Centre and the Swedish Embassy,<sup>62</sup> there is an indication of India's relatively increasing export overlap with the developed countries for the TFTA market, with similar trends across the review period of 2006-2011. This re-emphasises EU's (which is the main trading partner of Africa) waning influence not only in the TFTA market but also in the African market in general, and strengthening of African relations with India.

Some economists, however, argue that the existence of such bodies to promote regional integration and to enhance international trade is insufficient to alter actual trade patterns. For TFTA to succeed, it must do what its predecessors have thus far failed to do. That is, in addition to mobilising support for intra-continental infrastructure investment, it must reduce the uncertainty facing African agricultural producers. This will require the development of mechanisms to compensate those who lose from the introduction of free trade. In agriculture and agro based industries, India's relatively better expertise may come in good stead here, if suitable trade and investment agreements are struck with different African countries.

### **Non-Tariff Measures in Africa**

High tariff rates have traditionally been considered one of the main barriers to international trade. However, in recent years tariff rates applied by countries around the world have fallen to historic low levels owing to the growing number of multilateral, regional and bilateral trade agreements. In most cases, traded goods are no more chargeable for custom tariffs, but instead are required to comply with various regulations which include licenses or permits to import, quality requirements, inspections and price controls, before they are allowed to enter the destination market. These regulations are classified under non-tariff measures (NTMs).

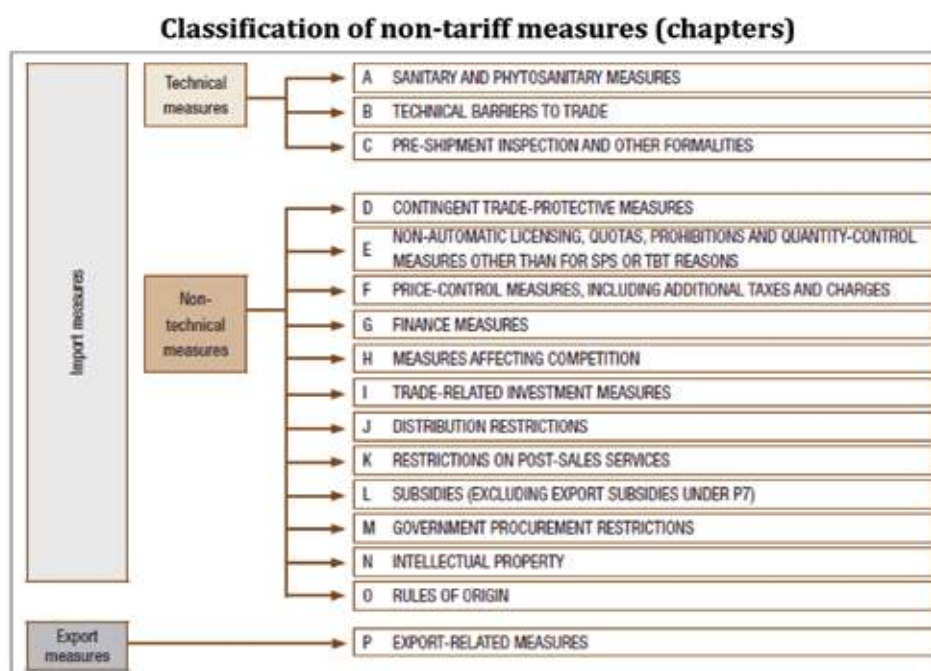
By definition, NTMs are policy measures, other than ordinary customs tariffs, that can have an economic effect on international trade in goods, changing quantities traded, or prices or both.<sup>63</sup> The effect of NTMs on trade may either be the primary goal of the policy (for example quotas and prohibition), or only the by-product of another policy objective (for example quality control and packaging requirement).

According to WTO agreements, the use of NTMs is allowed under certain circumstances. Examples of this include the Technical Barriers to Trade (TBT) Agreement or the Sanitary and Phytosanitary Measures (SPS) Agreement, both negotiated during the Uruguay Round, spanning from 1986 to 1994. These agreements are meant to allow governments to pursue legitimate policy goals even if it involves increased trade costs. However, NTMs are sometimes used as a means to circumvent free-trade rules and favour domestic industries at the expense of foreign competition. In this case they are called non-tariff barriers (NTBs).

<sup>62</sup> Cape to Cairo, Exploring the Tripartite FTA Agenda, Trade law Centre and the Swedish Embassy, Nairobi

<sup>63</sup> United Nations Conference on Trade and Development (UNCTAD), 2010



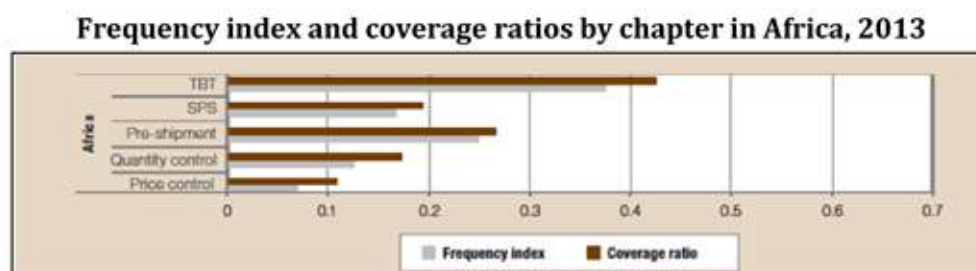


*Source: UNCTAD Secretariat*

Unlike tariffs which can be easily calculated, for e.g. Ad Valorem equivalence of specific duties, the impact of NTMs is not immediately observable or quantifiable. Their impact differs across countries and sectors, and does not always necessarily imply a decrease in trade. SPS and TBT regulations, for example, have ambiguous effects on trade. On the one hand, compliance with these regulations can lead to higher costs and prevent market access for exporters. On the other hand, they can raise consumer confidence in the quality of imports, thus increasing demand.

Developing countries find themselves affected the most by the negative effects of NTMs, not only because regulations are too strict or too difficult to comply with, but also because of the lack of infrastructure necessary to assess whether a product conforms to the given regulation. In order to mitigate the potential negative impact of NTMs on trade, it is crucial to increase transparency of NTMs and improve accessibility of information for exporters.

African countries appear to regulate their imports more than many other developing countries, especially in relation to Pre-shipment Inspections (PSIs).<sup>64</sup> The apparent reason for this is that they are often implemented to fight corruption, to facilitate and accelerate custom procedures and ultimately to help in the correct evaluation of imports and taxation, all of which greatly affect African countries. The heavy use of SPS and TBT measures by African countries may well be considered to be a result of an effort to harmonise regulations with their main trading partner, the European Union.



*Source: Non-Tariff Measures To Trade: Economic and Policy Issues For Developing Countries, UNCTAD*

<sup>64</sup> Non-Tariff Measures To Trade: Economic and Policy Issues For Developing Countries, UNCTAD

From the frequency index and coverage ratios applicable in Africa in 2013, it appears that both in terms of coverage and actual implementation, NTMs are moderately prevalent in the continent. While usual tools like TBT and SPS measures are used with good effect, pre-shipment inspection measures and non-technical measures like quality control and price control are also used.

A broad categorisation of the NTMs applicable in Africa, according to [tradebarriers.org](http://tradebarriers.org) working on reporting, monitoring and eliminating mechanism on NTBs and NTMs in Africa is depicted in the following table. The mechanism enables stakeholders to report and monitor the resolution of barriers encountered as they conduct their business in the COMESA, EAC and SADC regions, which enhances transparency and easy follow-up of reported and identified NTBs and NTMs in Africa.

Code	Description	Applied by Country	Came into effect on
A14	Special Authorization requirement for SPS reasons	Zimbabwe	01-Jul-08
A19	Prohibitions/restrictions of imports for SPS reasons n.e.s.	Zimbabwe	01-Jul-08
B15	Registration requirement for importers for TBT reasons	Ethiopia	24-Nov-98
B22	Restricted use of certain substances	Zimbabwe	18-Apr-76
B41	TBT regulations on production processes	Zimbabwe	18-Apr-76
B31	Labelling requirements	Zimbabwe	17-Apr-76
B33	Packaging requirements	Zimbabwe	01-Aug-81
B6	Product identity requirement	Zimbabwe	01-Jan-91
A41	Microbiological criteria of the final product	Zimbabwe	04-Oct-02
B49	Production or Post-Production requirements n.e.s.	Zimbabwe	14-Sep-90
B7	Product quality or performance requirement	Zimbabwe	14-Sep-90
F68	Tax on transport facilities	Mozambique	06-Jul-10
F68	Tax on transport facilities	Zimbabwe	01-Jan-09
B2	Tolerance limits for residues and restricted use of substances	Zimbabwe	01-Jan-90
E119	Licensing for economic reasons n.e.s.	Zimbabwe	01-Jan-96
A84	Inspection requirement	Zimbabwe	01-Jan-95
A11	Temporary geographic prohibitions for SPS reasons	Zimbabwe	01-Jan-95
E12	Licensing for non-economic reasons	Zimbabwe	01-Jan-89
P9	Export measures n.e.s.	Zimbabwe	01-Jan-89
A9	SPS measures n.e.s.	Zimbabwe	01-Jan-64
A15	Registration requirements for importers	Zimbabwe	01-Jan-12
A22	Restricted use of certain substances in foods and feeds and their contact materials	Zimbabwe	01-Jan-91
A69	Other requirements on production or post-production processes, n.e.s.	Zimbabwe	01-Jan-91
A49	Hygienic requirements n.e.s.	Zimbabwe	01-Jan-91
A33	Packaging requirements	Zimbabwe	01-Jan-91
A31	Labelling requirements	Zimbabwe	01-Jan-91

According to a study,<sup>65</sup> Africa's trade with the world has grown by leaps and bounds over the years. Its trade performance recovered in line with global trends and the continent witnessed a GDP growth of 3.5 per cent in 2014 and is projected to witness growth of 4.6 per cent in 2015 and 4.9 per cent in 2016.

While efforts to reduce tariffs in Africa have largely been met with success, other forms of trade restriction still remain widespread, affecting the regional and global trade, and hindering the competitiveness of domestic firms and their ability to export to regional and global markets including India. A study by Good Governance Africa<sup>66</sup> explains that these trade barriers have excluded Africa from reaping the rewards of increased economic interaction and interdependence. Africa's economic development and ability to compete internationally depend on removing these roadblocks and liberalising commerce.

Lowering restrictions on trade has encouraged trade specialisation in East Asia, India and China. In India, free trade has allowed medium to high technology sectors to flourish and develop a competitive edge. The African Union too has committed itself to the creation of a 'Continental Free Trade Area' which encompasses free trade in both goods and services by 2017. Lower restrictions may help African countries to gain comparative advantages in products and subsequently to seek a structural change in the production process. Intra-African trade has the potential to diversify and grow African economies. This could go a long way in enhancing global trade relations as well.

Other major regulations affecting cross-border trade in Africa are lack of coordination and uniformity in countries' technical regulations, rules of origin, standards, and policies on licences and permits. Long waiting times at customs stations lend the opportunity to officials to elicit bribes to speed up the process, according to a survey on bribery as a barrier to trade in the EAC by Transparency International and Trade Mark East Africa, a non-profit organisation.<sup>67</sup> To enhance trade relations with India and other potential trade partners outside Africa, greater regional coordination and efficient regulatory procedures will have to be established.

## Scope and Possibilities of New Trade Arrangements

A study by EXIM Bank<sup>68</sup> suggests that to enhance trade and investment relations with countries in Africa, India would need to develop a strategy with an integrated approach comprising, among other factors, cooperation in agricultural development, development of manufacturing sector, natural resource development, cooperation in hotel and tourism industry, focus on information technology development, human resource development especially for SME sector, cooperation in infrastructure development, cooperation in energy and power generation, and broadening linkages with trade promotion institutions and investment promotion agencies in the region. Such endeavours could also be supplemented by measures such as increased participation in multilateral funded projects, cooperation in banking/financial sector, and cooperation with chambers of commerce and industry in the region.

Some of the sectors that offer new trade opportunity and need focus to enhance trade relations are pharmaceuticals, capital goods, automobiles and spare parts. Going by the healthcare scenario in Africa and the rapid growth of pharmaceuticals industry in India, there exist extensive opportunities for India to make available the essential medicines at affordable prices on a sustainable basis. Social insurance services are also one option as its advantages include promoting equity, solidarity and affordability. Indian hospitals, medical professionals together with Indian medicines can provide the basis for an affordable treatment in Africa which would go a long way in strengthening its relations with India.

<sup>65</sup> *The Rising Africa, Report on economic trends, trade, investments and economic projections in Africa.*

<sup>66</sup> *Non-tariff barriers choke African trade, Karen Hasse, February 2013.*

<sup>67</sup> *Non-tariff barriers choke African trade, Karen Hasse, February 2013.*

<sup>68</sup> *West Africa: A Study of India's Trade And Investment Potential, Export-Import Bank of India, 2013.*

Backed by the rapid growth of middle class in many African countries, the rapid industrialisation has resulted in an increased demand for automobiles and capital goods such as machinery, lubricants, spare parts, ball bearings and other mechanical goods and accessories. The demand for automobiles has, in turn, created a growing market for all kinds of tyres. India can leverage this opportunity and seek market entry into the rapidly growing African economies.

According to a study by IIFT, New Delhi,<sup>69</sup> Government of India at its end should use trade policy tools such as 'Focus country' or 'Focus Product' scheme to enhance exports to Africa. Countries like Nigeria, Egypt, Tanzania, and Kenya, are major markets of India. However, several new markets have witnessed significantly high growth in recent times such as Algeria, Togo, Cameroon, and Ghana. India needs to diversify its product basket persistently to keep the current growth buoyant. African Countries require capacity building in developing good SPS and TBT standards in which India can provide assistance.



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<sup>69</sup> *India's export opportunity in Africa: issues and challenges in select sectors*, by Rakesh Mohan Joshi, Biswajit Nag and Ashish Gupta, IIFT

# WAY FORWARD AND RECOMMENDATIONS

### Potential of Mutually Beneficial Resource Partnerships

With all data and information provided in this study, it is now well established that African countries, and Africa as a continent, hold immense potential for constructive engagement. Similarly, Indian economy is at a crossroads where the country holds certain advantages and also a few disadvantages. If we consider African advantages, first one is the recent economic performances in many countries in terms of GDP growth. Though growth slowed down in the aftermath of 2008 financial crisis, Africa is among the few regions in the world where green shoots of growth and development reappeared in recent times. Africa holds a key advantage in its natural resources. However, the key is to utilise those resources gainfully without falling into a “resource curse.” Ideal utilisation of those resources will only be possible when they can be used to transform the structure of the economy. Here, “transformation” implies next stage of development in manufacturing where structure will shift from primary goods production to intermediate and final goods production.

Top performing countries in Africa have already embarked on that journey. New segments, like consumer goods, wholesale and retail, agro based industries, telecom, and transport, have picked up pace in these countries. Prudent and focussed utilisation of their resources towards transforming and changing the production structure would subsequently lead to changes in the patterns of trade as well. The export baskets of different countries in Africa, in that stage, will show more diversification in terms of intermediate and final goods and services.

In this context, scarcity of capital, or in simple words – lack of financial resources, is holding that process of development back. Therefore, any trade relation or economic partnership with most of the African countries, with exceptions like South Africa, has to be essentially a balanced relationship of raw material and capital – at a very fundamental level. However, African countries are also wary of “grab and run” policies of foreign countries in their resources sector, and for good reasons indeed. So, any long term, stable and mutually beneficial economic relationship has to be based on sufficient re-investment of capital. Fulfilment of that will create trust and concrete relationships further.

India has a long and shared history with the continent, and India has been a staunch supporter of the continent’s aspirations throughout. Based on this goodwill, India has to build on relationships which will contribute to African growth story while India will be benefitted in terms of energy and other material security. Another important element here is that no fruitful trade relationship with African nations can be built without supplementing and complementing it with an equally organic and trustworthy investment relationship where capital can flow into key African development sectors seamlessly. Only then mutual economic benefit can be derived.

### Solving the Raw Material Conundrum

While energy has an industrial component, there are other types of straightforward consumption of energies like power. However, related to natural resources there is another important aspect, and that is the aspect of raw materials. Well-developed economic structure also demands well-developed manufacturing. Manufacturing sector is important for any economy as the sector has higher backward and forward economic linkages than any other sector. Though in a country like India economic growth has been mainly driven by a dynamic services

sector, in recent times India has also started realising the importance of manufacturing. After becoming a manufacturing hub, the growth dynamics in China reached a different level altogether, and that Chinese model inspired others.

If India also wishes to reach a sustainable and long term growth trajectory, then manufacturing has to develop. Recent government initiatives like “Make in India” reveals that sense of urgency in the Indian side. Africa holds a key in this raw material aspect also. Apart from oil and natural gas, African nations also possess large reserves of metal and other natural resources. But more importantly, African nations also hold similar economic aspirations about manufacturing and advanced goods production – quite naturally and obviously. This is equally important for resource rich African countries to alter and transform their existing economic structure. As mentioned, capital remains a constraint and there are difficulties in mobilising financial resources.

Nevertheless, the resource rich African nations are holding these raw materials as factors of production or inputs. Converting the true potential of such resources into reality can only be done if there is a gainful economic relationship between partners. Given a changing world economic situation, where China is increasingly finding it difficult to sustain its high rates of growth along with complex issues in the foreign exchange front, India seemingly is seen to be in a better position to utilise any situation of global recovery. But, as we all anticipate now – global recovery is not automatic and concrete steps need to be taken to spearhead any such recovery.

In the Afro-Indian economic horizon, there exists a real possibility of making such a spearheading effort, which has the potential to recover world economy, to a certain extent. As in other economic fronts, the path of possibility seems to be heading towards a well thought out mixture of investment and trade initiatives. A good amount of flexibilities also have to be shown on both Indian and African sides – to chart out such a creative path. There have to be various mixtures of African trade in India, Indian trade in Africa, African direct investment in India, and Indian direct investment in Africa. India, still an emerging economy, also faces scarcity of capital, and therefore if there are possibilities of African direct investment coming into India from certain countries in Africa – then it will also be equally helpful for India. All these investments in both the regions will require a steady flow of inputs in the form of metal and other non-oil resources. Gainful and creative economic associations have the capacity to solve the raw material conundrum for both Africa and India.

## **Agriculture and Food Security**

Third most important advantage Africa holds is its huge potential in agriculture. More than what is being produced currently in the continent, potential beyond that existing production is unprecedented. This is because of the fact that Africa holds 60 per cent of world’s unutilised arable land. African agriculture also is at a threshold where a ‘green revolution’ type productivity jump can be undertaken. More research and development in productivity increase is needed, along with more capital investment in agriculture and agricultural infrastructure. There will be huge industry linkages of such an agricultural development, and specific industries, like fertilisers, seed at the one end and various processed food sectors on the other, can spring up in the process of this kind of agricultural development.

Along with the huge amount of available unutilised arable land, such agricultural development will not only sufficiently cater to the food security needs of the African nations but also it will have an immense potential to meet the food needs for other countries and region. In fact, Africa has the potential to become the “food bowl” of the world. A large scale development in agriculture would also imply that there will be diversifications in the trade baskets as well. However, scarcity of financial resources is prevalent in agriculture also. Initiation of a “green revolution” type policy initiative would entail huge long term investments in research and development, and other skill building and enhancing initiatives. Without these investments, there may be some short term spurt of economic activities in African agriculture but it cannot be sustained over a long term.



Within the emerging economies, India has the ability to build and develop skills required for such productivity increase in agriculture. India is already part of this African skill building process, and the need of the hour for India is to accelerate these endeavours further. Apart from that, India can also contribute in the agricultural capital investment in African nations. Ideally the contributors should come from both private and public sectors of India. However, as we have seen historically, the initial plunge has to be always taken by the government or the public sector. If private sector players immediately join in then it would be a great start. But even if that does not happen, public sector behemoths like Food Corporation of India (FCI) can contribute immensely in both agricultural investment and operational development in Africa.

There can be many such joint initiatives, some of which have to be creatively designed as and when the time comes. In this way, African nations can benefit in developing their agricultural sectors and in diversifying their economic activities, while India can address some of its growing needs for agricultural products. In an economic sense, this is important for both the regions as agricultural products or foods are always treated as the most important wage goods in any economy.

These three aspects – energy security, industrial inputs and food security – should form the cornerstones of all future Afro-India economic cooperation and partnerships. On the basis of these three cornerstones, future associations have to be built in a creative and flexible way.

## Recommendations

1. Africa-India Summit is already a regular platform which has been created. The platform needs to be further strengthened and formalised with defined engagement terms.
2. In the light of formation of Tripartite Free Trade Area (TFTA) and the proposed African Free Trade Zone, India should immediately engage itself with all trade blocs and associations, including African Union. The objective should be to come into a common understanding of promoting mutual trade and investment. Wherever possible, bilateral arrangements also need to be explored for the same objective.
3. While trade agreements are important, investment treaties have to be taken up equally seriously to further enhance and nurture bilateral and/or multilateral trade agreements.
4. Confidence and trust building measures from Indian side, like establishing skill building institutes and research facilities, more direct business-to-business interactions, workshops and seminars, have to be further increased with immediate effect – to create a conducive atmosphere for talks.
5. While initiating investment treaties, other bottlenecks for free capital flow have to be cleared also through double taxation treaties or other arrangements. Otherwise, the engagement process may get stalled in future.
6. Indian government may have to take an active part in creating additional capacities on African soil, particularly in those which will be part of confidence building measures.
7. Instead of only utilising individual channels, India also should make an effort to engage itself with African nations through the platform of BRICS, since South Africa is a partner in that platform. This may create additional catalysts for development.
8. Once negotiations progress to a satisfactory level, care should be taken by the Indian government to identify key sectors, in which capital and trade flows (both ways) can be prioritised and facilitated. In immediate future it seems that consumer goods, wholesale and retail, construction, housing, telecom, financial and banking services are the sectors where India can engage itself with African nations at various levels.

9. A sizeable section of African diaspora is present in India – in the form of students, diplomats, workers of different governments of Africa and tourists. African companies can easily export African processed food to cater to this population. Urban India is growingly showing tendencies to consume foods of different continents, and therefore food and agro-based exports from Africa have a sizeable market in India. Indian and respective agricultural ministries of African countries should have an active cooperation for such exports of African foods and agro-based products.
10. Healthcare, tourism and travel are other sectors where African nations want to venture. India should facilitate such endeavours both in India and anywhere in African soil.
11. Pharmaceutical sector is another sector, where Indian companies have potential to be the “pharmacy of Africa.” However, presence of more generic products in Indian basket, lack of awareness, and health standards are among the issues which hinder further expansion of Indian pharma companies in African soil. Probably that is why Indian presence is mainly limited to Eastern African region. Development in biotechnological research, compliance to international health standards, and awareness increasing programmes, like exhibitions or pharma fairs, are needed to remove these barriers. Indian government can play positive and pro-active role in this process.
12. Social sectors, including cultural interactions (music, dance, theatre) and particularly education, create opportunities for India. Direct investment in education also has the ability to build trust. However, there needs to be a mixture of investment and philanthropy from Indian side in education.
13. In sports and related activities, African nations can help out India, and that can form the basis of a reverse trust building.
14. Deeper research into bilateral and multilateral trade and economic aspects warrants good quality data. India would do well if it can get into information sharing understanding with as many countries as possible. This will hugely facilitate future progress of talks and other economic and political interactions.

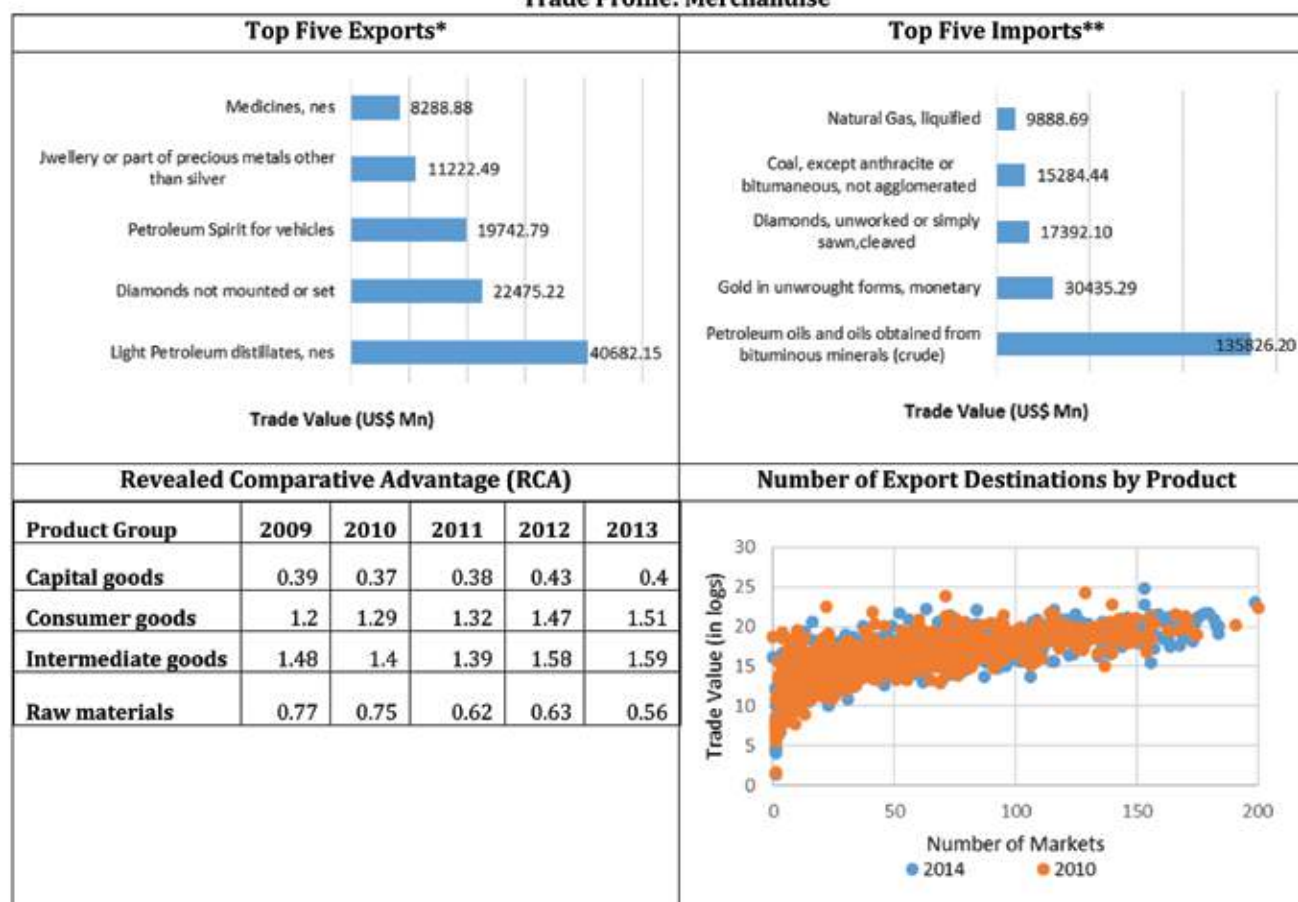


# APPENDICES

## COUNTRY PROFILE: INDIA

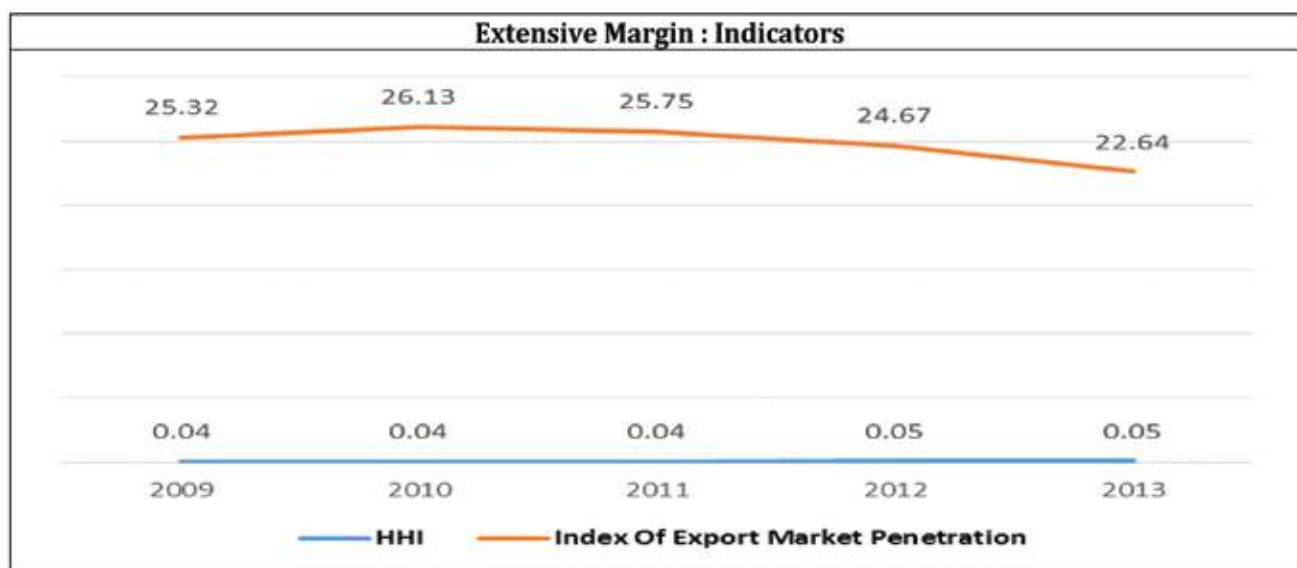
Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	7.50
Exports of goods and services (% of GDP)	2014	24.00
Growth rate of exports (annual %)	2014	1.00
Imports of goods and services (% of GDP)	2014	26.00
Growth rate of imports (annual %)	2014	-0.48
Services Export (BoP, % GDP)	2013	7.56
Services Import (BoP, % GDP)	2013	7.15
Trade Openness/Trade to GDP ratio (%)	2014	50.0
Services Trade (% GDP)	2013	14.71
High-tech exports(US\$ Millions)	2013	16,693
High-tech exports (% of manufactured exports)	2013	8.1

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

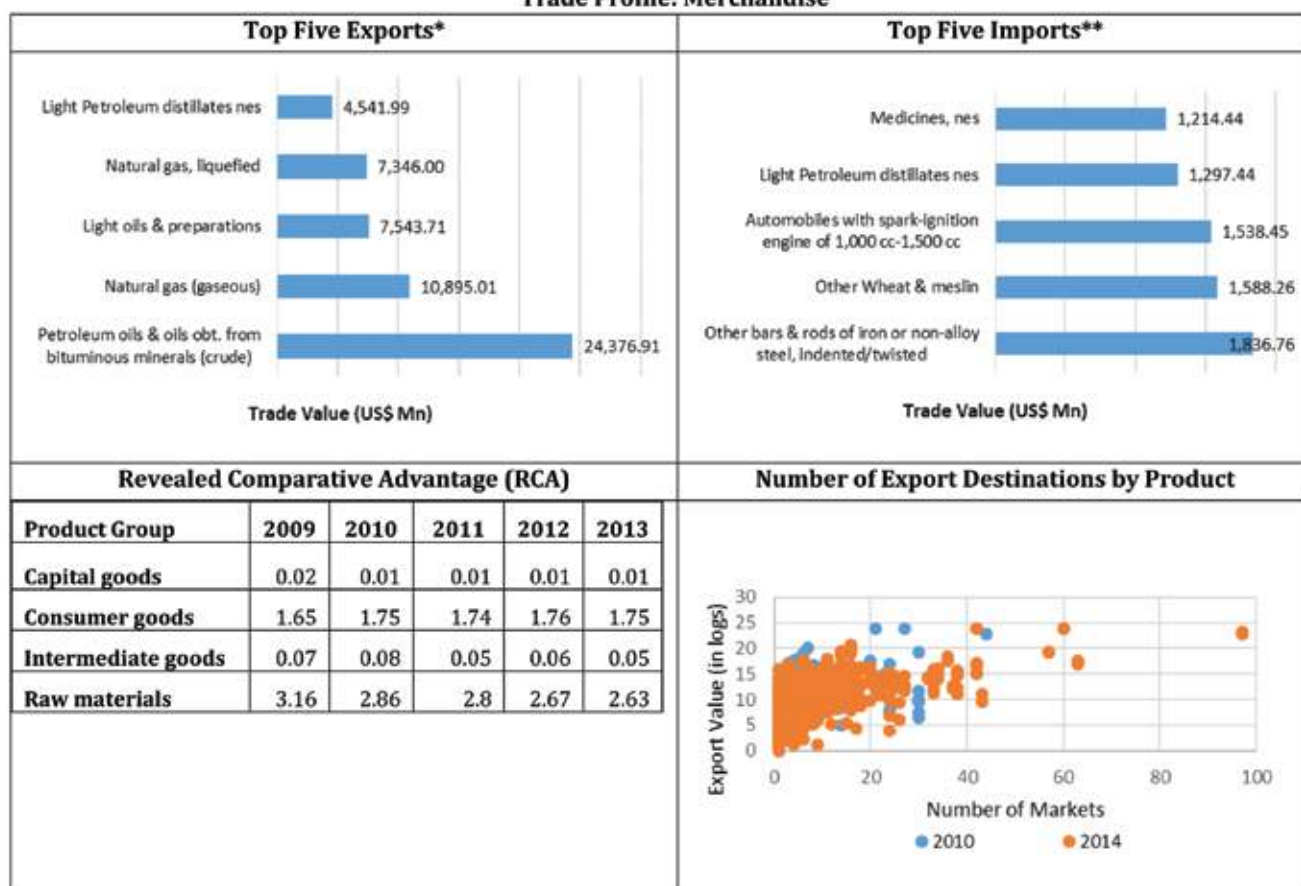
\*\* Data used are of the last reporting year (2014)



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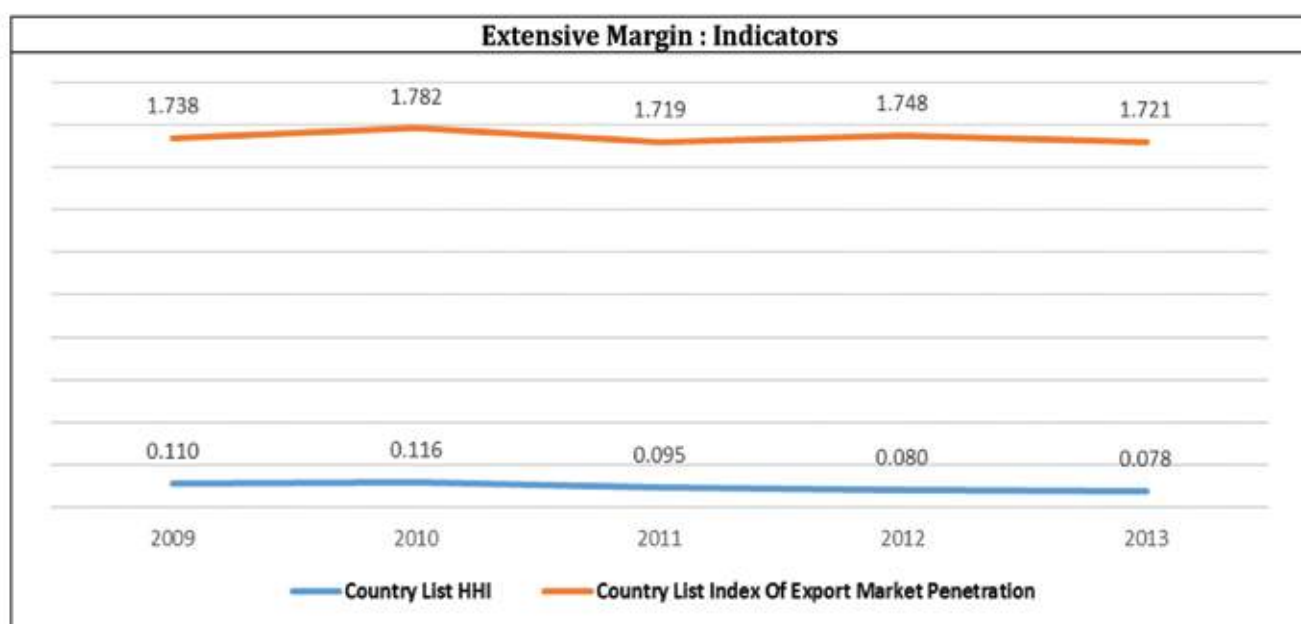
<b>COUNTRY PROFILE: ALGERIA</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	2.60
Exports of goods and services (% of GDP)	2014	33.00
Growth rate of exports (annual %)	2014	---
Imports of goods and services (% of GDP)	2014	32.00
Growth rate of imports (annual %)	2014	---
Services Export (BoP, % GDP)	2013	0.02
Services Import (BoP, % GDP)	2013	0.05
Trade Openness/Trade to GDP ratio (%)	2014	61.00
Services Trade (% GDP)	2013	6.98
High-tech exports(US\$ Millions)	2013	3
High-tech exports (% of manufactured exports)	2013	0.20

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

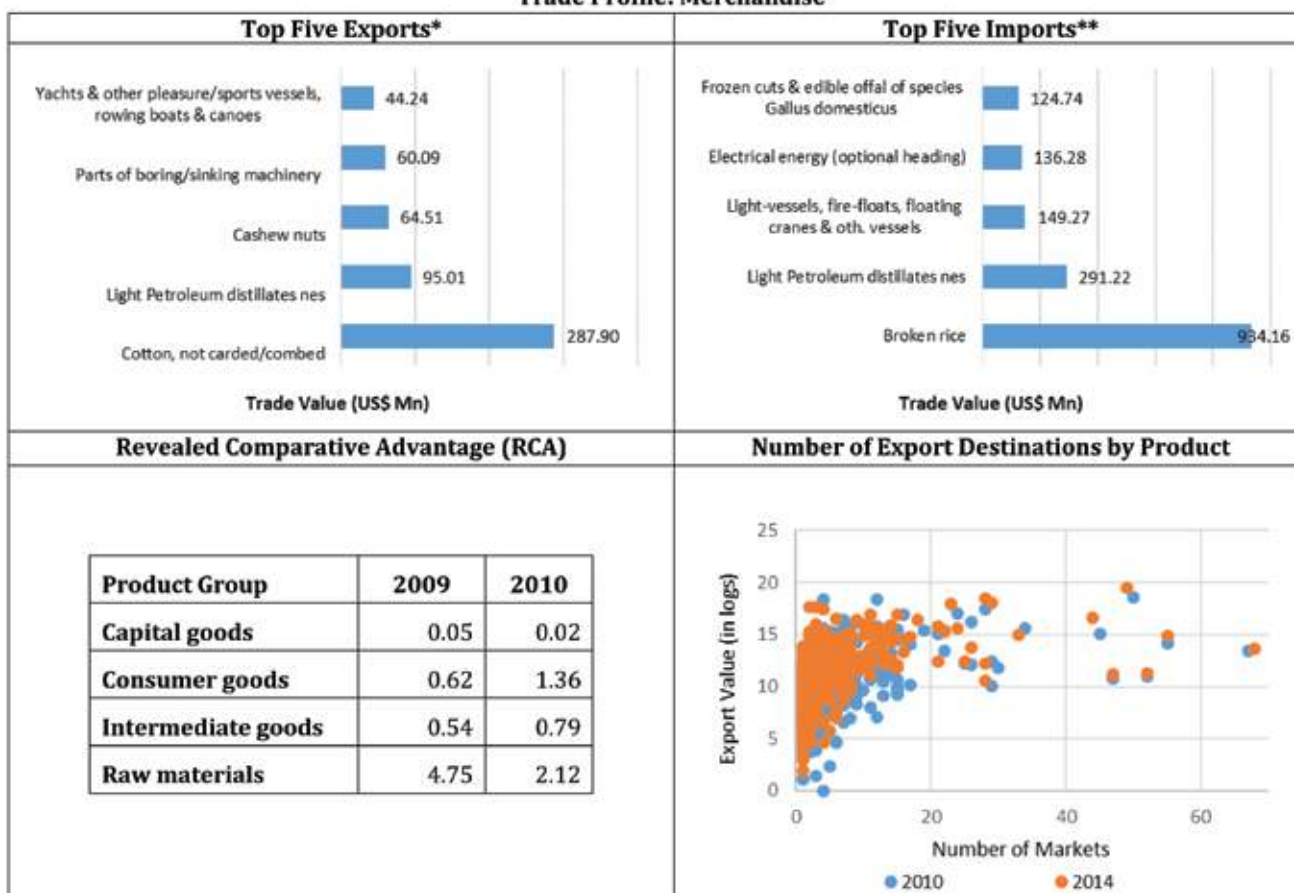


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## COUNTRY PROFILE: BENIN

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	5.50
Exports of goods and services (% of GDP)	2014	18.00
Growth rate of exports (annual %)	2014	9.00
Imports of goods and services (% of GDP)	2014	35.00
Growth rate of imports (annual %)	2014	7.00
Services Export (BoP, % GDP)	2012	0.06
Services Import (BoP, % GDP)	2012	0.08
Trade Openness/Trade to GDP ratio (%)	2014	54.00
Services Trade (% GDP)	2012	0.06
High-tech exports(US\$ Millions)	2013	1
High-tech exports (% of manufactured exports)	2013	1.20

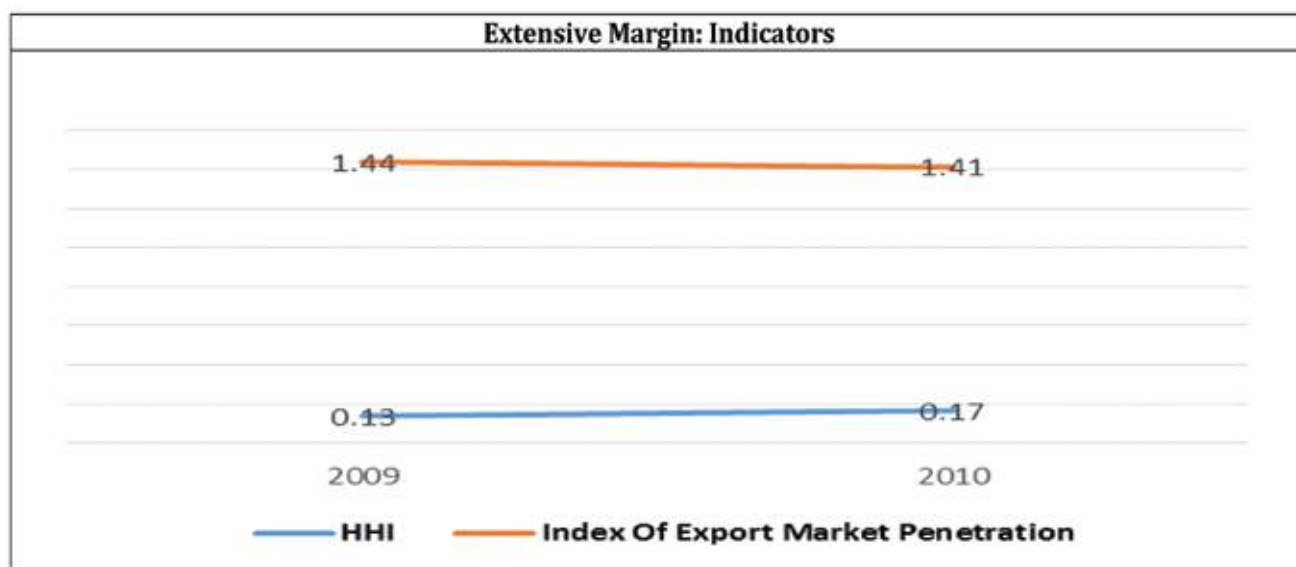
### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

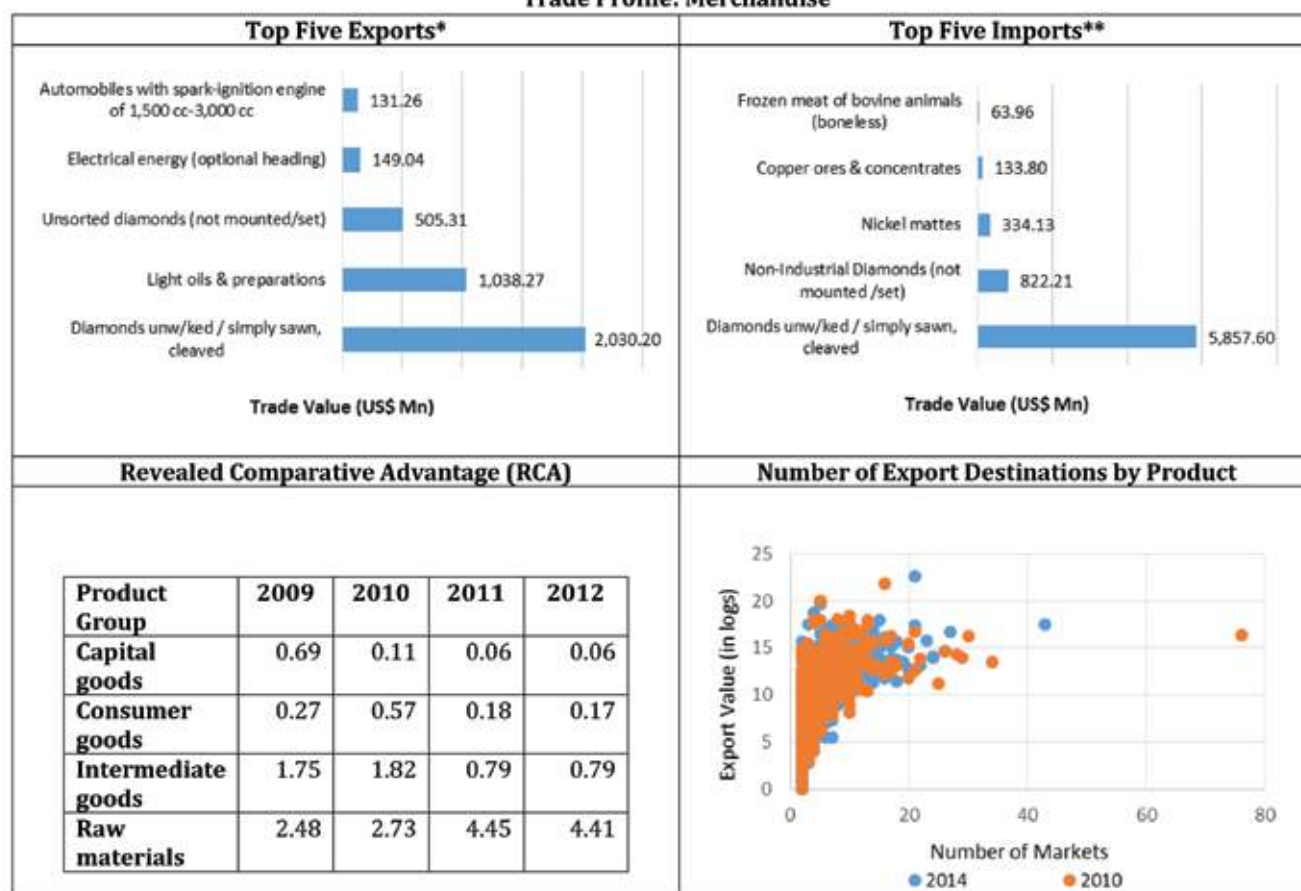




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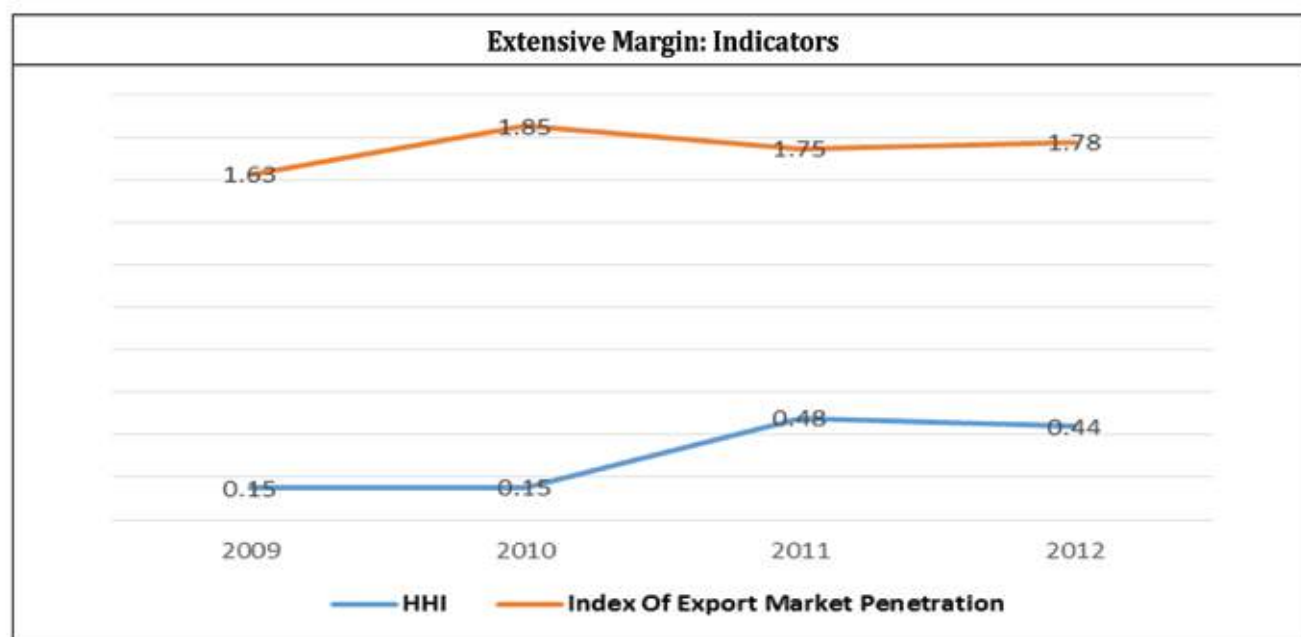
<b>COUNTRY PROFILE: BOTSWANA</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	4.16
Exports of goods and services (% of GDP)	2014	54.00
Growth rate of exports (annual %)	2014	1.00
Imports of goods and services (% of GDP)	2014	43.00
Growth rate of imports (annual %)	2014	-6.00
Services Export (BoP, % GDP)	2013	0.04
Services Import (BoP, % GDP)	2013	0.04
Trade Openness/Trade to GDP ratio (%)	2014	93.00
Services Trade (% GDP)	2013	8.09
High-tech exports(US\$ Millions)	2013	25
High-tech exports (% of manufactured exports)	2013	0.40

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year(2014)

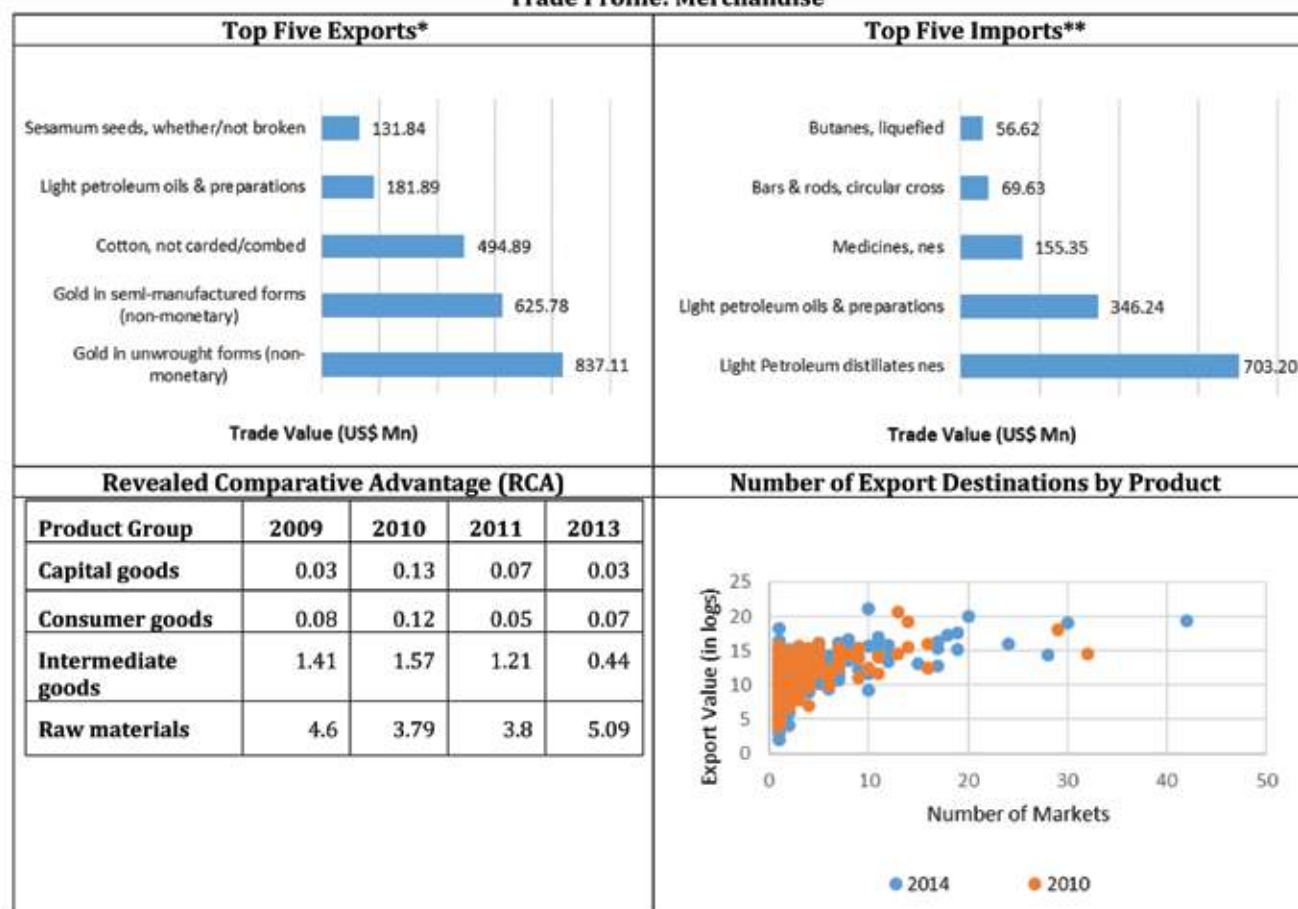


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## COUNTRY PROFILE: BURKINA FASO

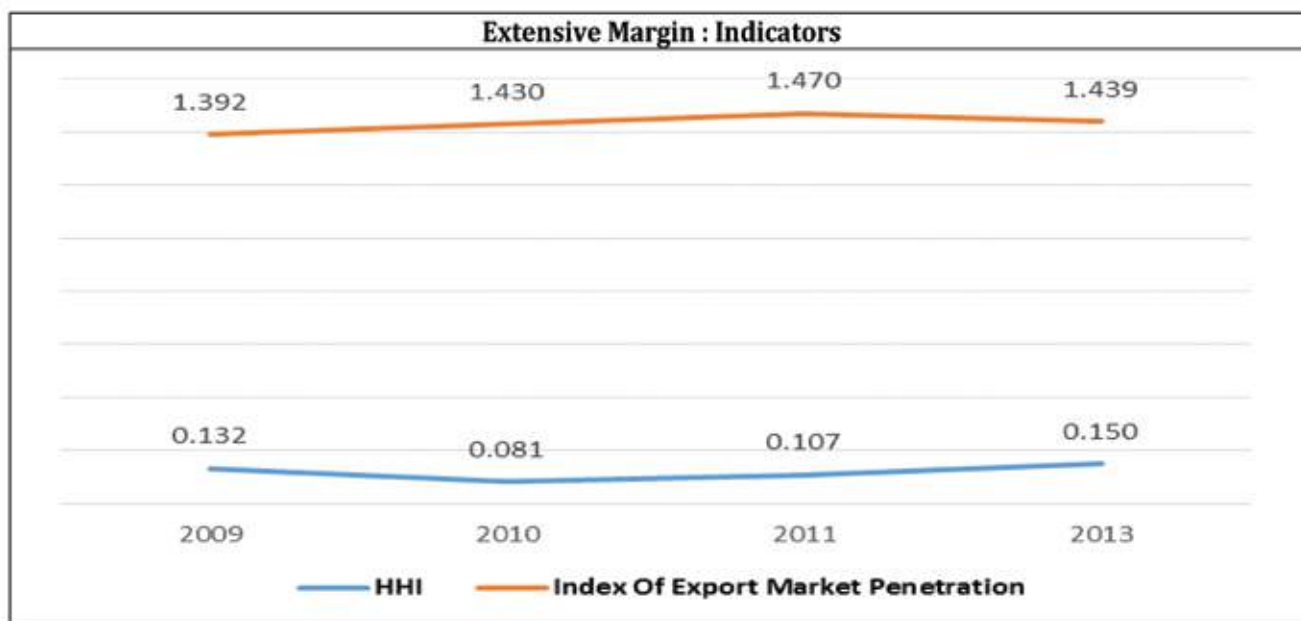
Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	4.98
Exports of goods and services (% of GDP)	2014	26.00
Growth rate of exports (annual %)	2014	3.00
Imports of goods and services (% of GDP)	2014	36.00
Growth rate of imports (annual %)	2014	-3.00
Services Export (BoP, % GDP)	2013	---
Services Import (BoP, % GDP)	2013	---
Trade Openness/Trade to GDP ratio (%)	2014	64.00
Services Trade (% GDP)	2013	0.00
High-tech exports(US\$ Millions)	2013	14
High-tech exports (% of manufactured exports)	2013	13.70

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

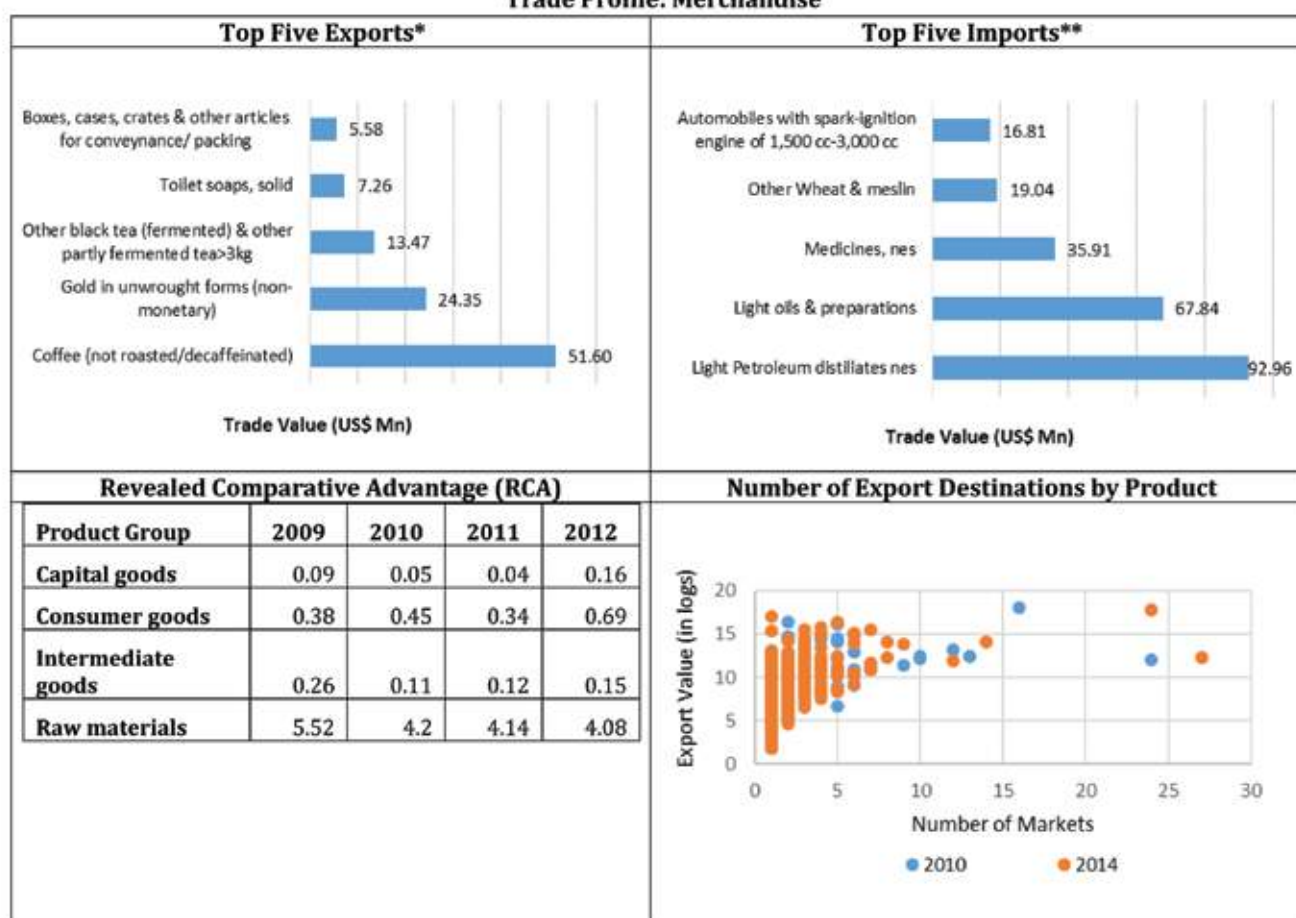
\*\* Data used are of the last reporting year (2014)



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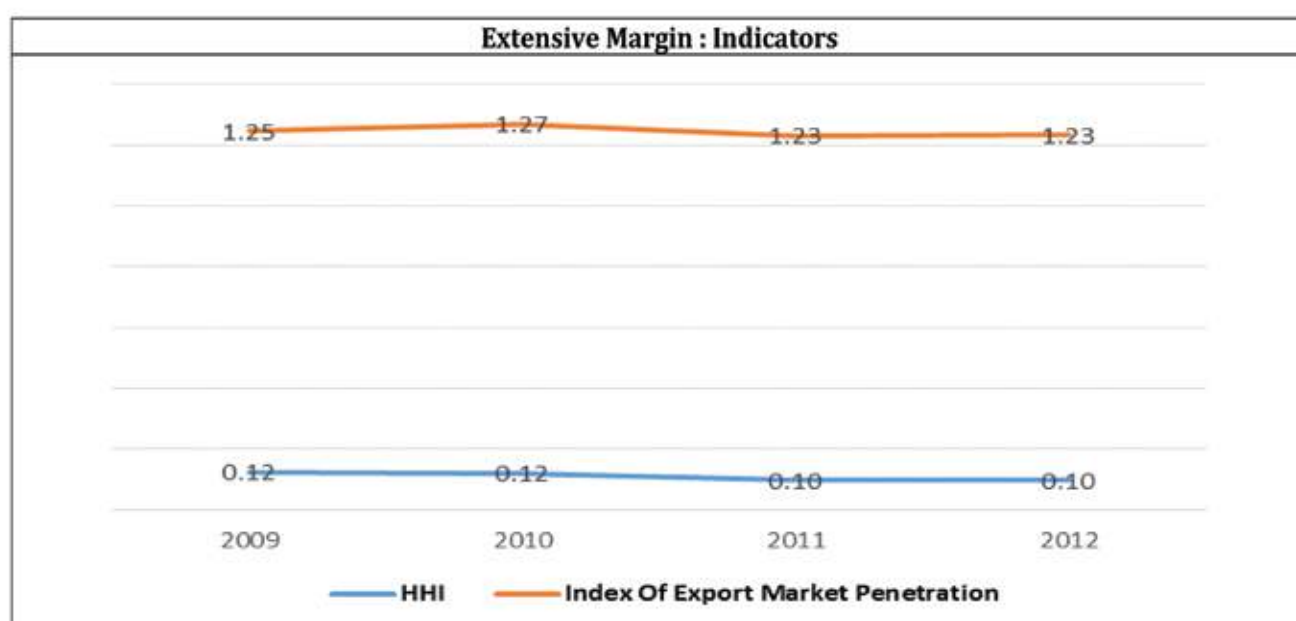
<b>COUNTRY PROFILE: BURUNDI</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	4.80
Exports of goods and services (% of GDP)	2014	7.00
Growth rate of exports (annual %)	2014	5.00
Imports of goods and services (% of GDP)	2014	34.00
Growth rate of imports (annual %)	2014	5.00
Services Export (BoP, % GDP)	2013	0.05
Services Import (BoP, % GDP)	2013	0.09
Trade Openness/Trade to GDP ratio (%)	2014	41.00
Services Trade (% GDP)	2013	13.46
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	2.70

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

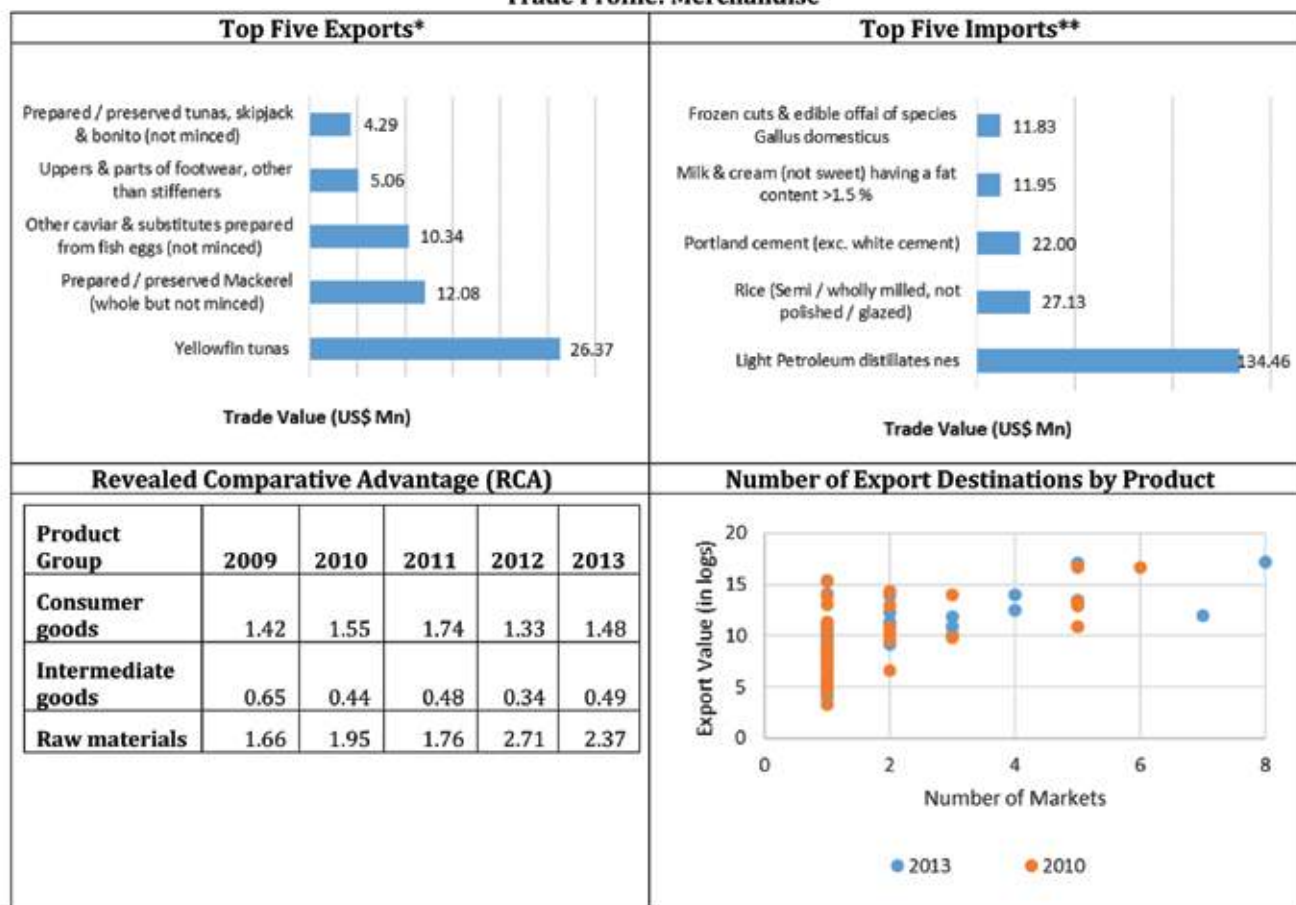


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## COUNTRY PROFILE: CABO VERDE

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	3.01
Exports of goods and services (% of GDP)	2014	---
Growth rate of exports (annual %)	2014	---
Imports of goods and services (% of GDP)	2014	---
Growth rate of imports (annual %)	2014	---
Services Export (BoP, % GDP)	2013	0.37
Services Import (BoP, % GDP)	2013	0.19
Trade Openness/Trade to GDP ratio (%)	2014	---
Services Trade (% GDP)	2013	56.02
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	0.60

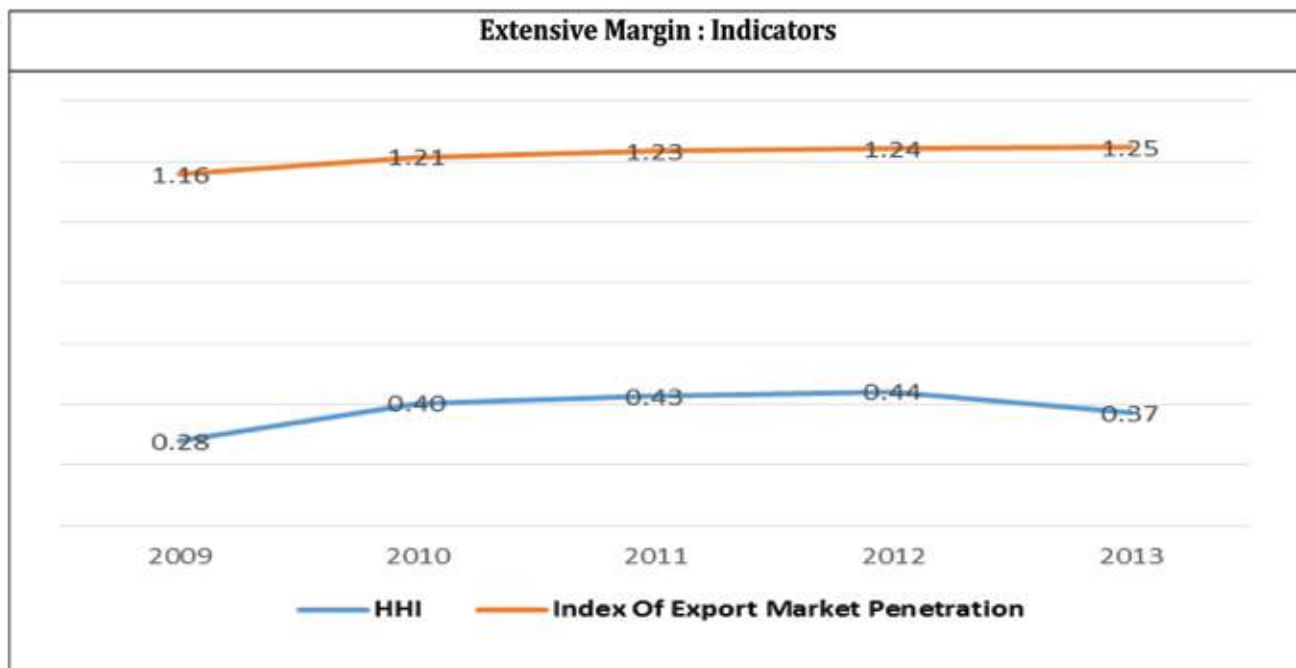
### Trade Profile: Merchandise



\*Data used are of the last reporting year (2013)

\*\* Data used are of the last reporting year (2013)

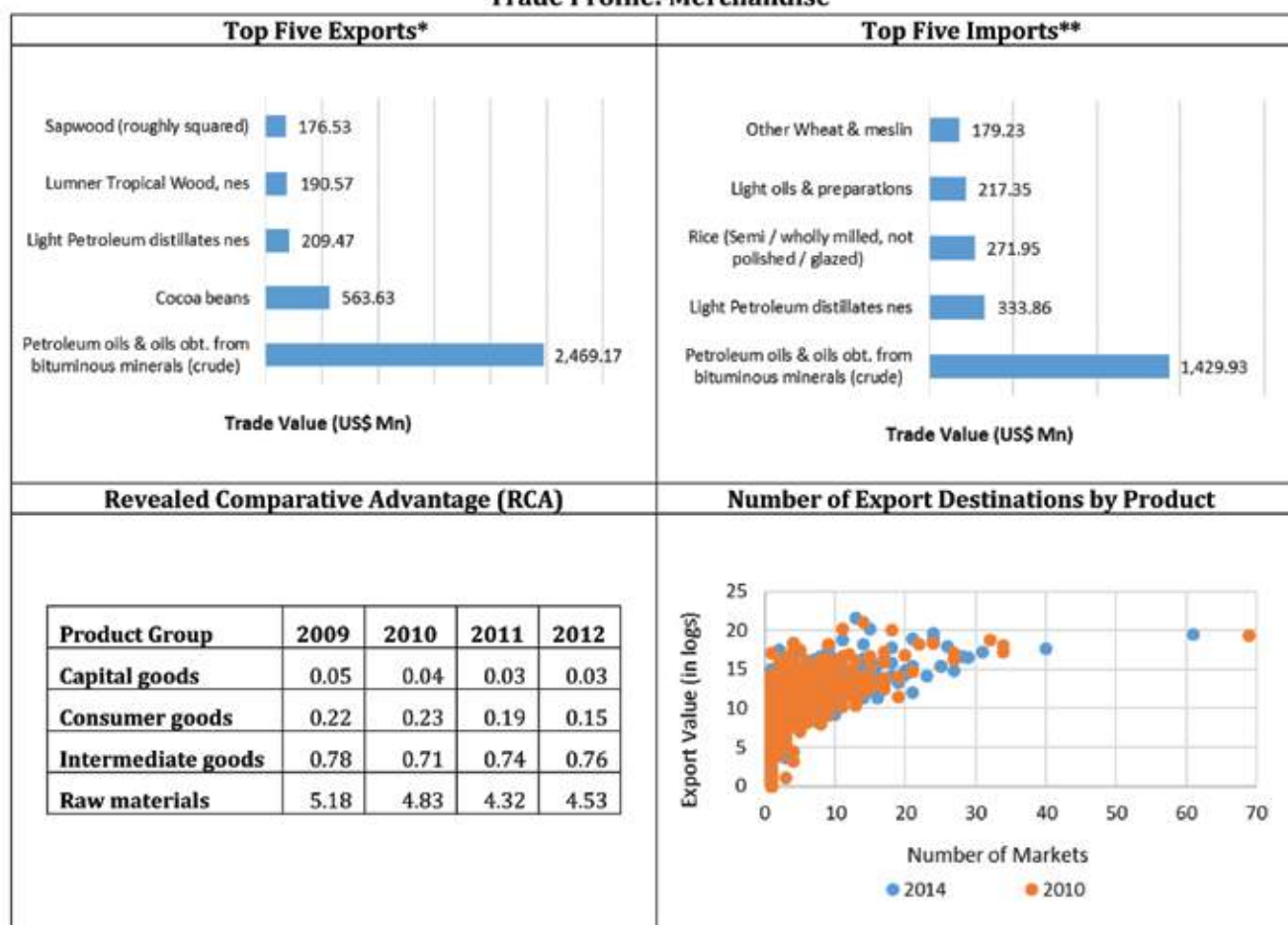




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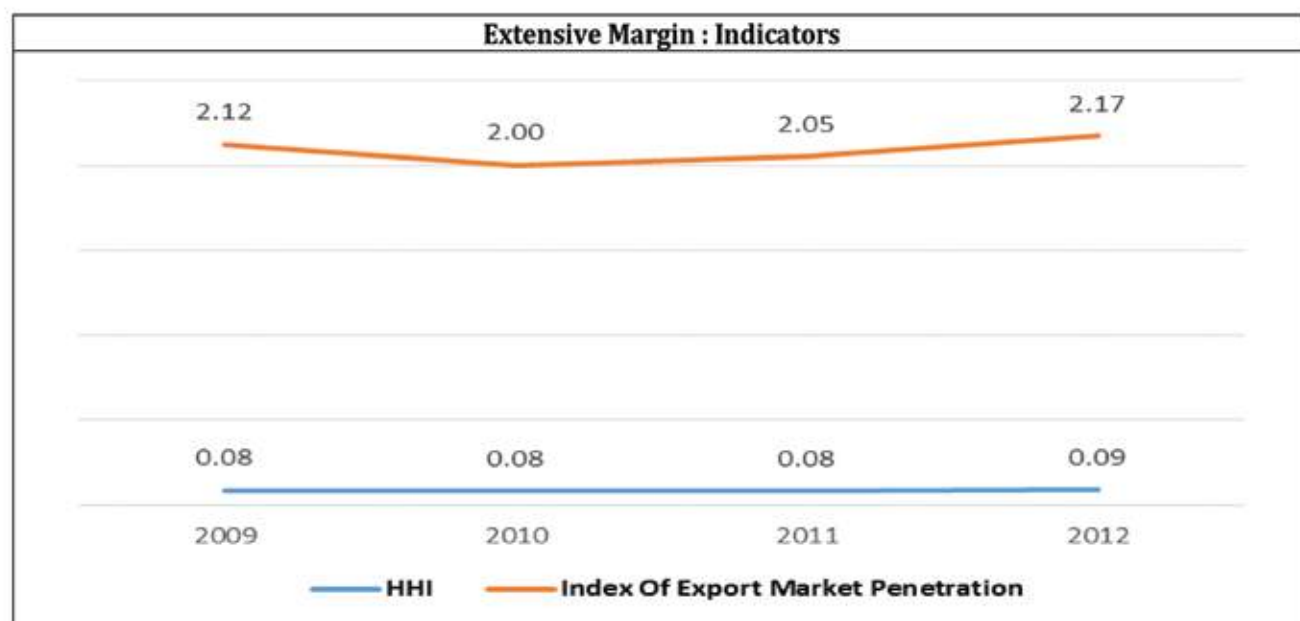
<b>COUNTRY PROFILE: CAMEROON</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	5.05
Exports of goods and services (% of GDP)	2014	21.00
Growth rate of exports (annual %)	2014	10.00
Imports of goods and services (% of GDP)	2014	28.00
Growth rate of imports (annual %)	2014	6.00
Services Export (BoP, % GDP)	2013	0.07
Services Import (BoP, % GDP)	2013	0.09
Trade Openness/Trade to GDP ratio (%)	2014	49.00
Services Trade (% GDP)	2013	15.61
High-tech exports(US\$ Millions)	2013	15
High-tech exports (% of manufactured exports)	2013	3.70

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year(2014)

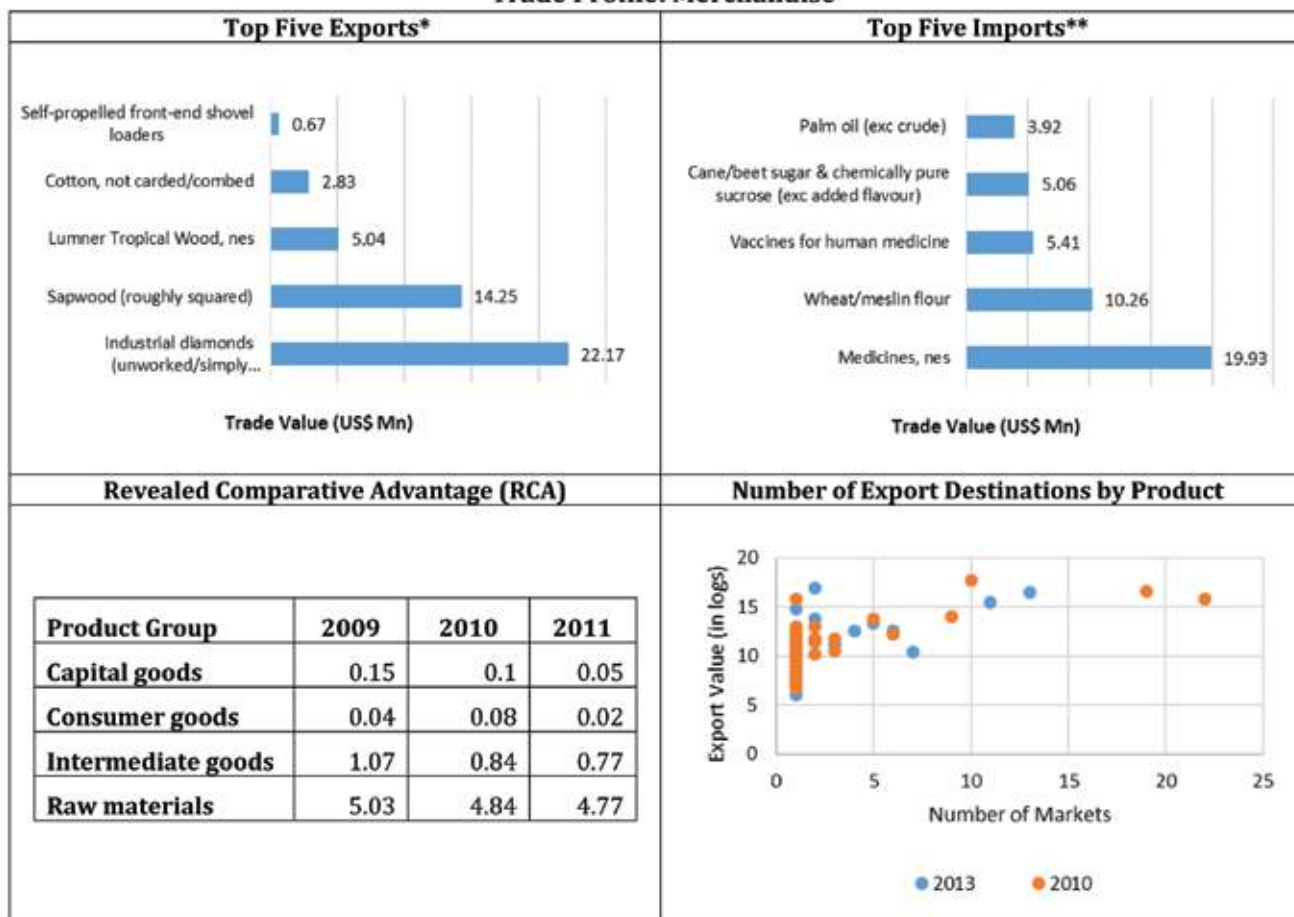


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## COUNTRY PROFILE: CENTRAL AFRICAN REPUBLIC

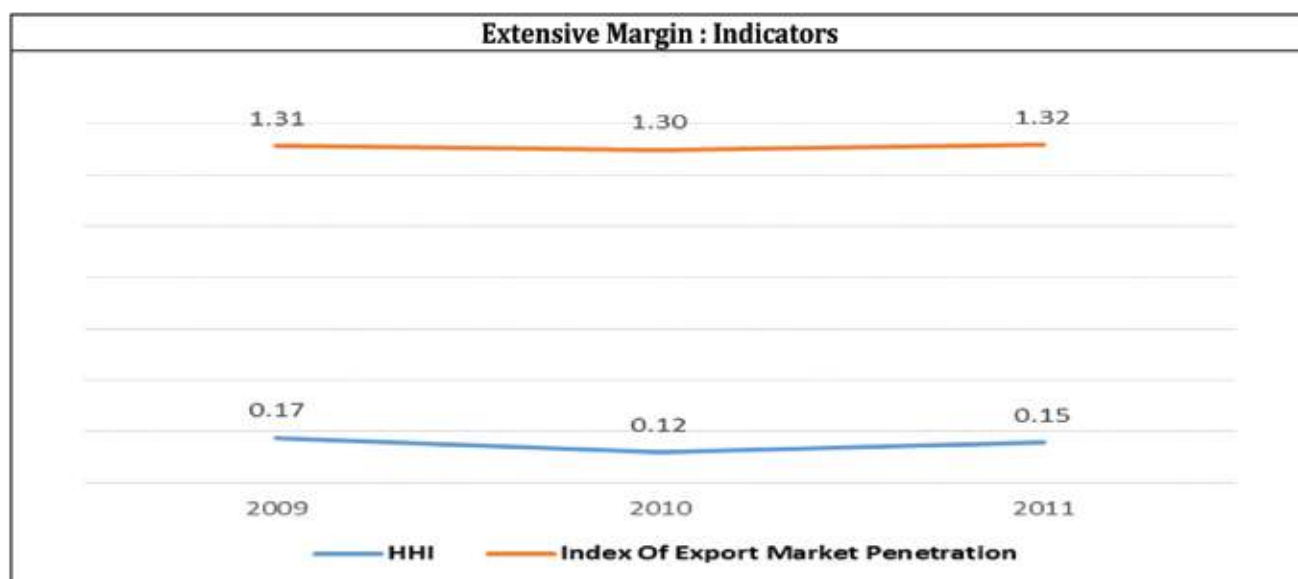
Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	5.68
Exports of goods and services (% of GDP)	2014	14.00
Growth rate of exports (annual %)	2014	-25.00
Imports of goods and services (% of GDP)	2014	34.00
Growth rate of imports (annual %)	2014	55.00
Services Export (BoP, % GDP)	2013	---
Services Import (BoP, % GDP)	2013	---
Trade Openness/Trade to GDP ratio (%)	2014	45.00
Services Trade (% GDP)	2013	---
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	---

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2013)

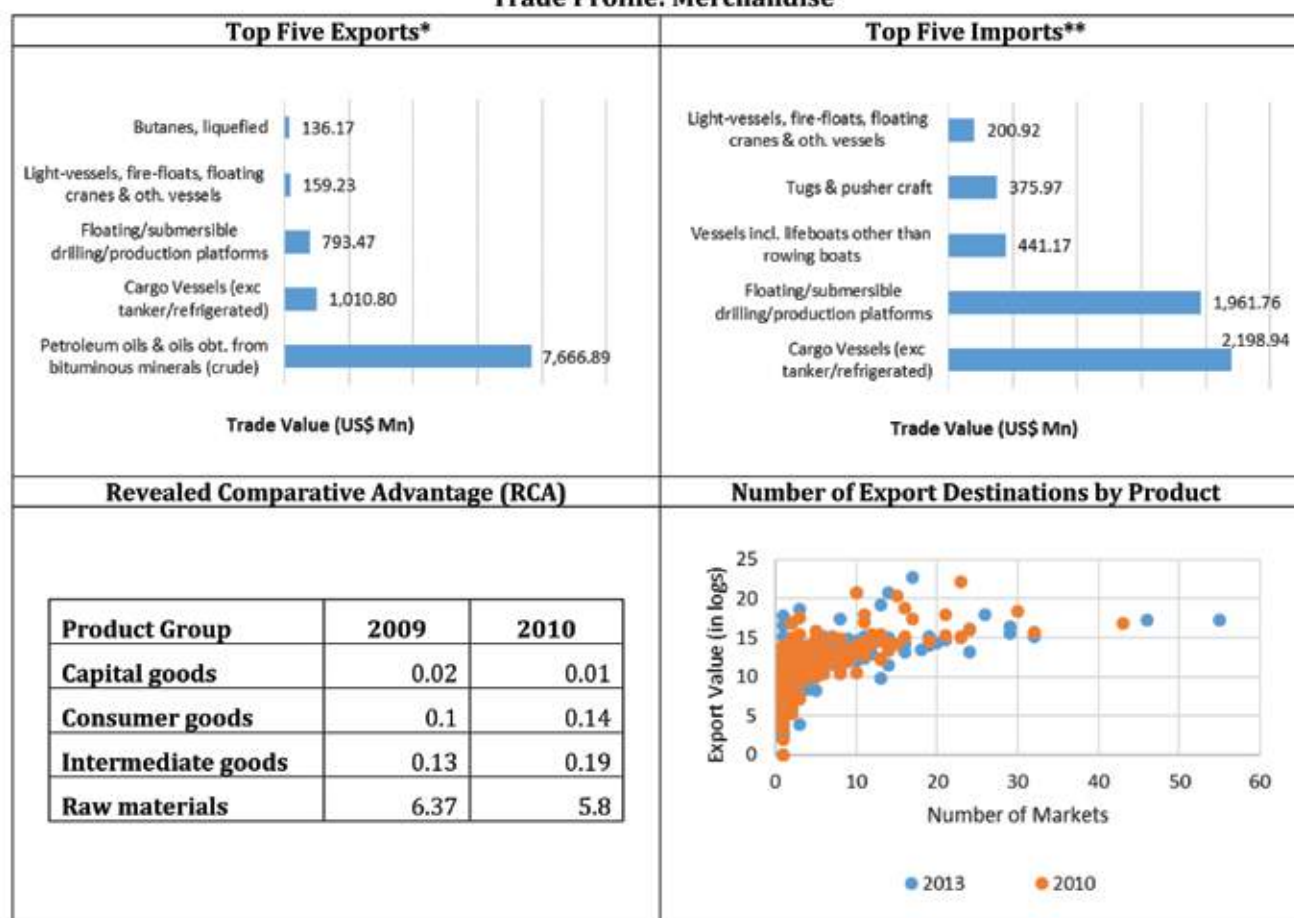
\*\* Data used are of the last reporting year (2013)



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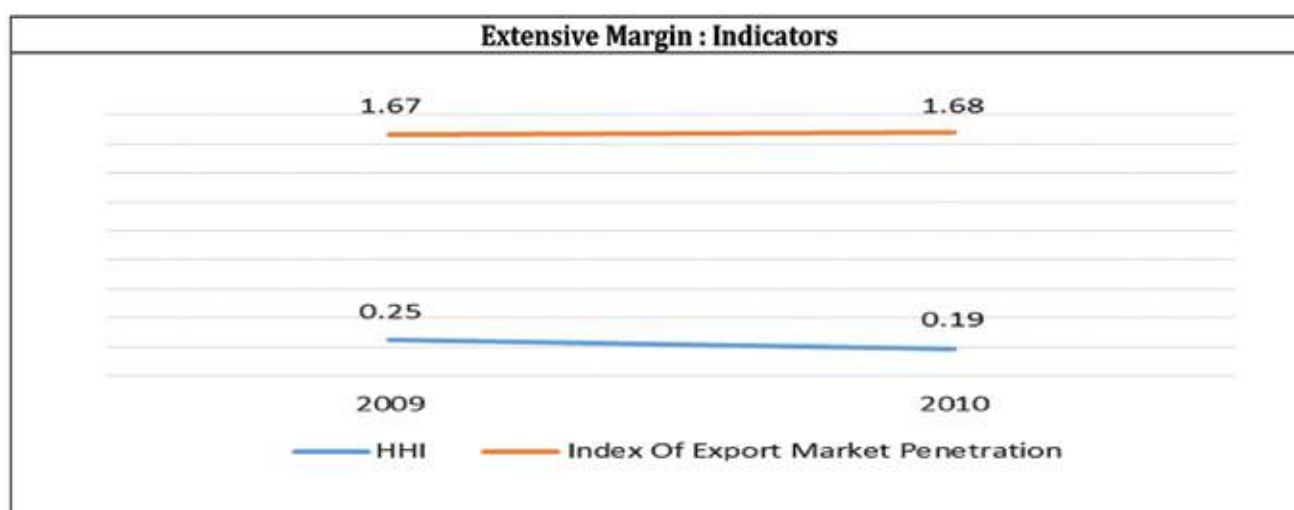
<b>COUNTRY PROFILE: REPUBLIC OF CONGO</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	5.16
Exports of goods and services (% of GDP)	2014	77.00
Growth rate of exports (annual %)	2014	4.00
Imports of goods and services (% of GDP)	2014	70.00
Growth rate of imports (annual %)	2014	7.00
Services Export (BoP, % GDP)	2013	---
Services Import (BoP, % GDP)	2013	---
Trade Openness/Trade to GDP ratio (%)	2014	151.00
Services Trade (% GDP)	2013	---
High-tech exports(US\$ Millions)	2013	38
High-tech exports (% of manufactured exports)	2013	1.60

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2013)

\*\* Data used are of the last reporting year (2013)

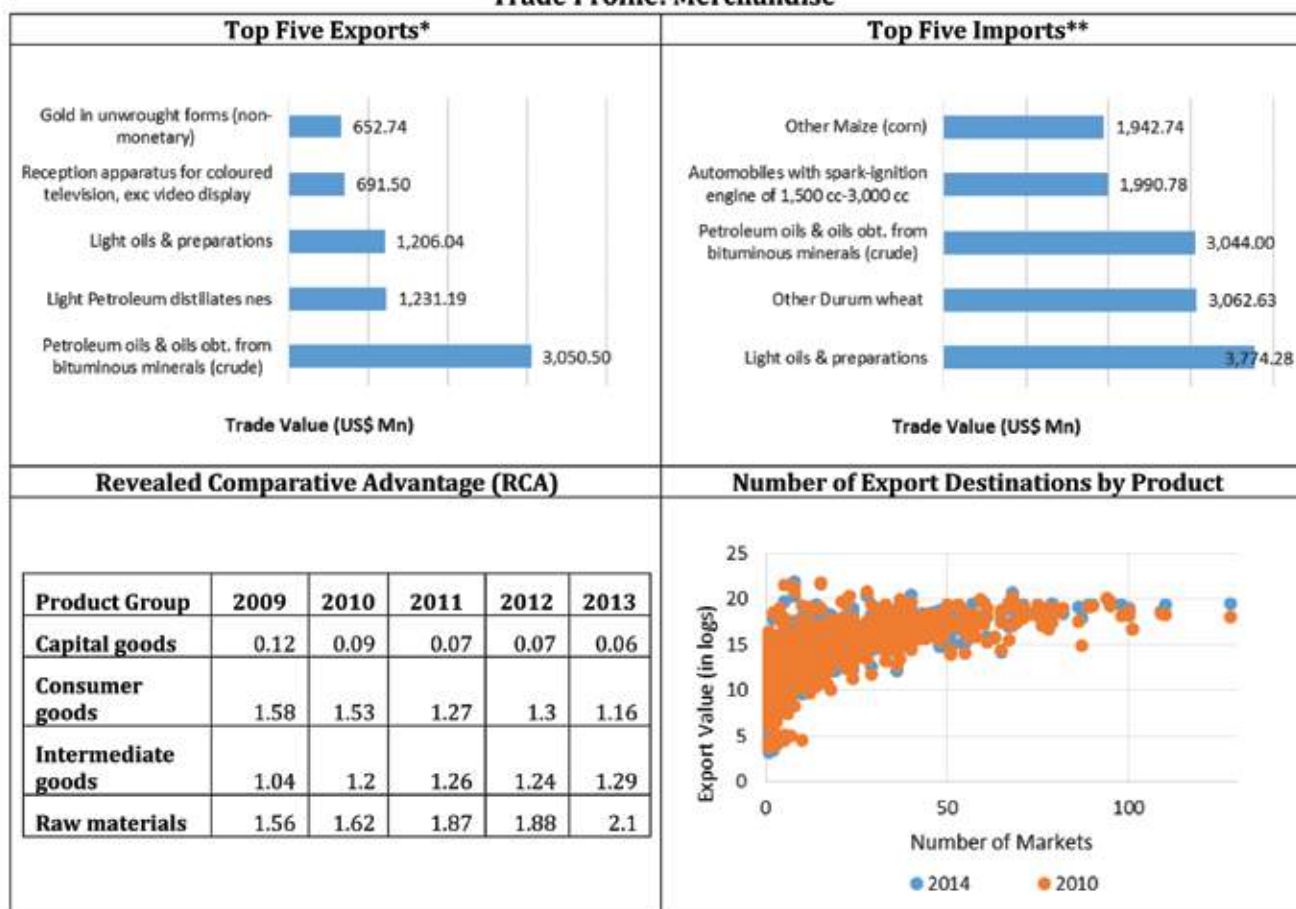


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## COUNTRY PROFILE: EGYPT

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	4.04
Exports of goods and services (% of GDP)	2014	18.00
Growth rate of exports (annual %)	2014	-12.00
Imports of goods and services (% of GDP)	2014	24.00
Growth rate of imports (annual %)	2014	1.00
Services Export (BoP, % GDP)	2012	0.08
Services Import (BoP, % GDP)	2012	0.06
Trade Openness/Trade to GDP ratio (%)	2014	39.00
Services Trade (% GDP)	2012	0.08
High-tech exports(US\$ Millions)	2013	70
High-tech exports (% of manufactured exports)	2013	0.50

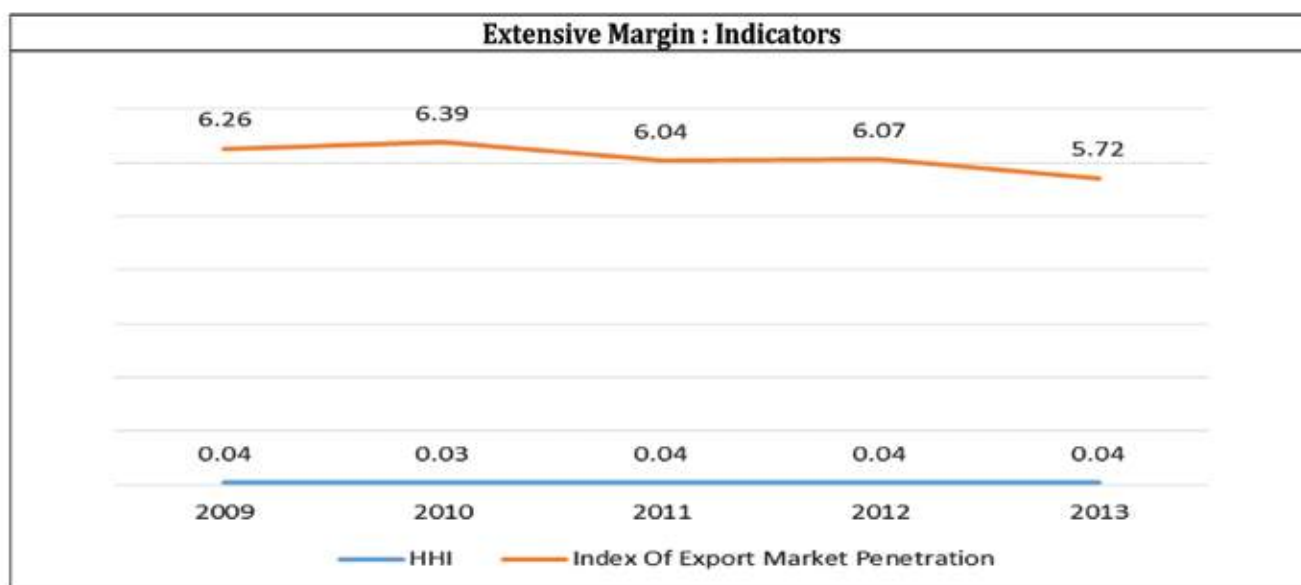
### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

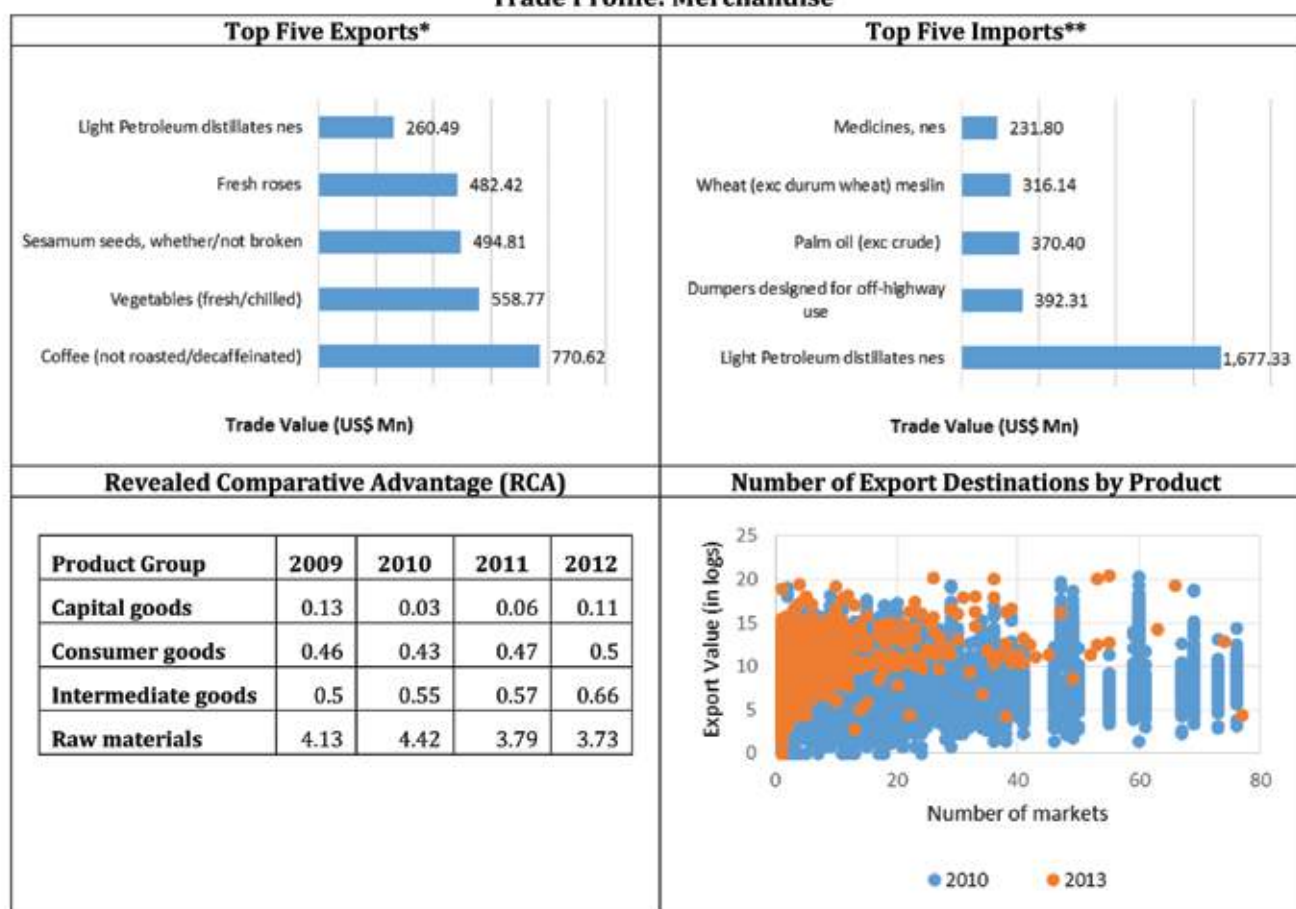




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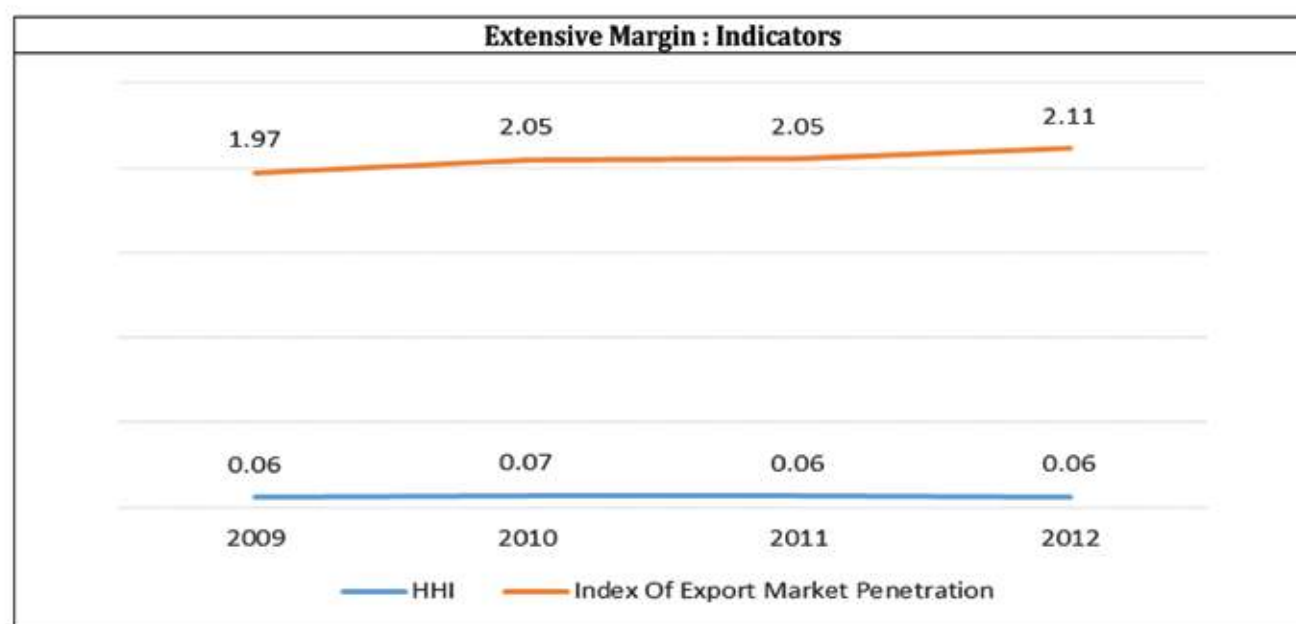
COUNTRY PROFILE: ETHIOPIA		
Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	8.56
Exports of goods and services (% of GDP)	2014	12.00
Growth rate of exports (annual %)	2014	3.00
Imports of goods and services (% of GDP)	2014	29.00
Growth rate of imports (annual %)	2014	14.00
Services Export (BoP, % GDP)	2012	0.06
Services Import (BoP, % GDP)	2012	0.08
Trade Openness/Trade to GDP ratio (%)	2014	41.00
Services Trade (% GDP)	2012	0.06
High-tech exports(US\$ Millions)	2013	8
High-tech exports (% of manufactured exports)	2013	2.40

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2013)

\*\* Data used are of the last reporting year (2013)

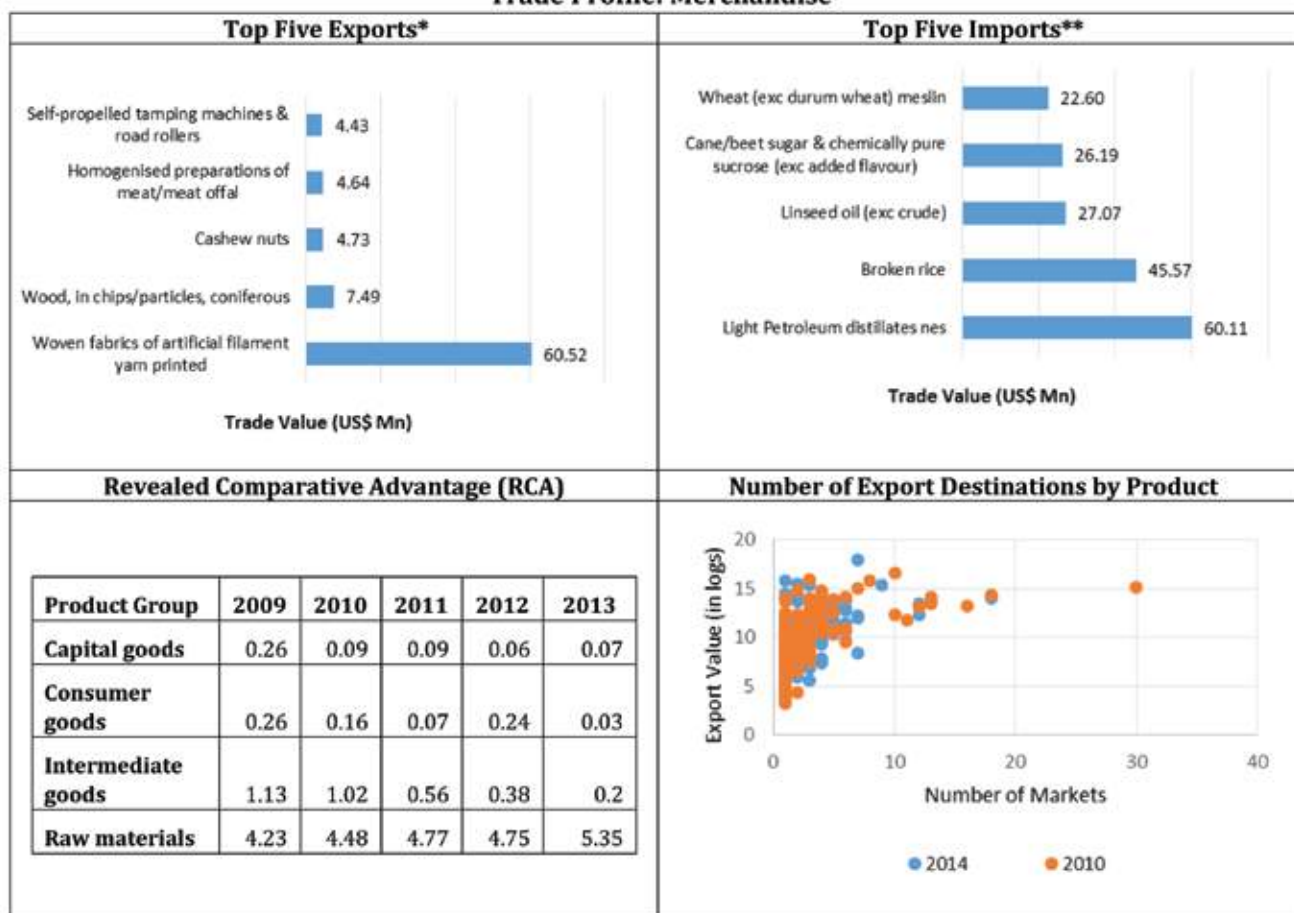


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### COUNTRY PROFILE: GAMBIA

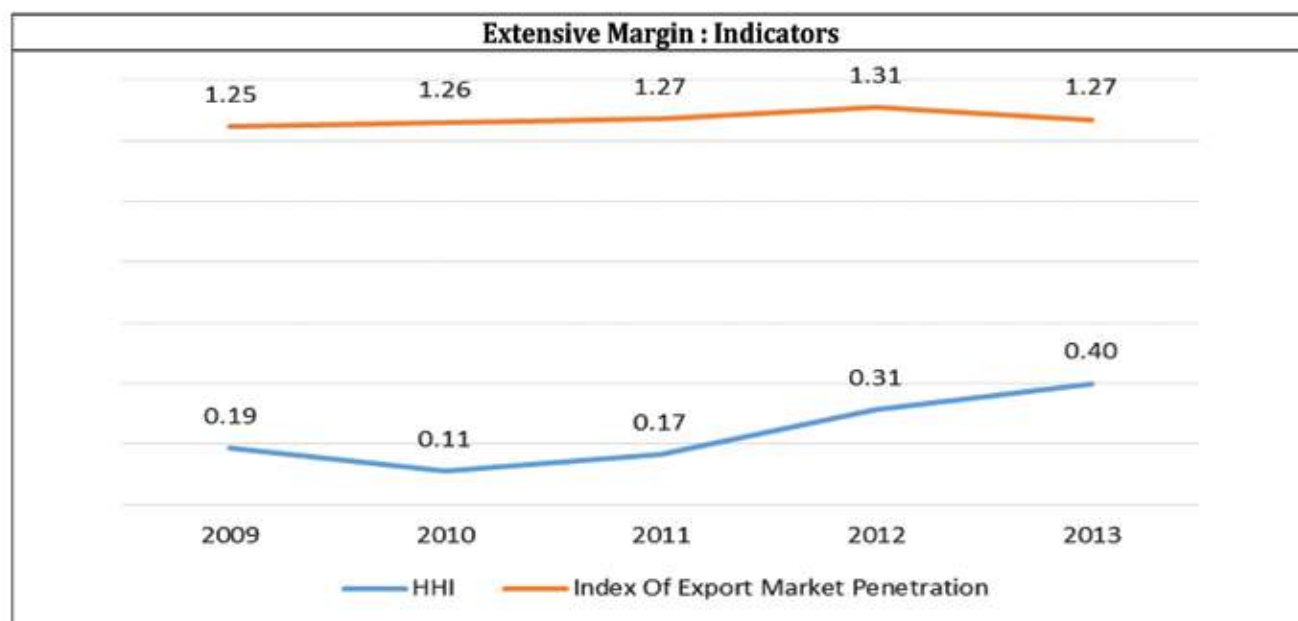
Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	5.12
Exports of goods and services (% of GDP)	2013	37.00
Growth rate of exports (annual %)	2013	3.00
Imports of goods and services (% of GDP)	2013	51.00
Growth rate of imports (annual %)	2013	1.00
Services Export (BoP, % GDP)	2012	0.17
Services Import (BoP, % GDP)	2012	0.09
Trade Openness/Trade to GDP ratio (%)	2013	88.00
Services Trade (% GDP)	2012	0.17
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	7.30

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

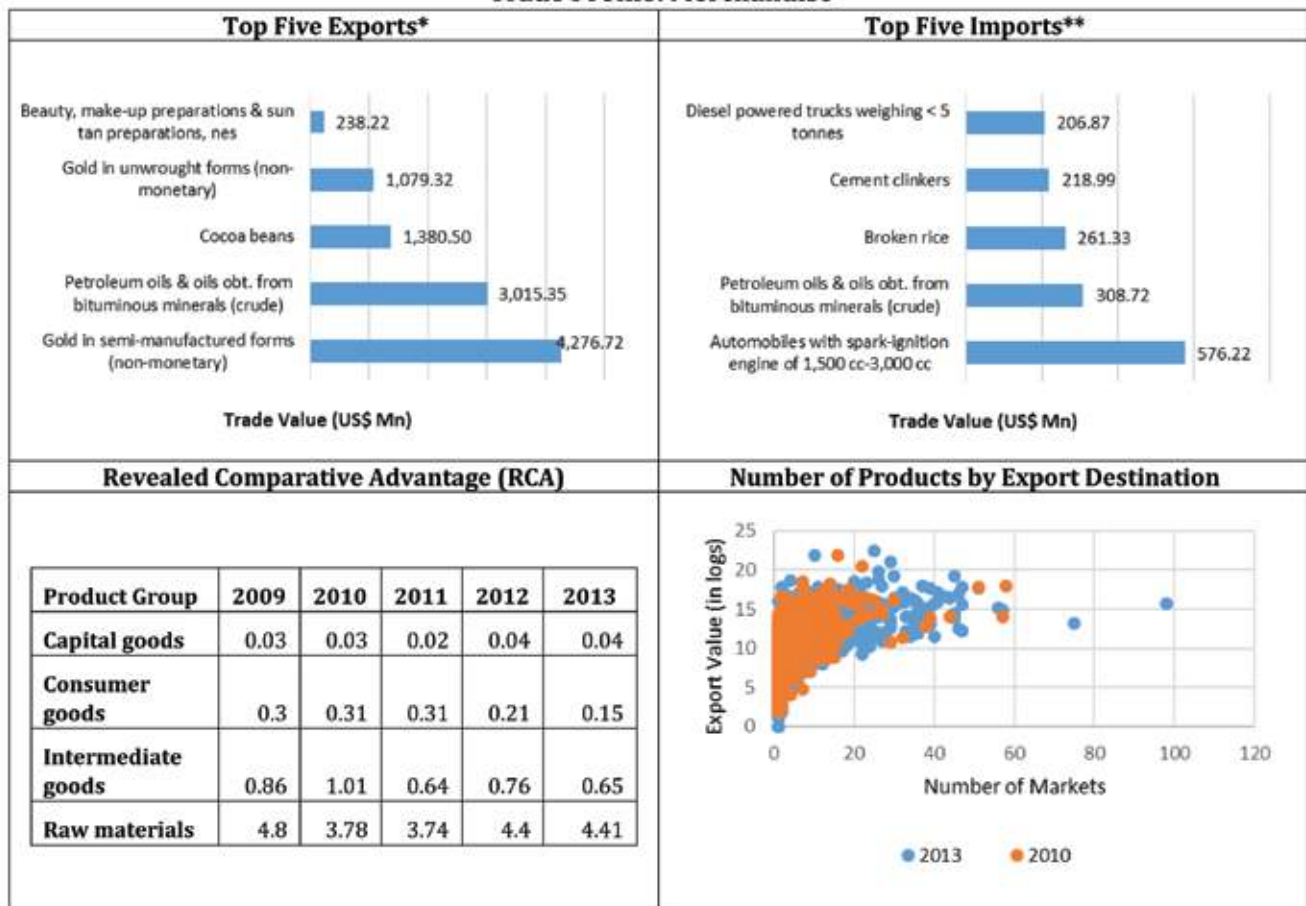
\*\* Data used are of the last reporting year (2014)



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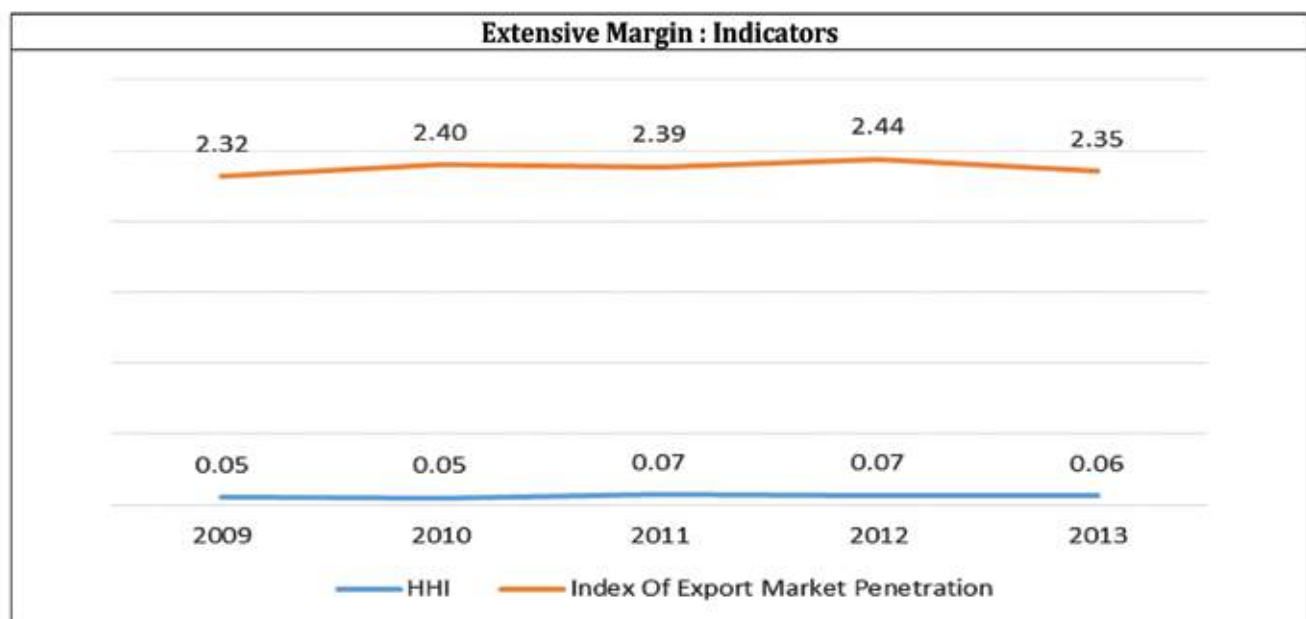
COUNTRY PROFILE: GHANA		
Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	3.49
Exports of goods and services (% of GDP)	2013	33.00
Growth rate of exports (annual %)	2013	-7.00
Imports of goods and services (% of GDP)	2013	46.00
Growth rate of imports (annual %)	2013	-19.00
Services Export (BoP, % GDP)	2013	0.05
Services Import (BoP, % GDP)	2013	0.10
Trade Openness/Trade to GDP ratio (%)	2014	87.00
Services Trade (% GDP)	2013	15.13
High-tech exports(US\$ Millions)	2013	60
High-tech exports (% of manufactured exports)	2013	4.90

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2013)

\*\* Data used are of the last reporting year (2013)

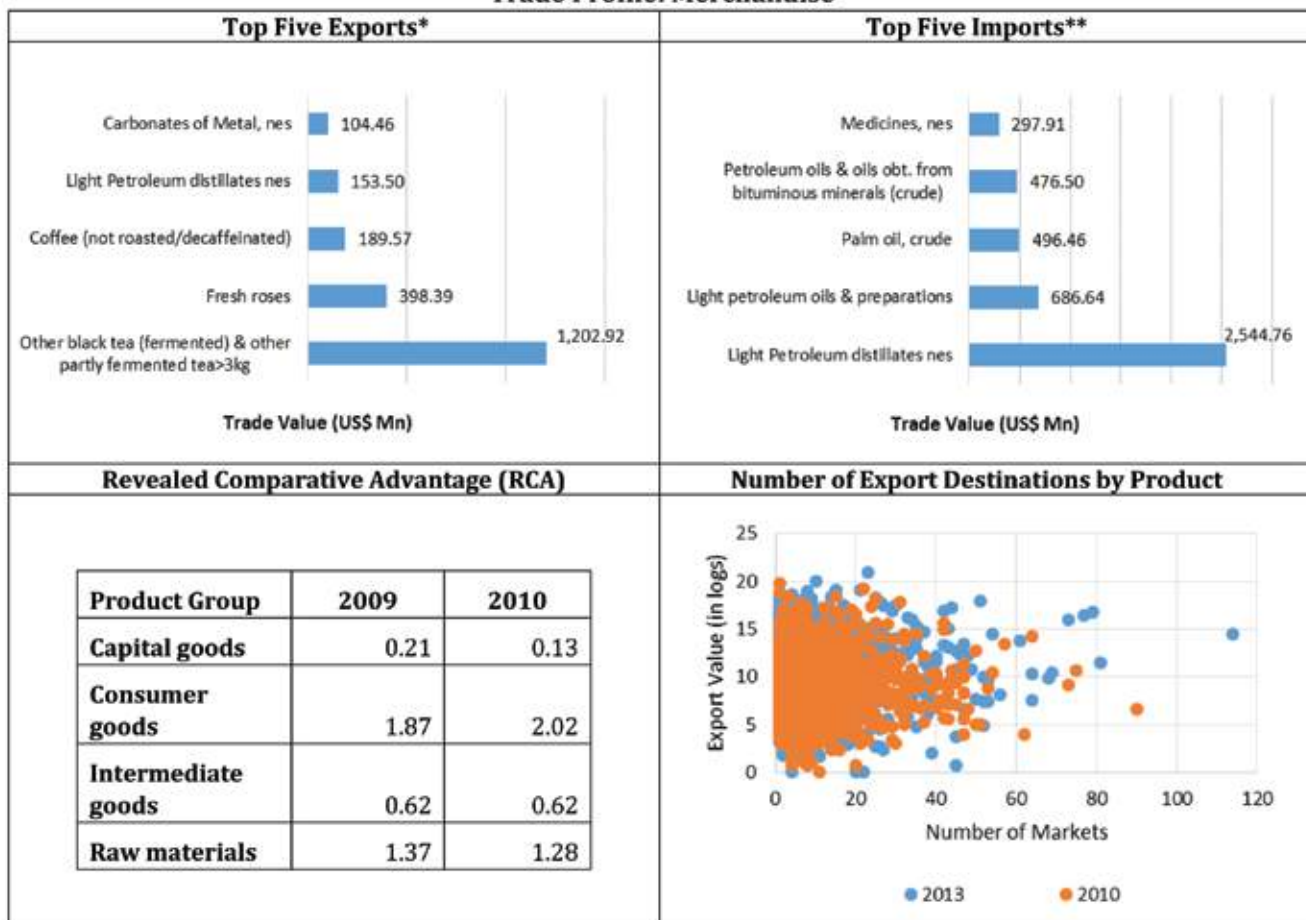


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## COUNTRY PROFILE: KENYA

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	6.86
Exports of goods and services (% of GDP)	2014	18.00
Growth rate of exports (annual %)	2014	2.00
Imports of goods and services (% of GDP)	2014	34.00
Growth rate of imports (annual %)	2014	10.00
Services Export (BoP, % GDP)	2012	0.10
Services Import (BoP, % GDP)	2012	0.05
Trade Openness/Trade to GDP ratio (%)	2014	50.00
Services Trade (% GDP)	2012	0.10
High-tech exports(US\$ Millions)	2013	100
High-tech exports (% of manufactured exports)	2013	5.70

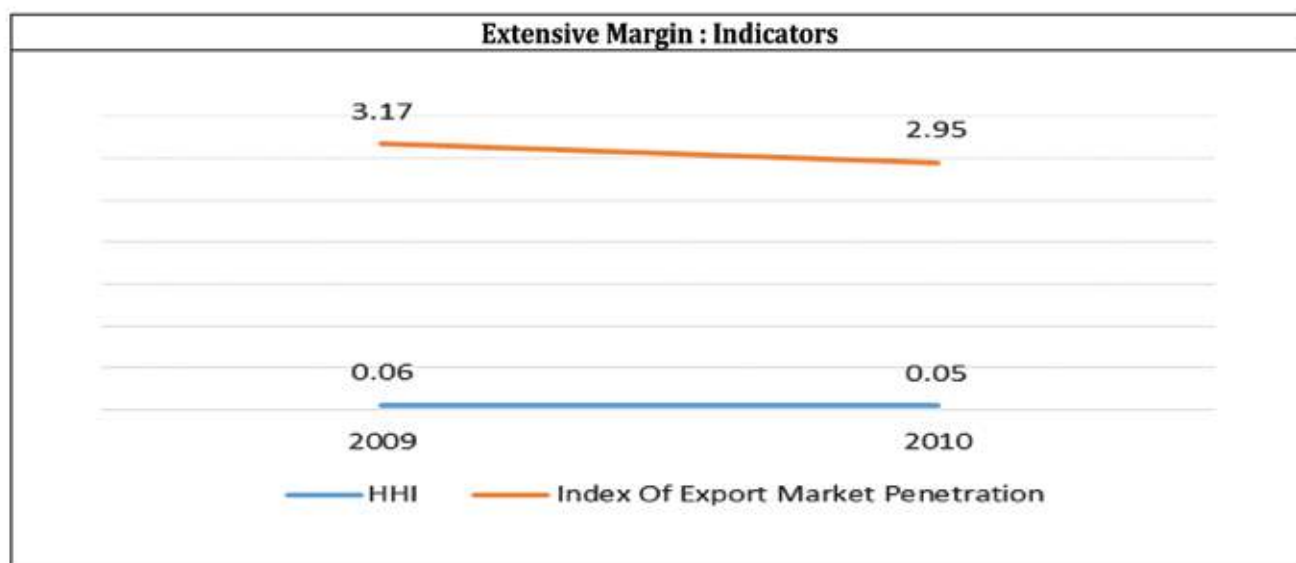
### Trade Profile: Merchandise



\*Data used are of the last reporting year (2013)

\*\* Data used are of the last reporting year (2013)

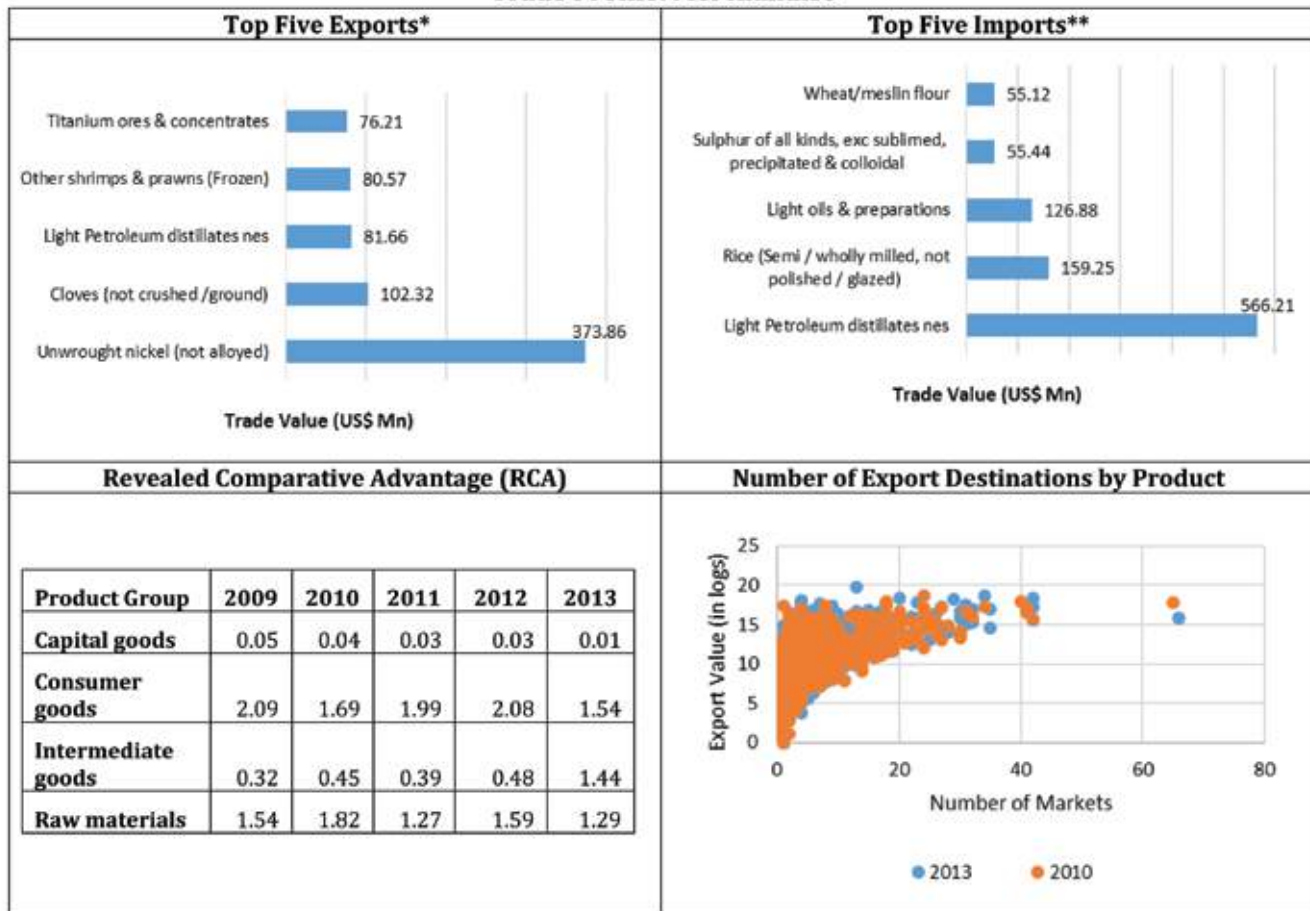




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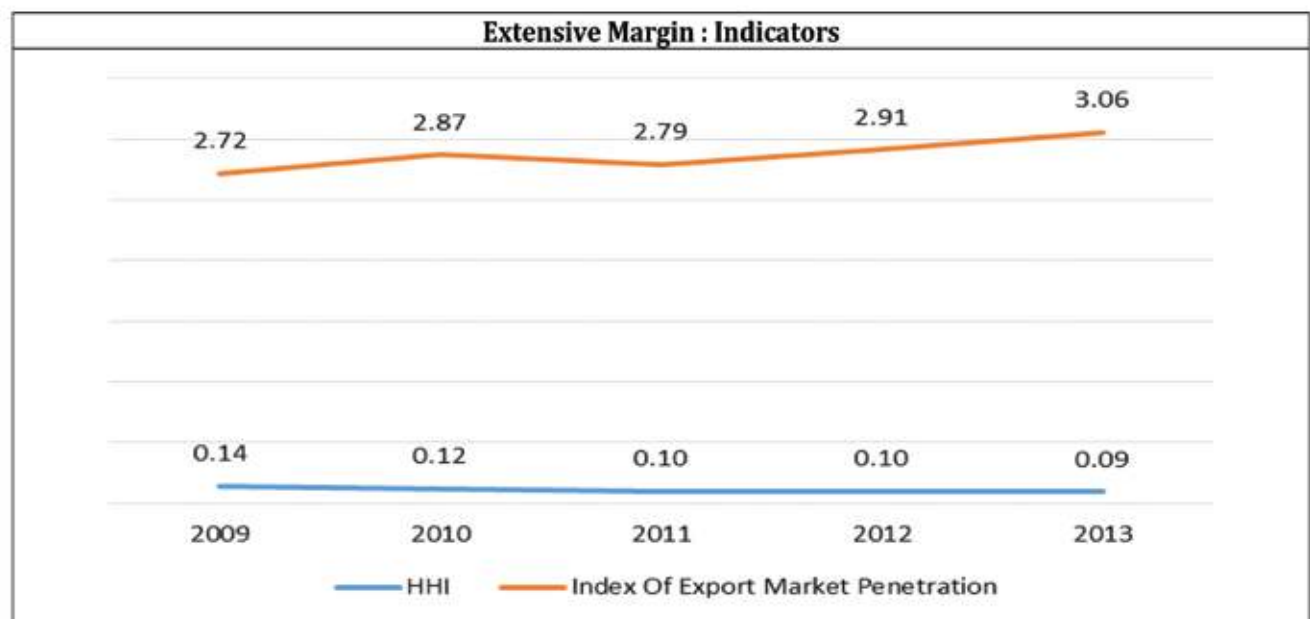
COUNTRY PROFILE: MADAGASCAR		
Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	4.97
Exports of goods and services (% of GDP)	2013	30.00
Growth rate of exports (annual %)	2013	32.00
Imports of goods and services (% of GDP)	2013	43.00
Growth rate of imports (annual %)	2013	10.00
Services Export (BoP, % GDP)	2013	0.12
Services Import (BoP, % GDP)	2013	0.13
Trade Openness/Trade to GDP ratio (%)	2013	73.00
Services Trade (% GDP)	2013	24.48
High-tech exports(US\$ Millions)	2013	3
High-tech exports (% of manufactured exports)	2013	0.60

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2013)

\*\* Data used are of the last reporting year (2013)

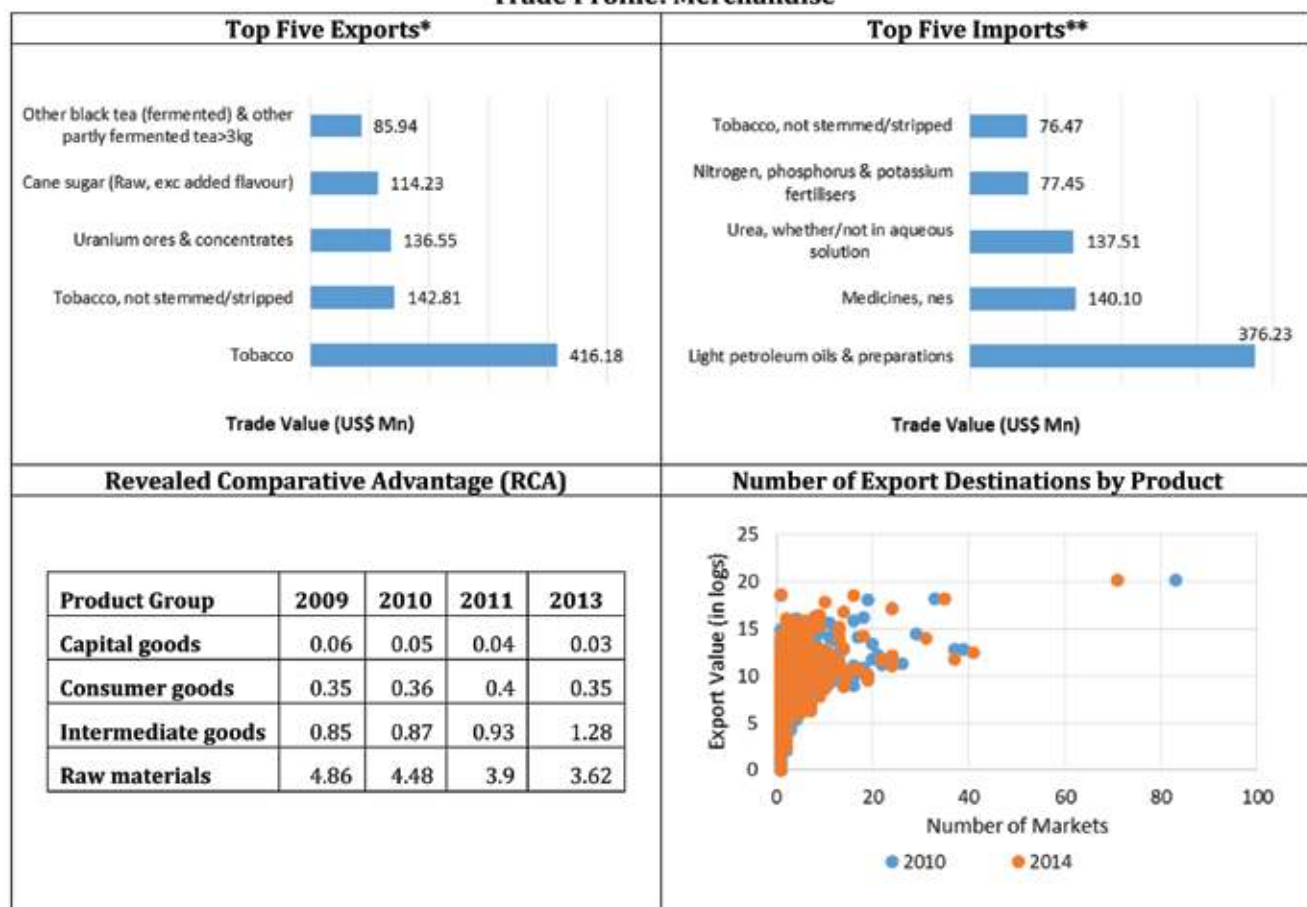


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## COUNTRY PROFILE: MALAWI

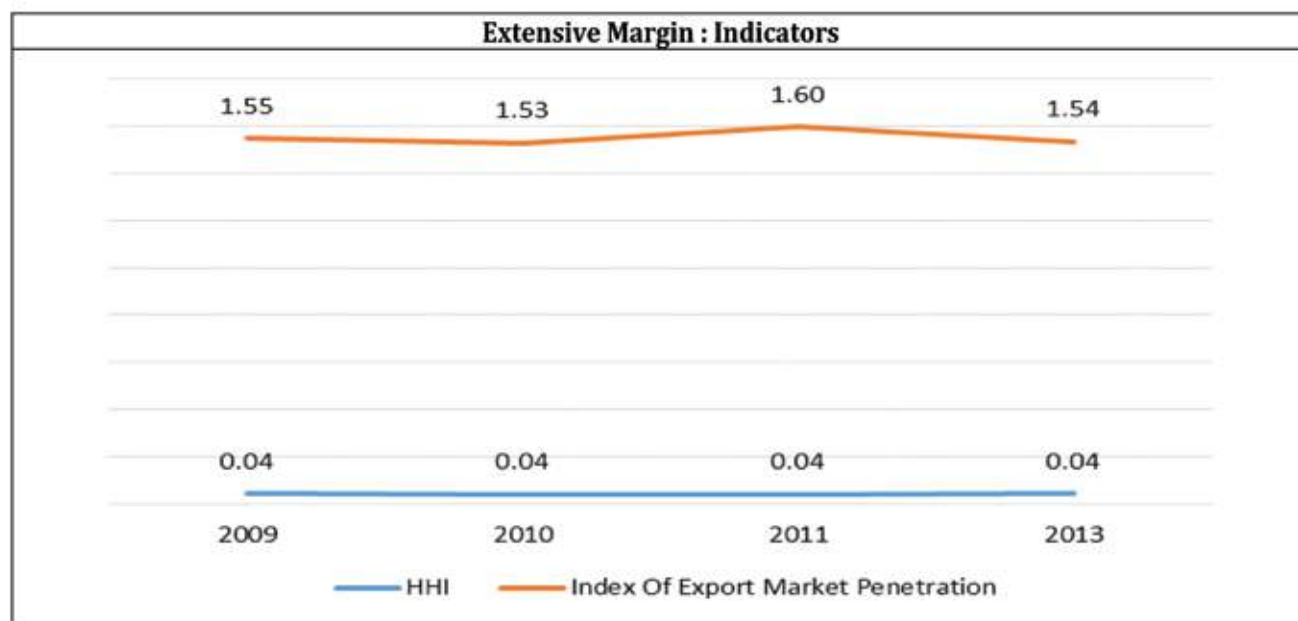
Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	5.49
Exports of goods and services (% of GDP)	2014	48.00
Growth rate of exports (annual %)	2014	7.00
Imports of goods and services (% of GDP)	2014	56.00
Growth rate of imports (annual %)	2014	3.00
Services Export (BoP, % GDP)	2012	0.03
Services Import (BoP, % GDP)	2012	0.05
Trade Openness/Trade to GDP ratio (%)	2014	102.00
Services Trade (% GDP)	2012	0.03
High-tech exports(US\$ Millions)	2013	5
High-tech exports (% of manufactured exports)	2013	6.00

### Trade Profile: Merchandise



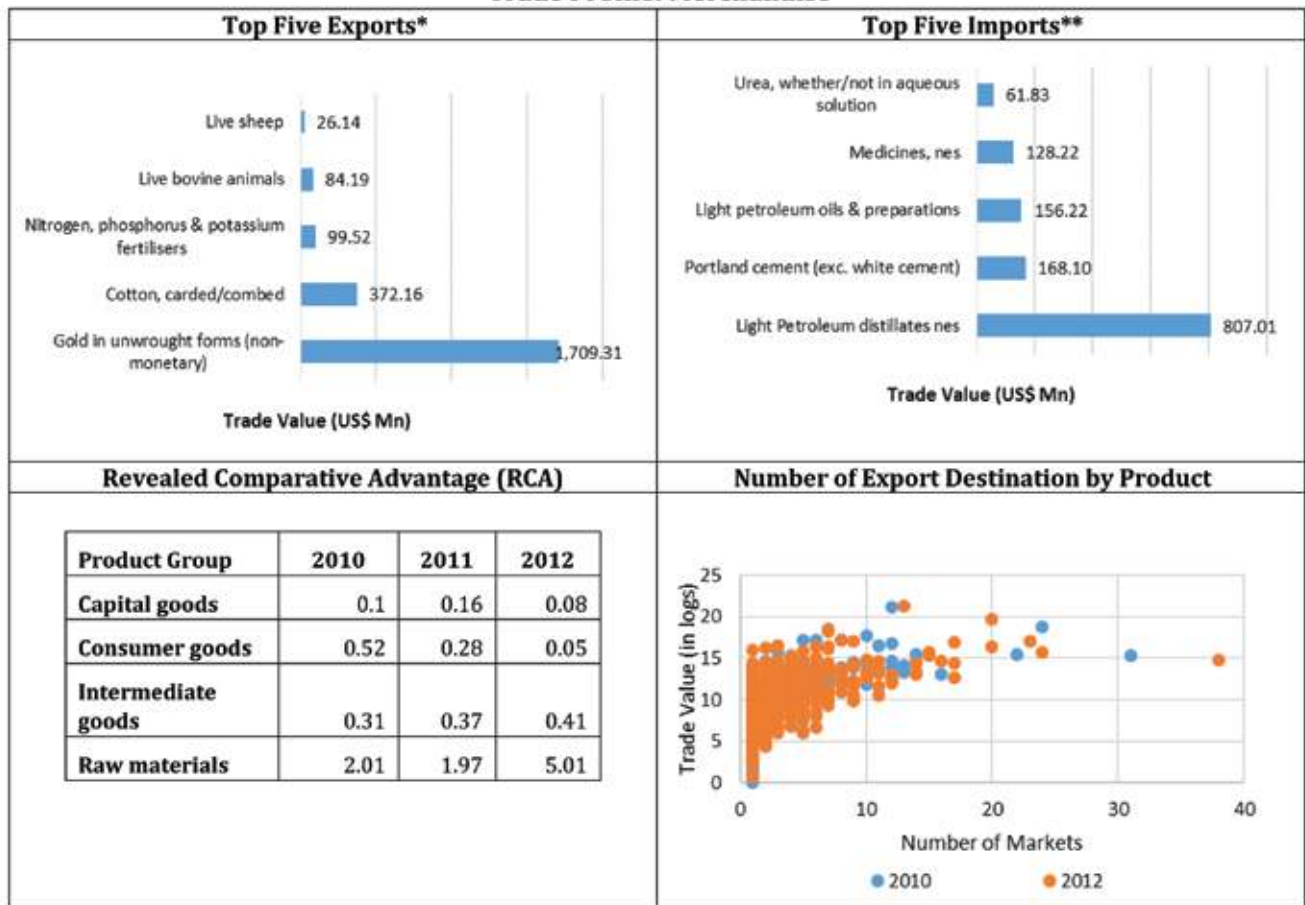
\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)



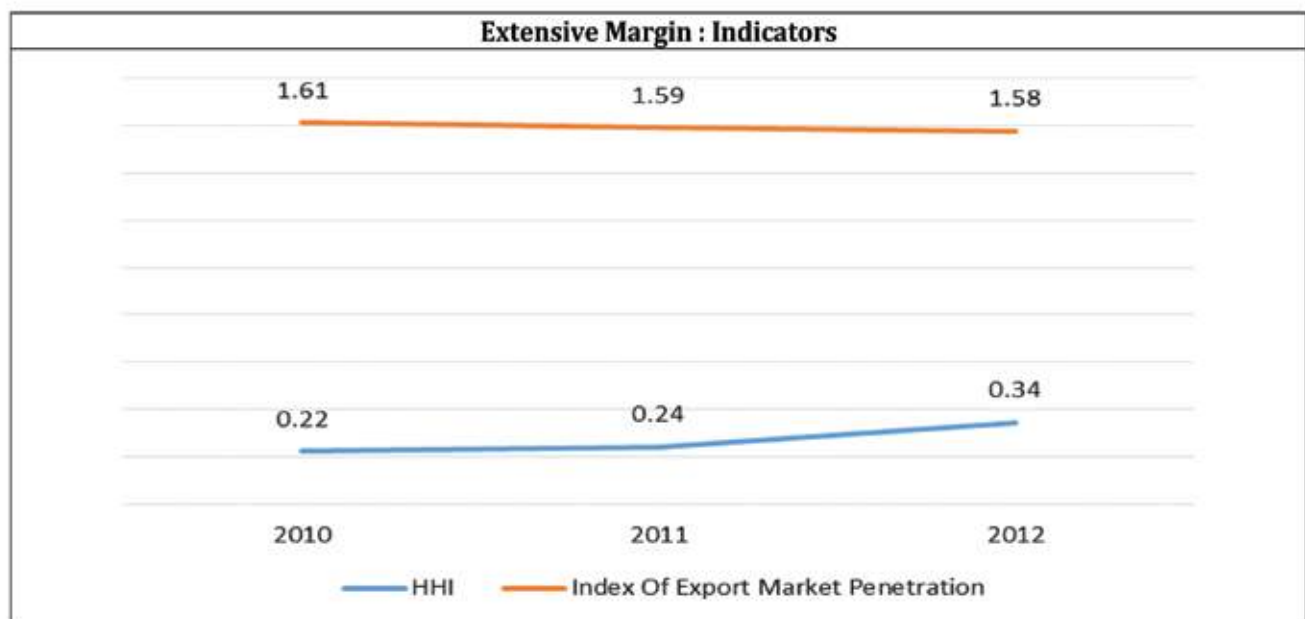
COUNTRY PROFILE: MALI		
Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	5.61
Exports of goods and services (% of GDP)	2014	---
Growth rate of exports (annual %)	2014	---
Imports of goods and services (% of GDP)	2014	---
Growth rate of imports (annual %)	2014	---
Services Export (BoP, % GDP)	2013	0.04
Services Import (BoP, % GDP)	2013	0.19
Trade Openness/Trade to GDP ratio (%)	2014	---
Services Trade (% GDP)	2013	23.27
High-tech exports(US\$ Millions)	2013	2
High-tech exports (% of manufactured exports)	2013	1.20

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2012)

\*\* Data used are of the last reporting year (2012)

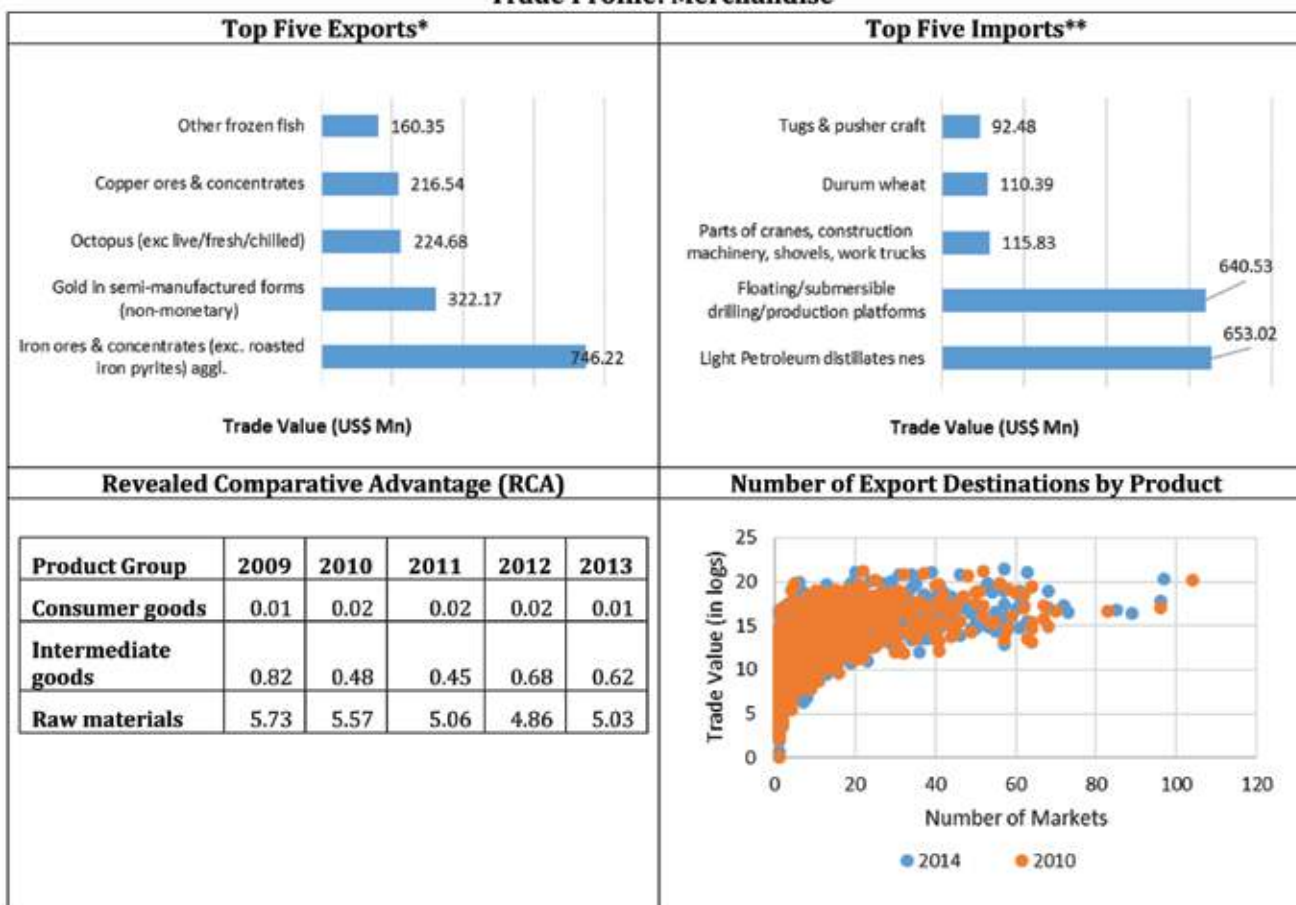


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## COUNTRY PROFILE: MAURITANIA

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	5.47
Exports of goods and services (% of GDP)	2014	56.00
Growth rate of exports (annual %)	2014	-9.00
Imports of goods and services (% of GDP)	2014	70.00
Growth rate of imports (annual %)	2014	-9.00
Services Export (BoP, % GDP)	2013	0.04
Services Import (BoP, % GDP)	2013	0.20
Trade Openness/Trade to GDP ratio (%)	2014	118.00
Services Trade (% GDP)	2013	23.44
High-tech exports(US\$ Millions)	2013	..
High-tech exports (% of manufactured exports)	2013	..

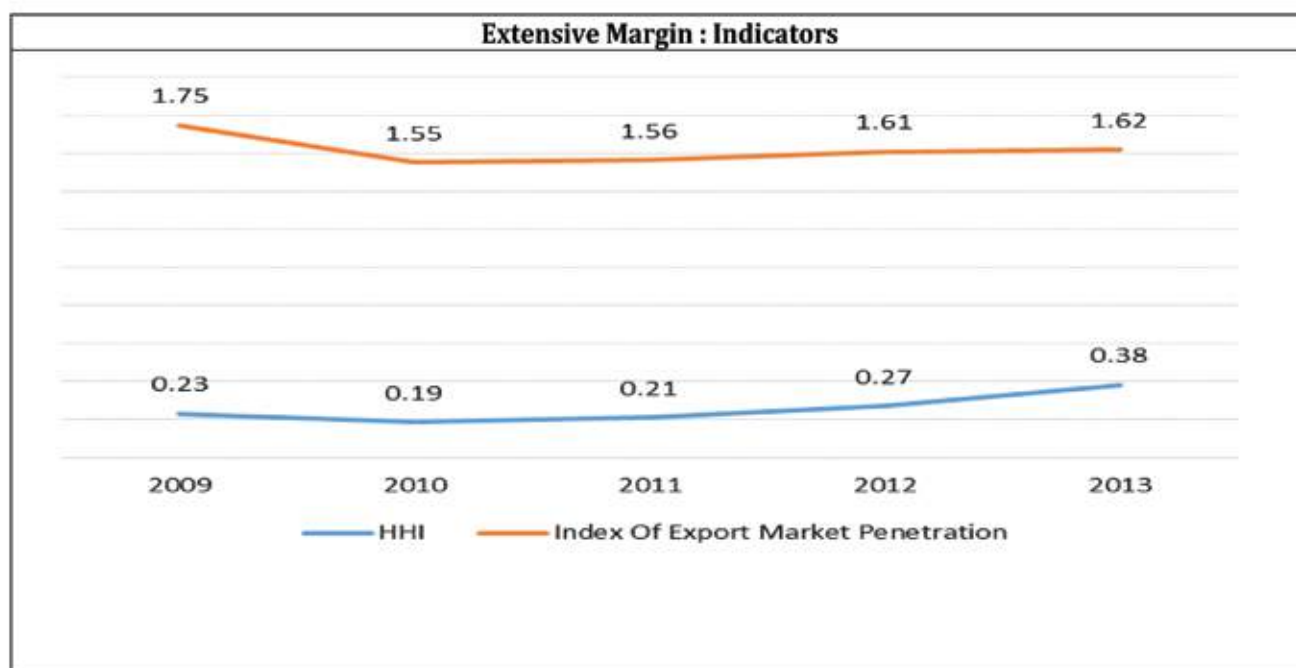
### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

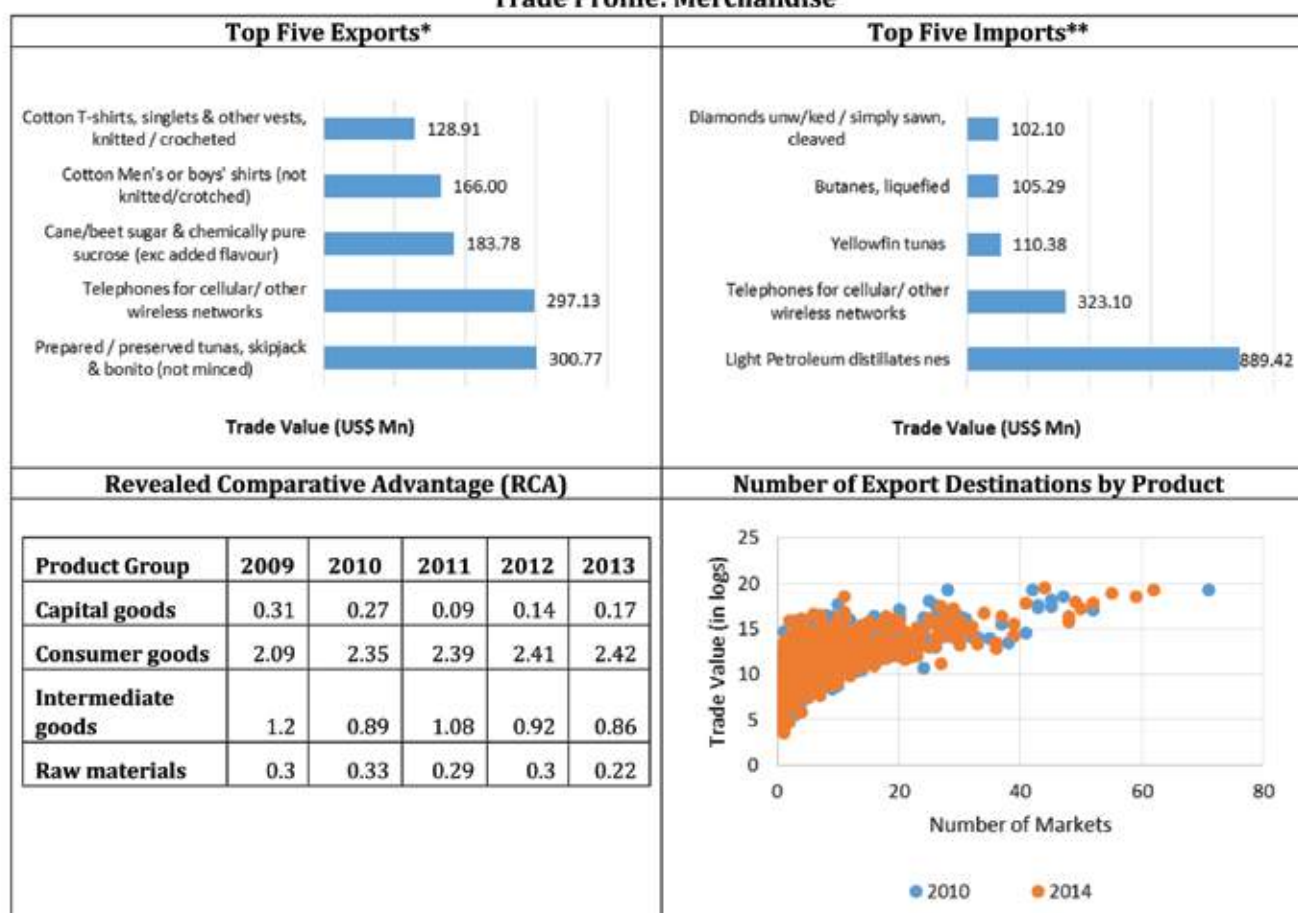




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<b>COUNTRY PROFILE: MAURITIUS</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	3.52
Exports of goods and services (% of GDP)	2014	54.00
Growth rate of exports (annual %)	2014	3.00
Imports of goods and services (% of GDP)	2014	63.00
Growth rate of imports (annual %)	2014	2.00
Services Export (BoP, % GDP)	2013	0.29
Services Import (BoP, % GDP)	2013	0.23
Trade Openness/Trade to GDP ratio (%)	2014	117.00
Services Trade (% GDP)	2013	51.30
High-tech exports(US\$ Millions)	2013	6
High-tech exports (% of manufactured exports)	2013	0.60

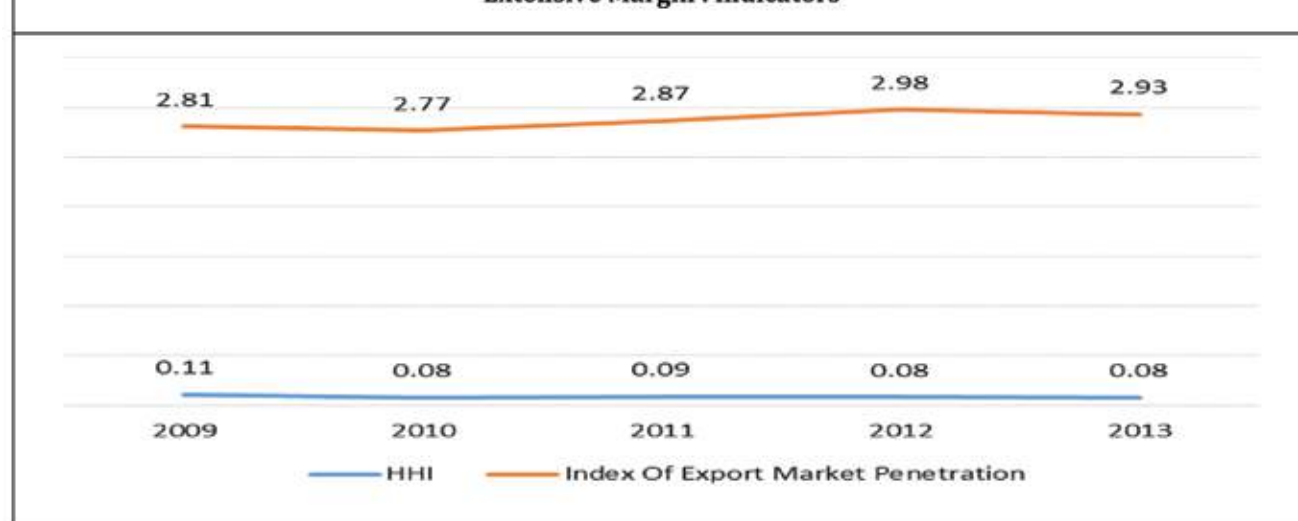
### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

### Extensive Margin : Indicators

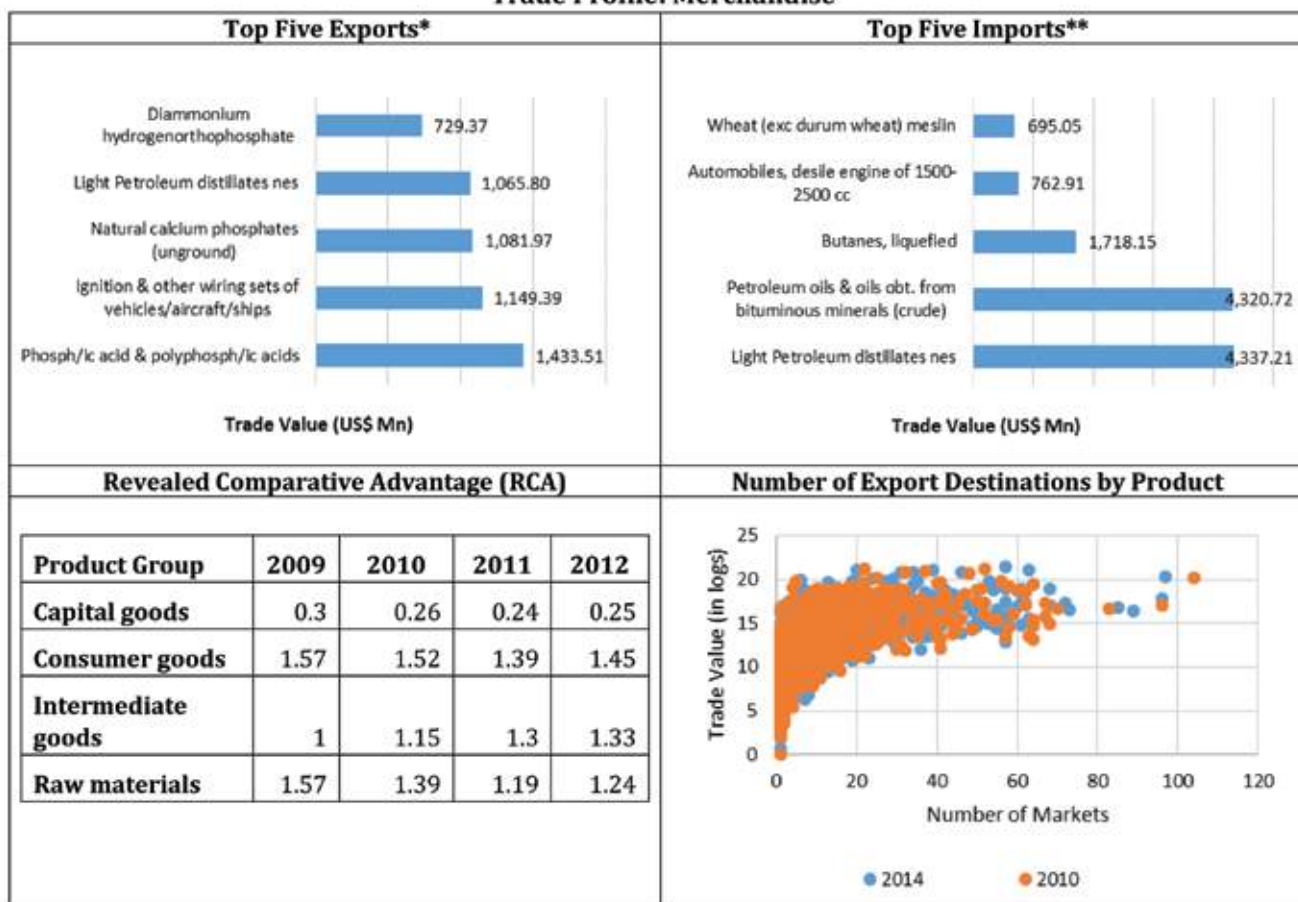


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## COUNTRY PROFILE: MOROCCO

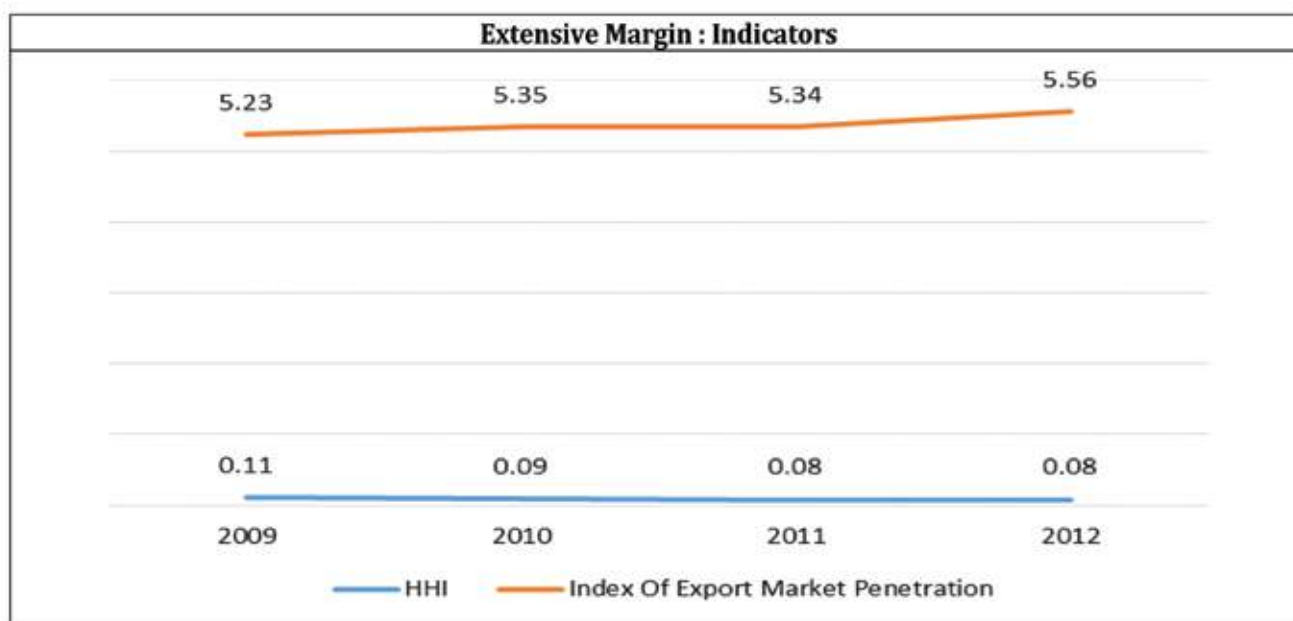
Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	4.37
Exports of goods and services (% of GDP)	2014	34.00
Growth rate of exports (annual %)	2014	8.00
Imports of goods and services (% of GDP)	2014	47.00
Growth rate of imports (annual %)	2014	5.00
Services Export (BoP, % GDP)	2013	0.14
Services Import (BoP, % GDP)	2013	0.07
Trade Openness/Trade to GDP ratio (%)	2014	81.00
Services Trade (% GDP)	2013	21.10
High-tech exports(US\$ Millions)	2013	950
High-tech exports (% of manufactured exports)	2013	6.60

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

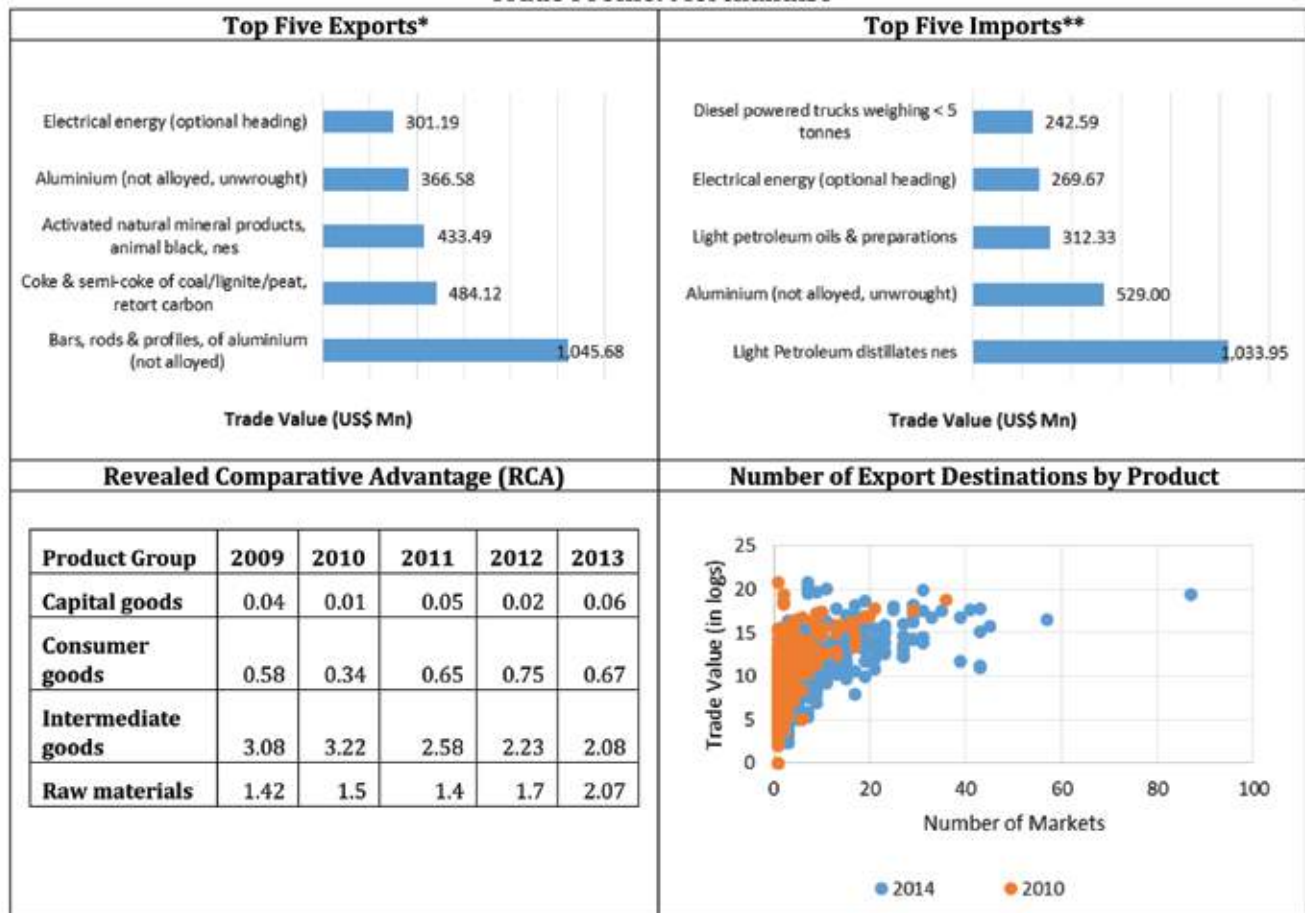
\*\* Data used are of the last reporting year (2014)



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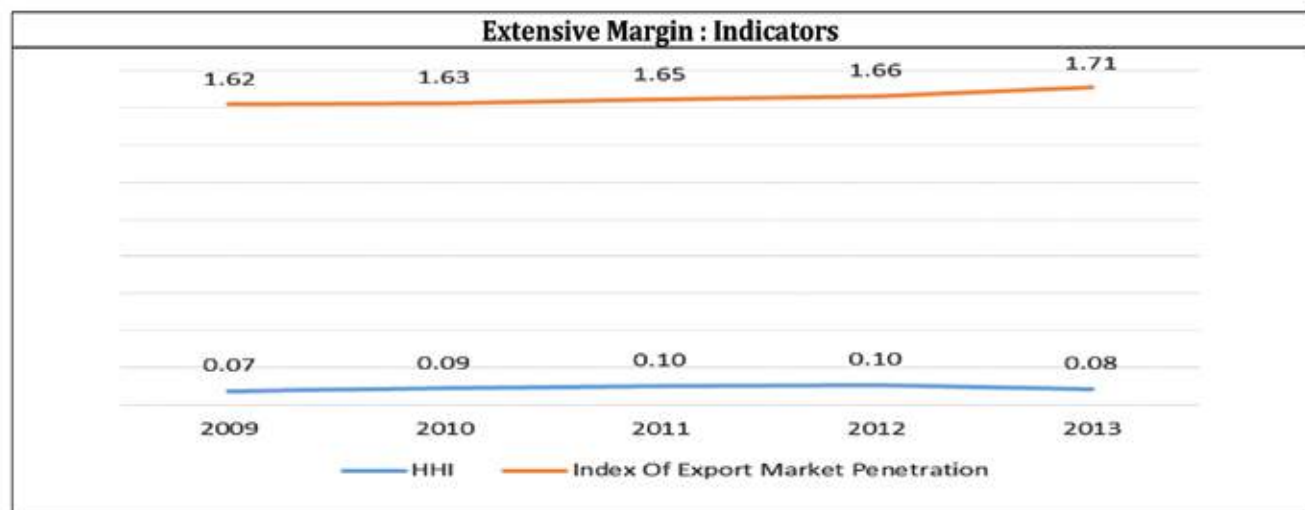
<b>COUNTRY PROFILE: MOZAMBIQUE</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	6.50
Exports of goods and services (% of GDP)	2014	28.00
Growth rate of exports (annual %)	2014	6.00
Imports of goods and services (% of GDP)	2014	39.00
Growth rate of imports (annual %)	2014	7.00
Services Export (BoP, % GDP)	2013	0.07
Services Import (BoP, % GDP)	2013	0.25
Trade Openness/Trade to GDP ratio (%)	2014	66.00
Services Trade (% GDP)	2013	32.65
High-tech exports(US\$ Millions)	2013	81
High-tech exports (% of manufactured exports)	2013	13.40

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

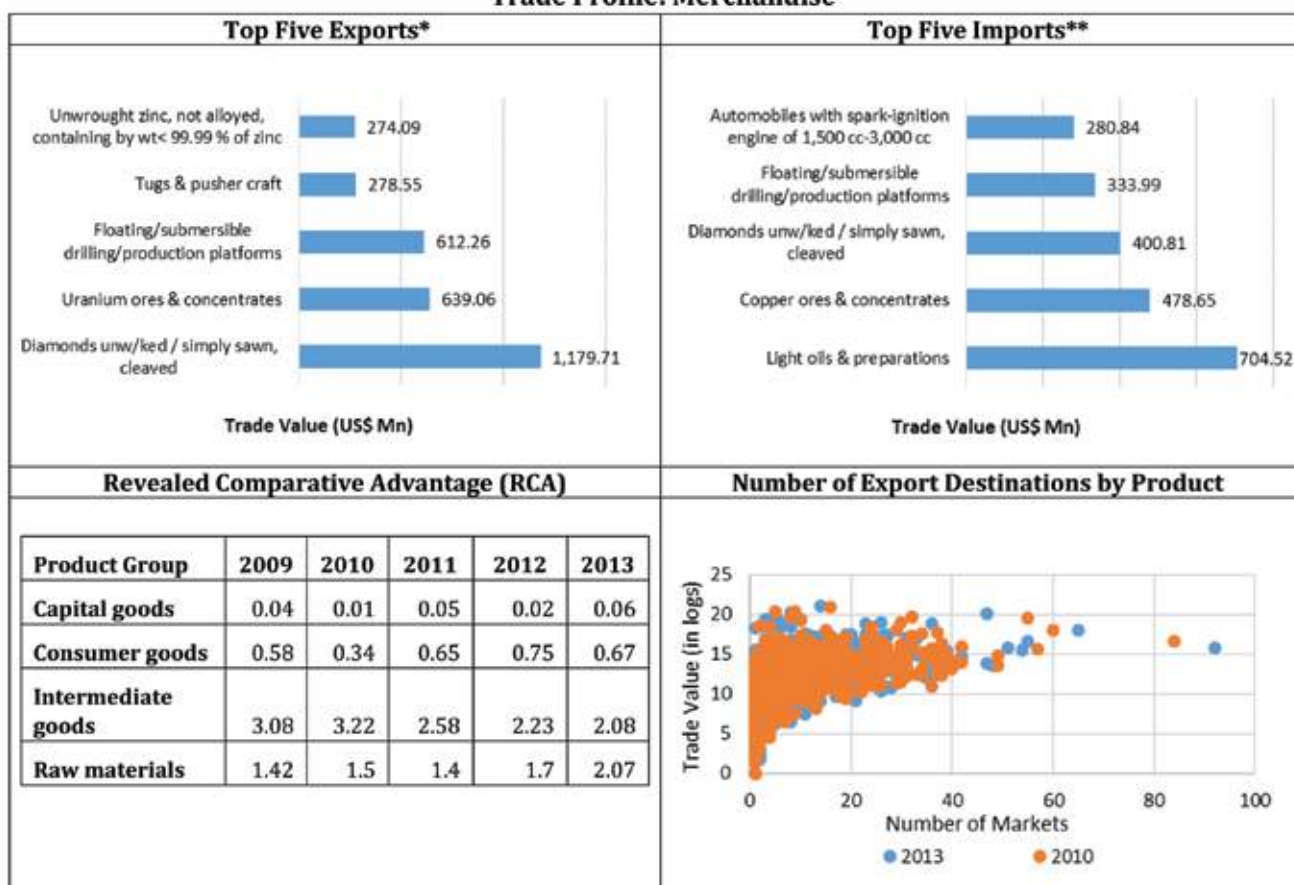


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## COUNTRY PROFILE: NAMIBIA

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	5.60
Exports of goods and services (% of GDP)	2014	44.00
Growth rate of exports (annual %)	2014	-6.00
Imports of goods and services (% of GDP)	2014	63.00
Growth rate of imports (annual %)	2014	16.00
Services Export (BoP, % GDP)	2013	0.07
Services Import (BoP, % GDP)	2013	0.07
Trade Openness/Trade to GDP ratio (%)	2014	103.00
Services Trade (% GDP)	2013	14.18
High-tech exports(US\$ Millions)	2013	44
High-tech exports (% of manufactured exports)	2013	1.70

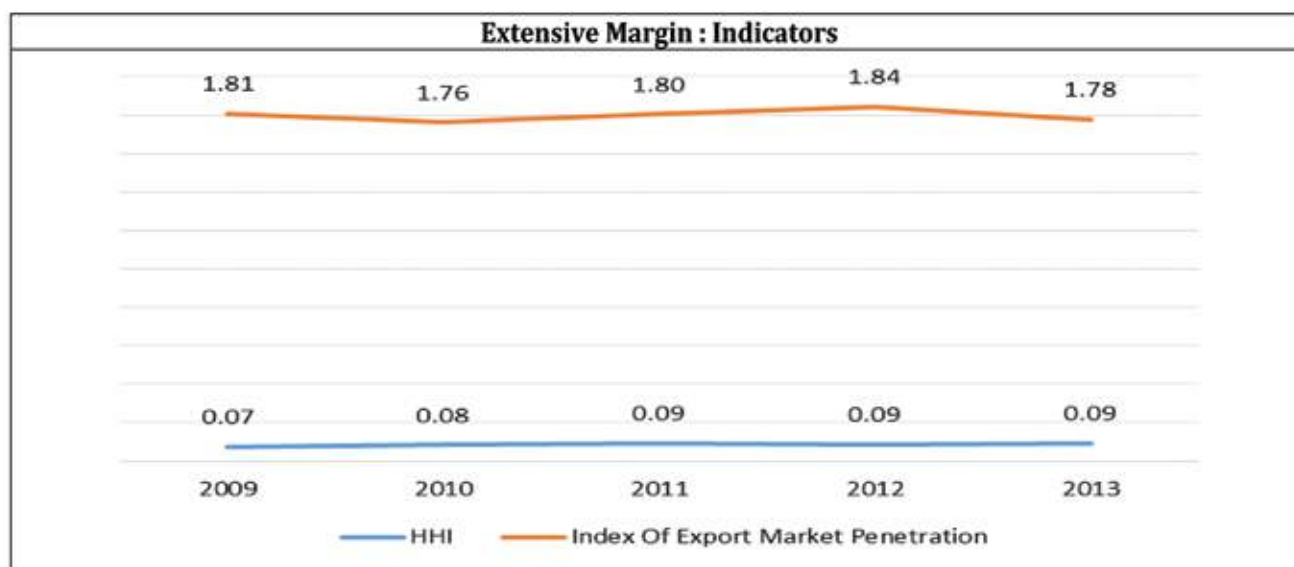
### Trade Profile: Merchandise



\*Data used are of the last reporting year (2013)

\*\* Data used are of the last reporting year (2013)

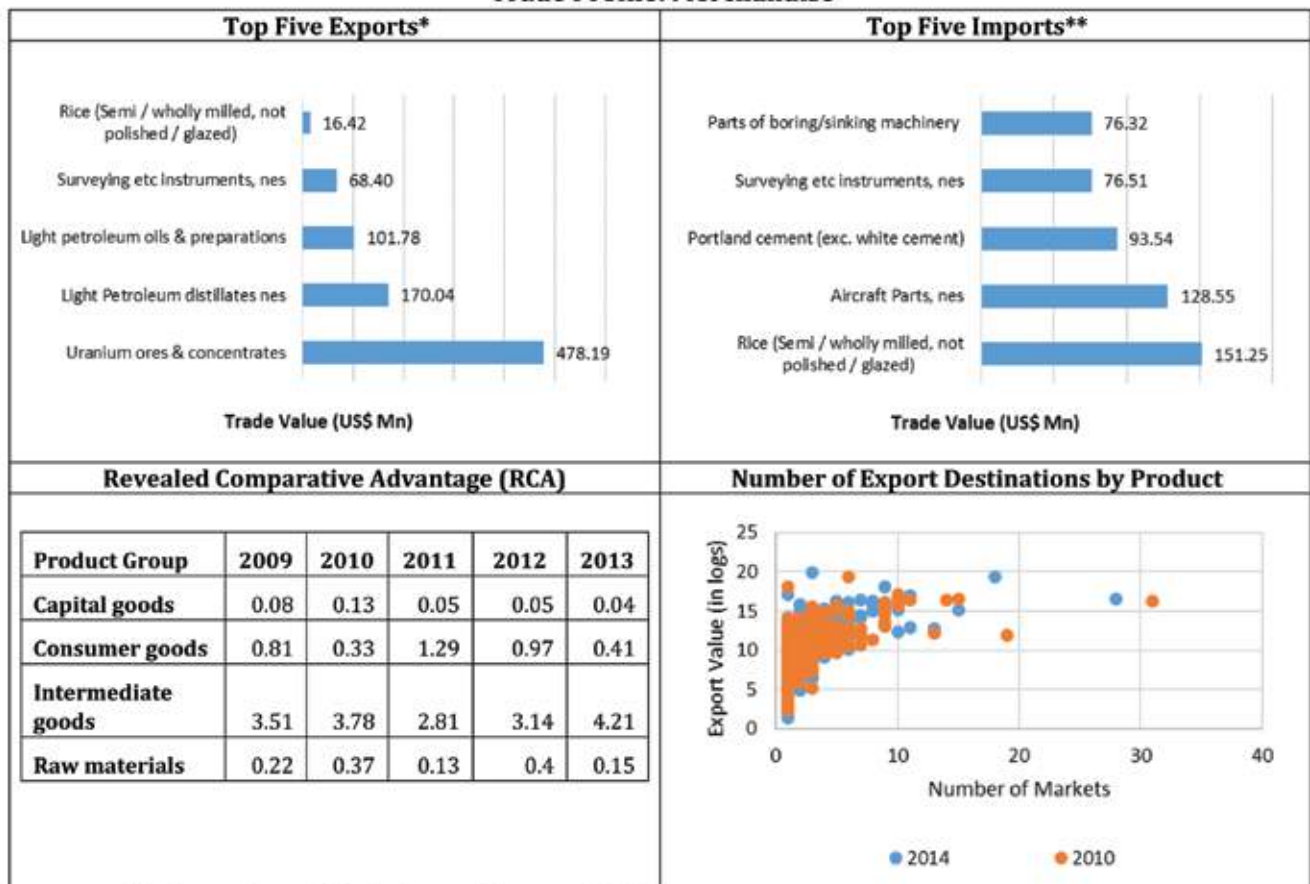




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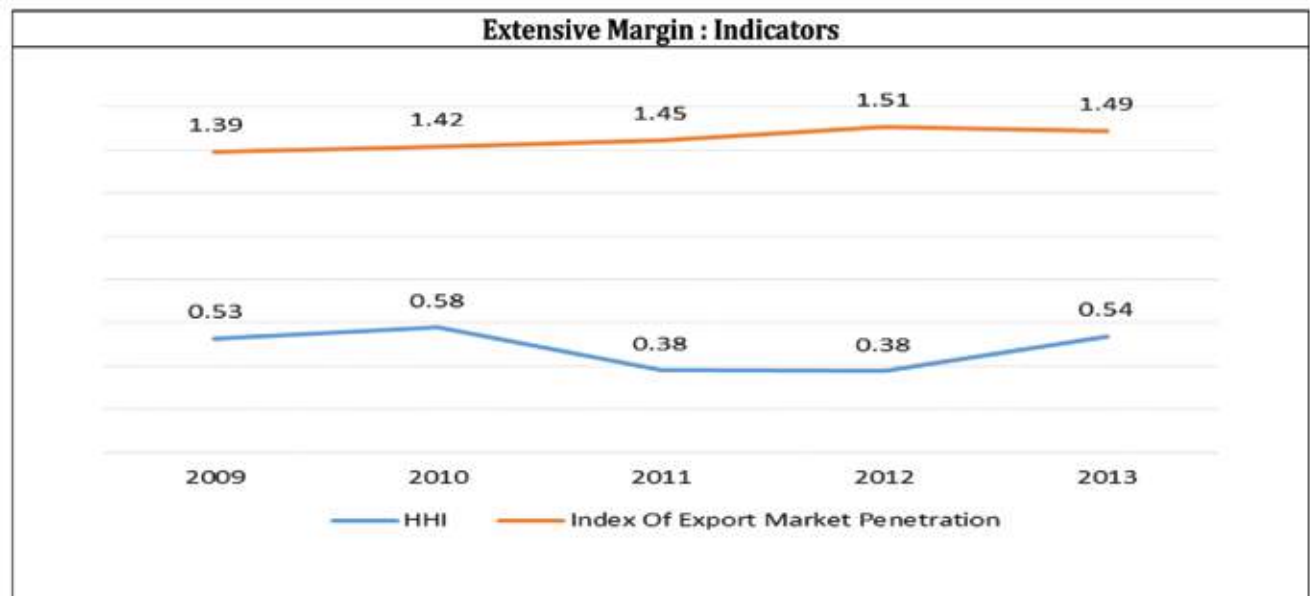
<b>COUNTRY PROFILE: NIGER</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	4.62
Exports of goods and services (% of GDP)	2014	23.00
Growth rate of exports (annual %)	2014	-17.00
Imports of goods and services (% of GDP)	2014	37.00
Growth rate of imports (annual %)	2014	-1.00
Services Export (BoP, % GDP)	2012	0.01
Services Import (BoP, % GDP)	2012	0.12
Trade Openness/Trade to GDP ratio (%)	2014	54.00
Services Trade (% GDP)	2012	0.01
High-tech exports(US\$ Millions)	2013	49
High-tech exports (% of manufactured exports)	2013	52.40

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

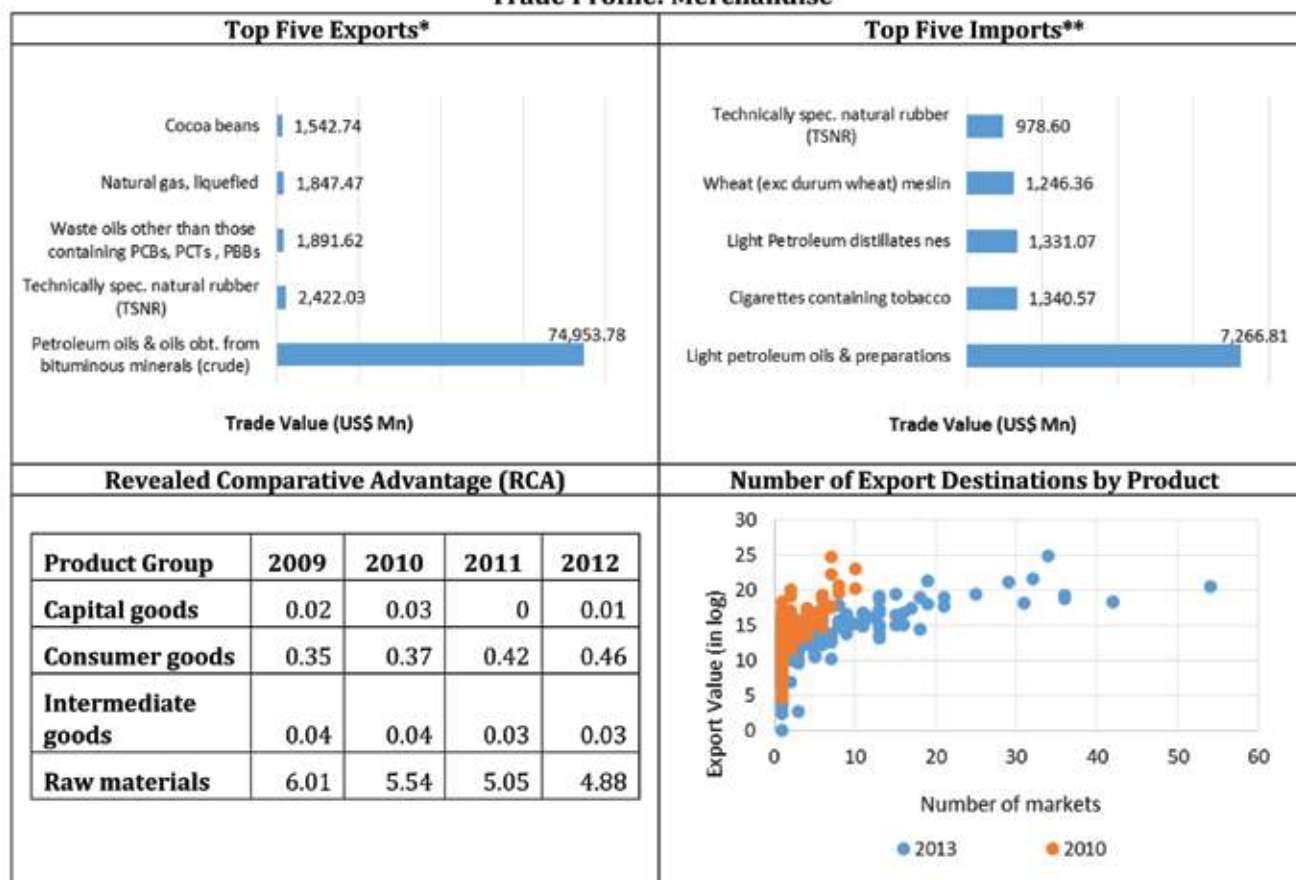


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## COUNTRY PROFILE: NIGERIA

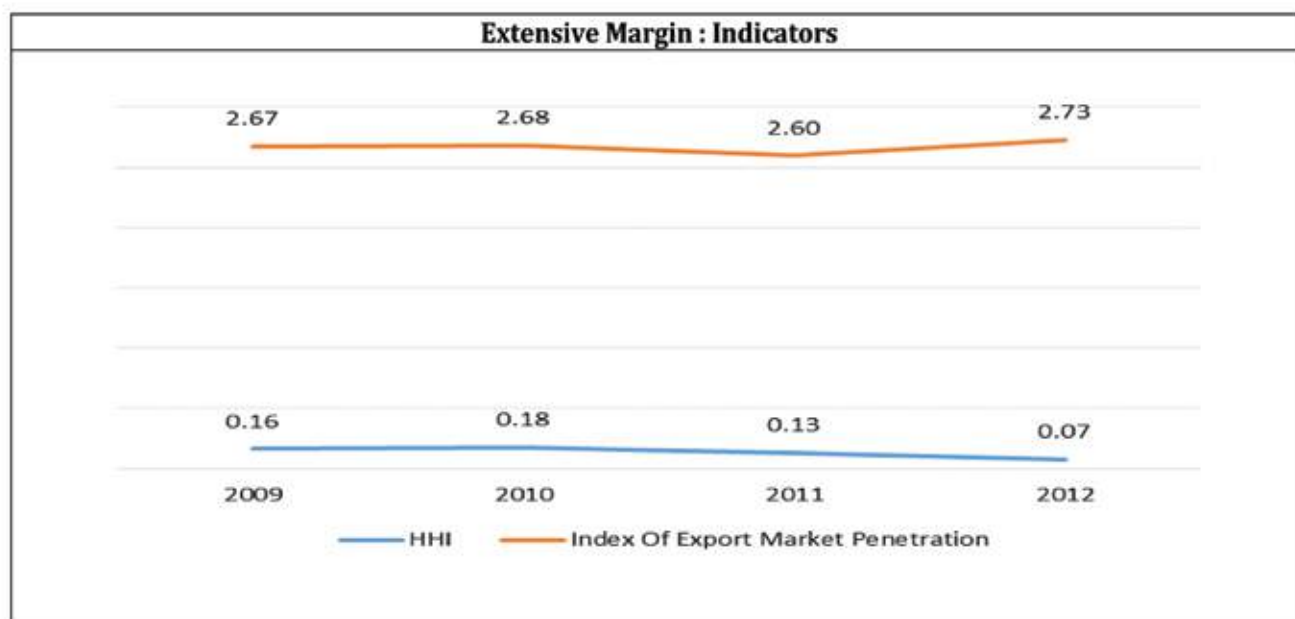
Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	4.75
Exports of goods and services (% of GDP)	2013	18.00
Growth rate of exports (annual %)	2013	-46.00
Imports of goods and services (% of GDP)	2013	13.00
Growth rate of imports (annual %)	2013	12.00
Services Export (BoP, % GDP)	2012	0.01
Services Import (BoP, % GDP)	2012	0.05
Trade Openness/Trade to GDP ratio (%)	2014	30.00
Services Trade (% GDP)	2012	0.01
High-tech exports(US\$ Millions)	2013	84
High-tech exports (% of manufactured exports)	2013	2.70

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2013)

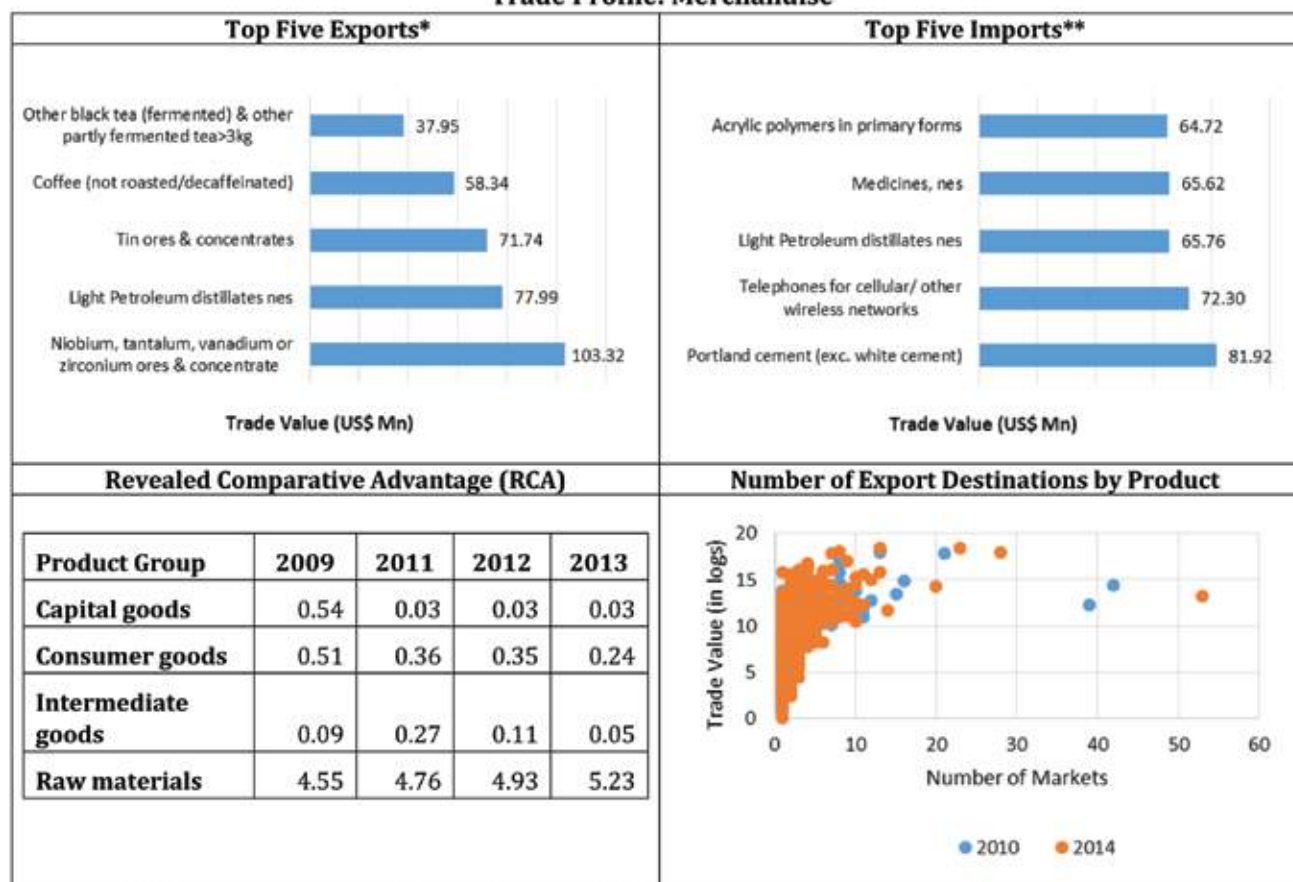
\*\* Data used are of the last reporting year (2013)



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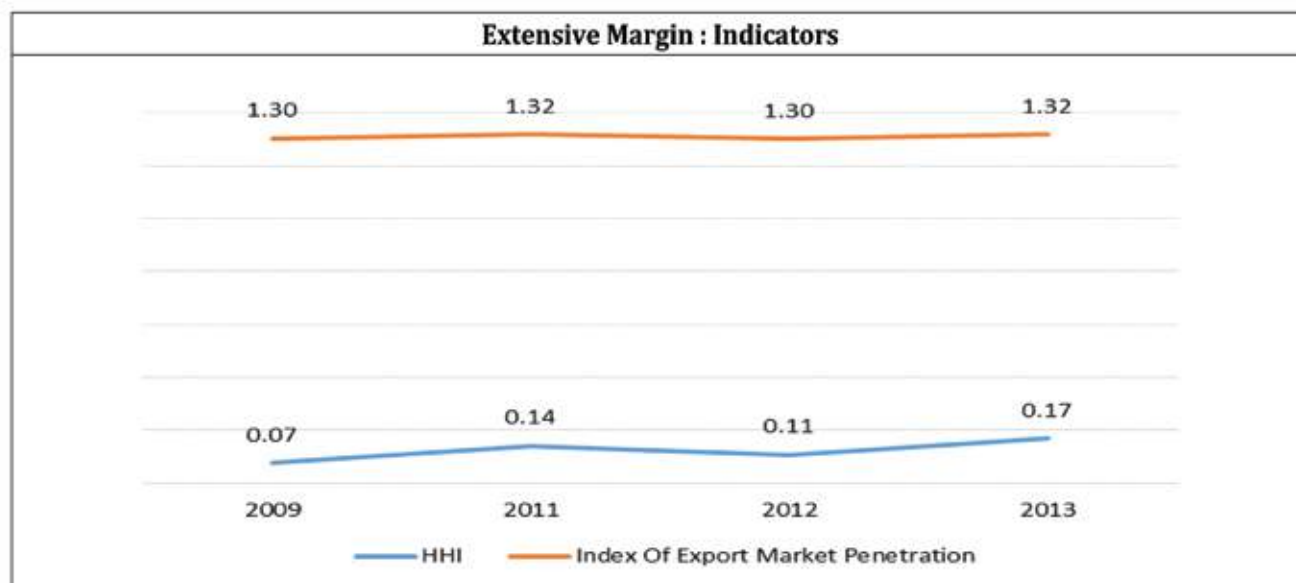
<b>COUNTRY PROFILE: RWANDA</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	7.00
Exports of goods and services (% of GDP)	2014	16.00
Growth rate of exports (annual %)	2014	4.00
Imports of goods and services (% of GDP)	2014	31.00
Growth rate of imports (annual %)	2014	7.00
Services Export (BoP, % GDP)	2013	0.07
Services Import (BoP, % GDP)	2013	0.08
Trade Openness/Trade to GDP ratio (%)	2014	45.00
Services Trade (% GDP)	2013	15.10
High-tech exports(US\$ Millions)	2013	2
High-tech exports (% of manufactured exports)	2013	4.40

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

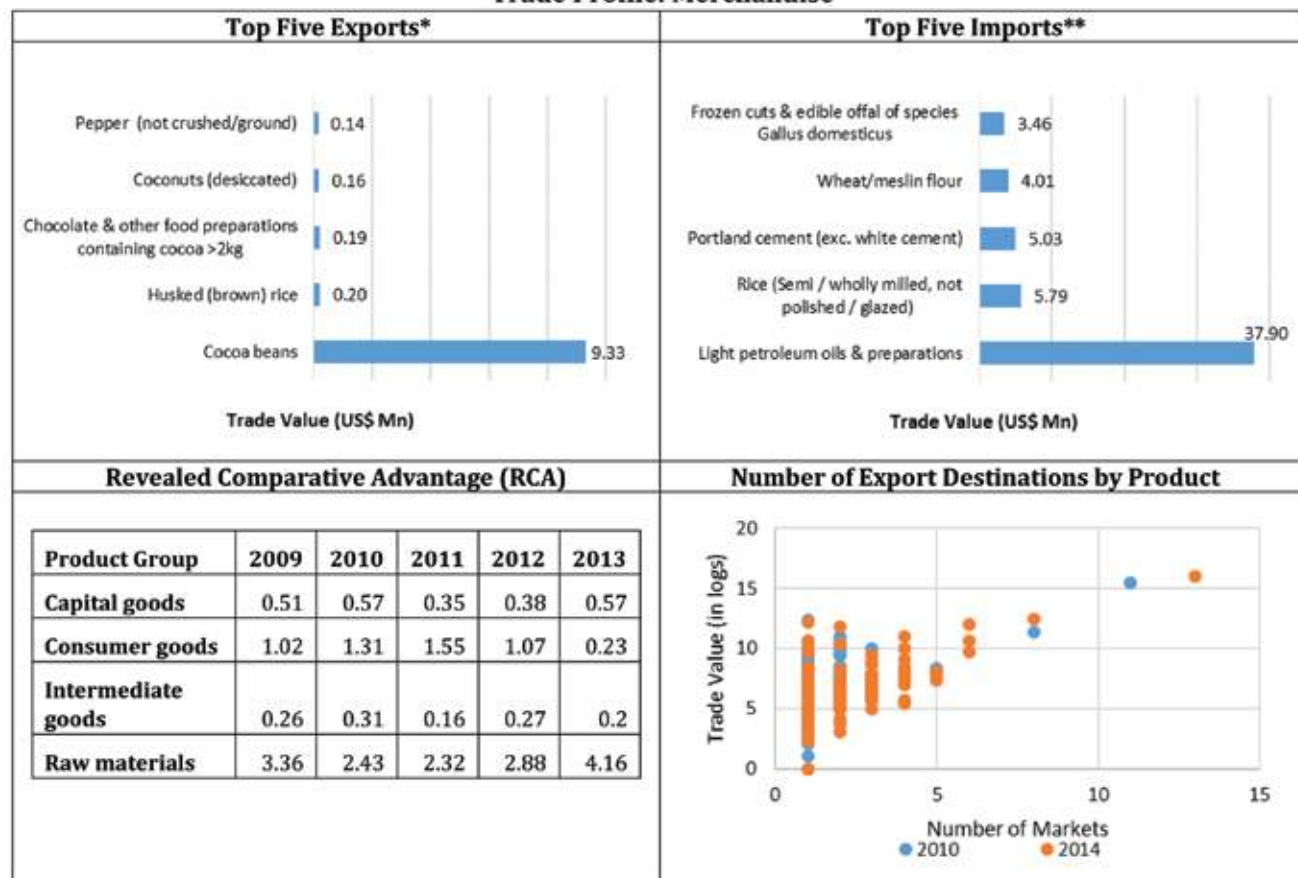


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## COUNTRY PROFILE: SAO TOME AND PRINCIPE

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	5.00
Exports of goods and services (% of GDP)	2014	11.00
Growth rate of exports (annual %)	2014	---
Imports of goods and services (% of GDP)	2014	51.00
Growth rate of imports (annual %)	2014	---
Services Export (BoP, % GDP)	2013	0.12
Services Import (BoP, % GDP)	2013	0.14
Trade Openness/Trade to GDP ratio (%)	2014	63.00
Services Trade (% GDP)	2013	26.03
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	14.10

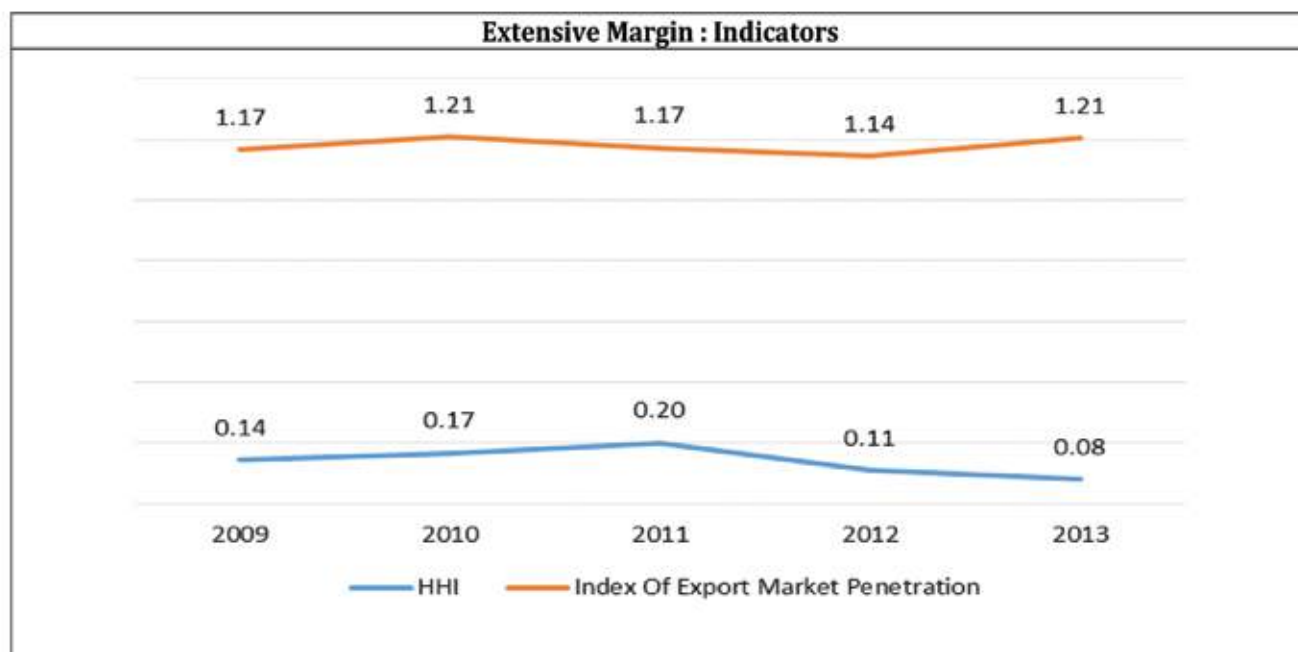
### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

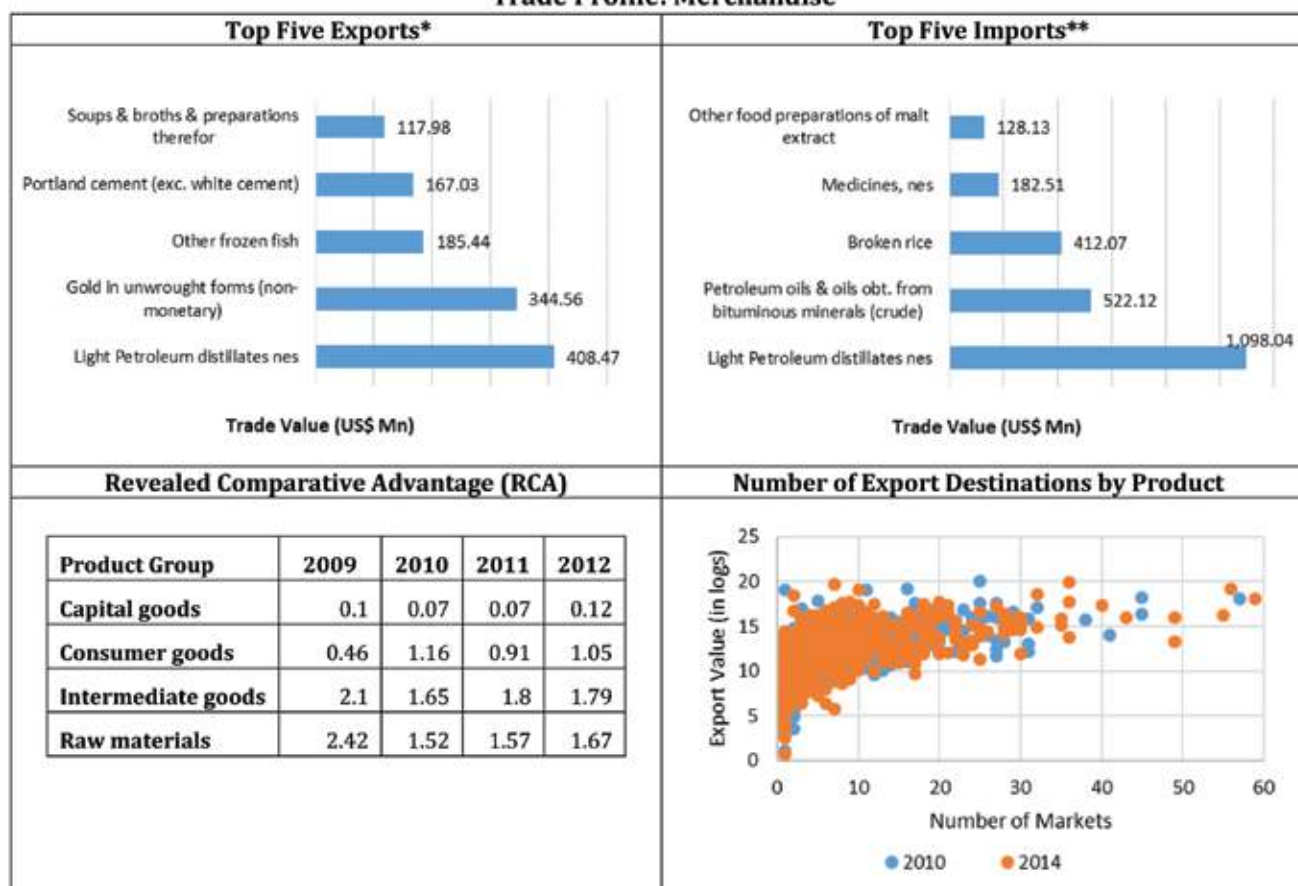




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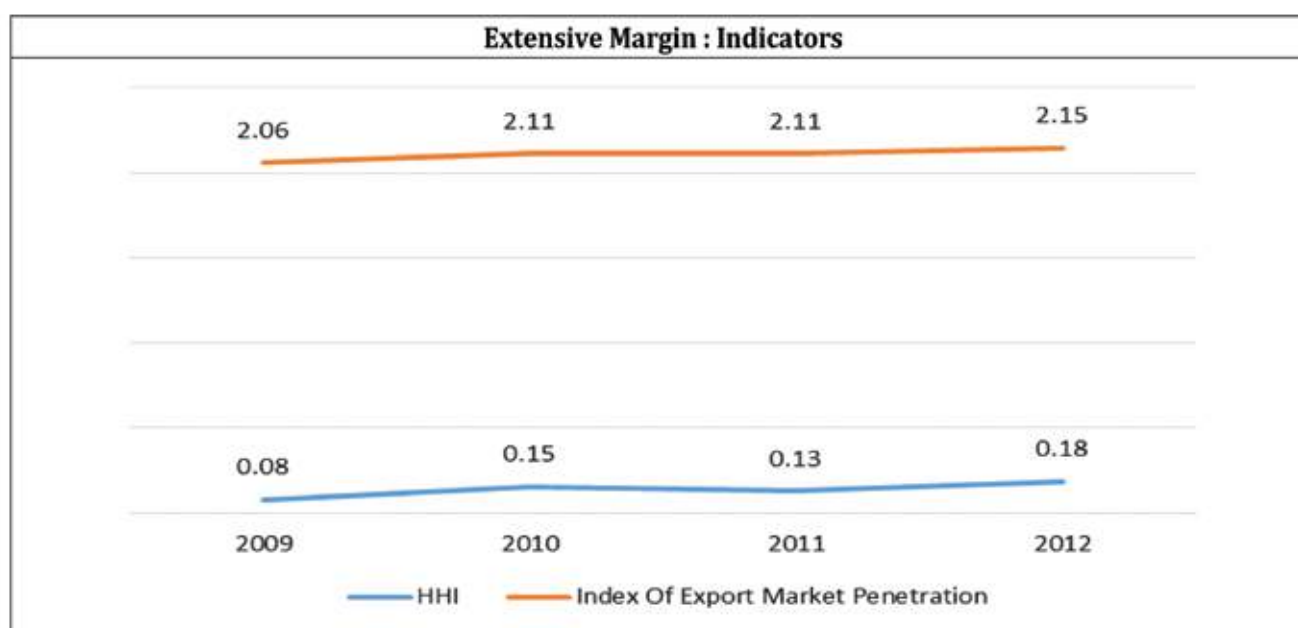
<b>COUNTRY PROFILE: SENEGAL</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	4.65
Exports of goods and services (% of GDP)	2014	28.00
Growth rate of exports (annual %)	2014	1.00
Imports of goods and services (% of GDP)	2013	49.00
Growth rate of imports (annual %)	2013	23.00
Services Export (BoP, % GDP)	2013	---
Services Import (BoP, % GDP)	2013	---
Trade Openness/Trade to GDP ratio (%)	2014	74.00
Services Trade (% GDP)	2013	---
High-tech exports(US\$ Millions)	2013	22
High-tech exports (% of manufactured exports)	2013	2.70

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

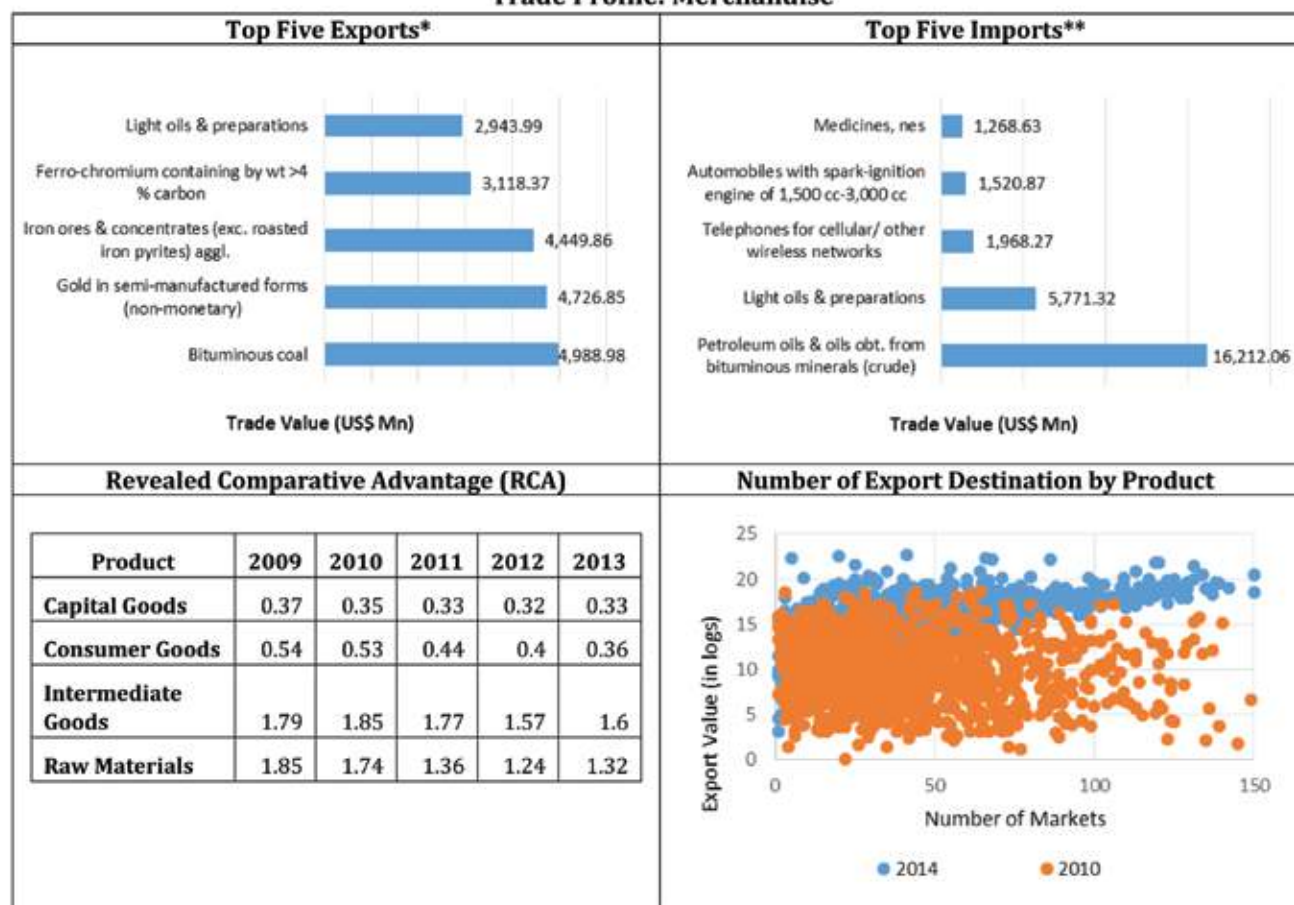


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## COUNTRY PROFILE: SOUTH AFRICA

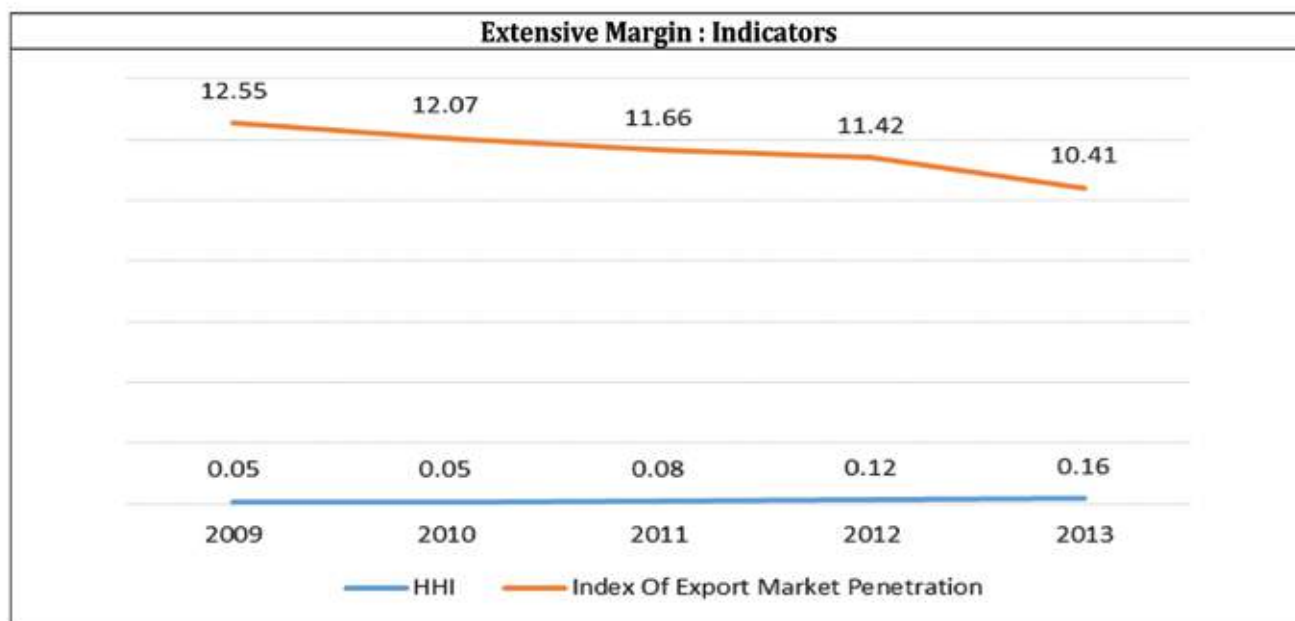
Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	2.00
Exports of goods and services (% of GDP)	2014	31.00
Growth rate of exports (annual %)	2014	3.00
Imports of goods and services (% of GDP)	2014	33.00
Growth rate of imports (annual %)	2014	-1.00
Services Export (BoP, % GDP)	2013	0.05
Services Import (BoP, % GDP)	2013	0.05
Trade Openness/Trade to GDP ratio (%)	2014	64.00
Services Trade (% GDP)	2013	9.53
High-tech exports(US\$ Millions)	2013	2,217
High-tech exports (% of manufactured exports)	2013	5.50

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

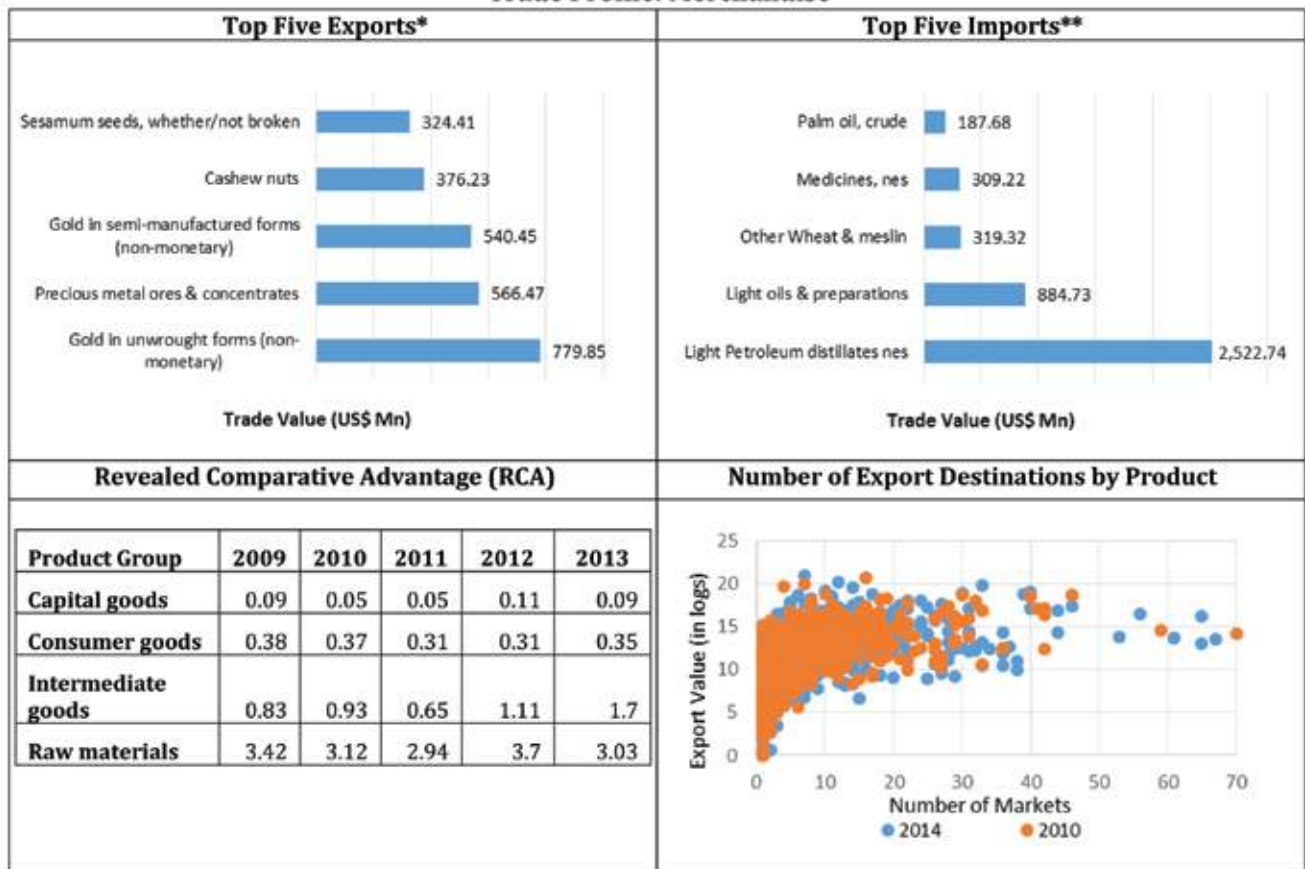
\*\* Data used are of the last reporting year (2014)



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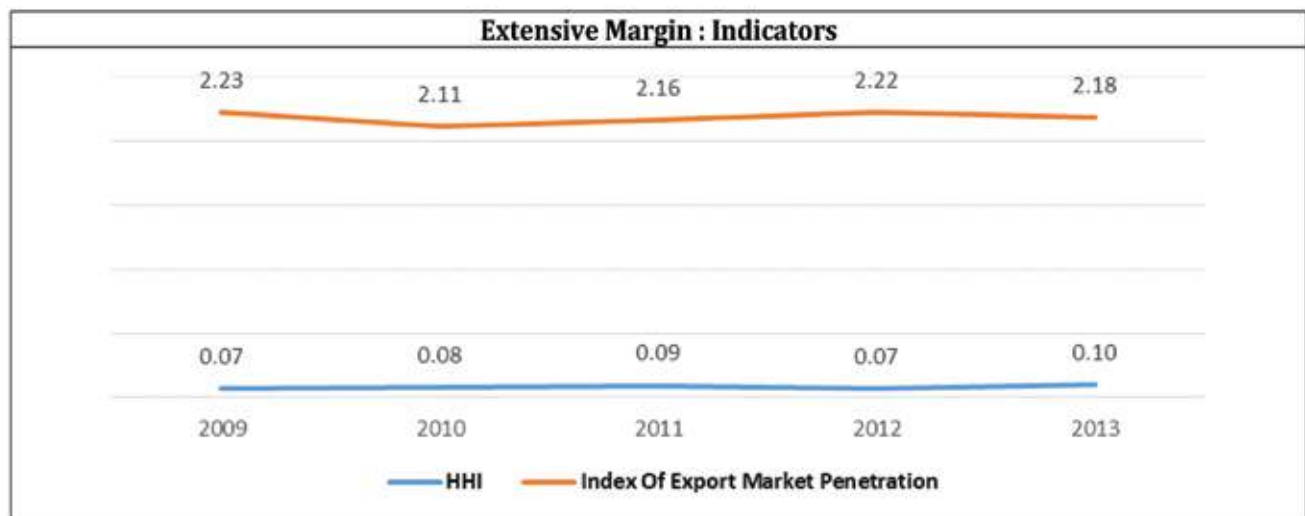
<b>COUNTRY PROFILE: TANZANIA</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	7.23
Exports of goods and services (% of GDP)	2014	18.00
Growth rate of exports (annual %)	2014	18.00
Imports of goods and services (% of GDP)	2014	30.00
Growth rate of imports (annual %)	2014	3.00
Services Export (BoP, % GDP)	2013	0.07
Services Import (BoP, % GDP)	2013	0.06
Trade Openness/Trade to GDP ratio (%)	2014	49.00
Services Trade (% GDP)	2013	12.81
High-tech exports(US\$ Millions)	2013	44
High-tech exports (% of manufactured exports)	2013	5.40

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

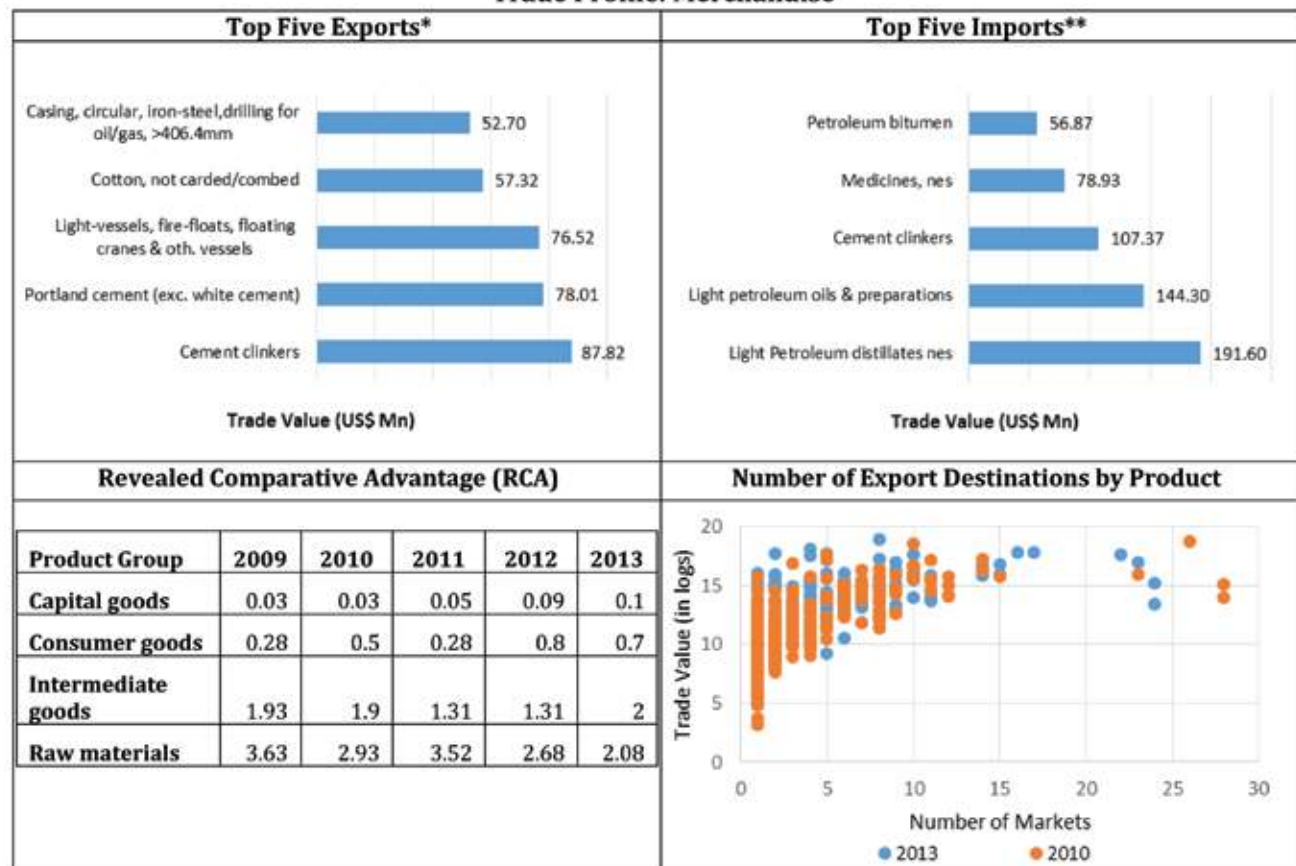


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## COUNTRY PROFILE: TOGO

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	6.00
Exports of goods and services (% of GDP)	2014	44.00
Growth rate of exports (annual %)	2014	41.00
Imports of goods and services (% of GDP)	2014	101.00
Growth rate of imports (annual %)	2014	21.00
Services Export (BoP, % GDP)	2012	0.12
Services Import (BoP, % GDP)	2012	0.11
Trade Openness/Trade to GDP ratio (%)	2014	151.00
Services Trade (% GDP)	2012	0.12
High-tech exports(US\$ Millions)	2013	1
High-tech exports (% of manufactured exports)	2013	0.20

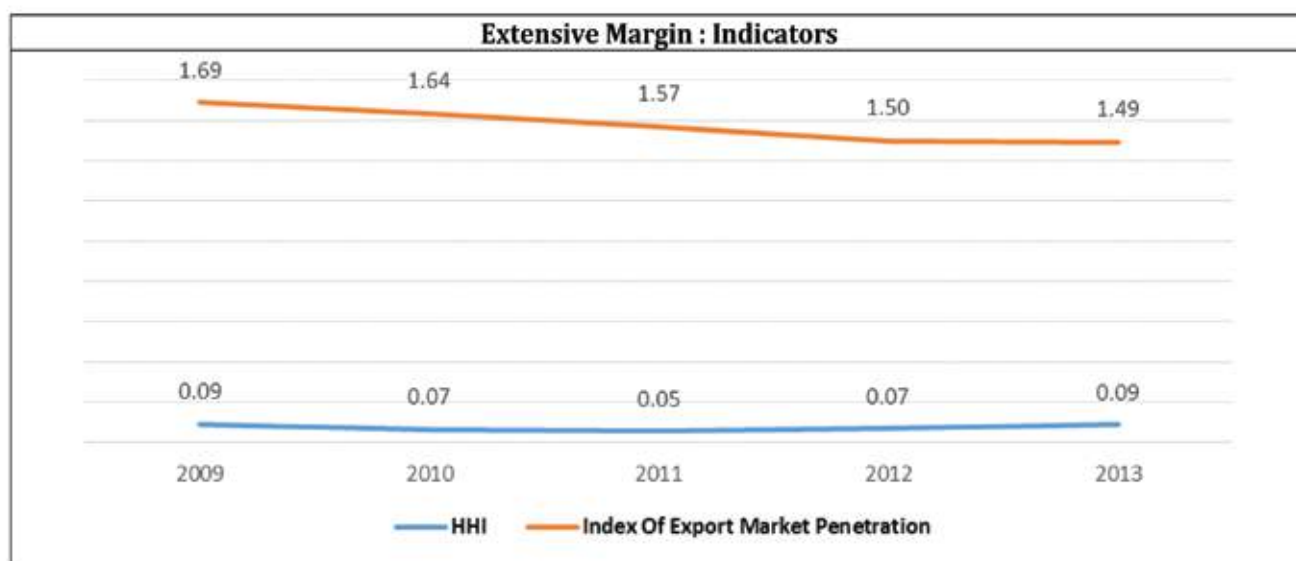
### Trade Profile: Merchandise



\*Data used are of the last reporting year (2013)

\*\* Data used are of the last reporting year (2013)

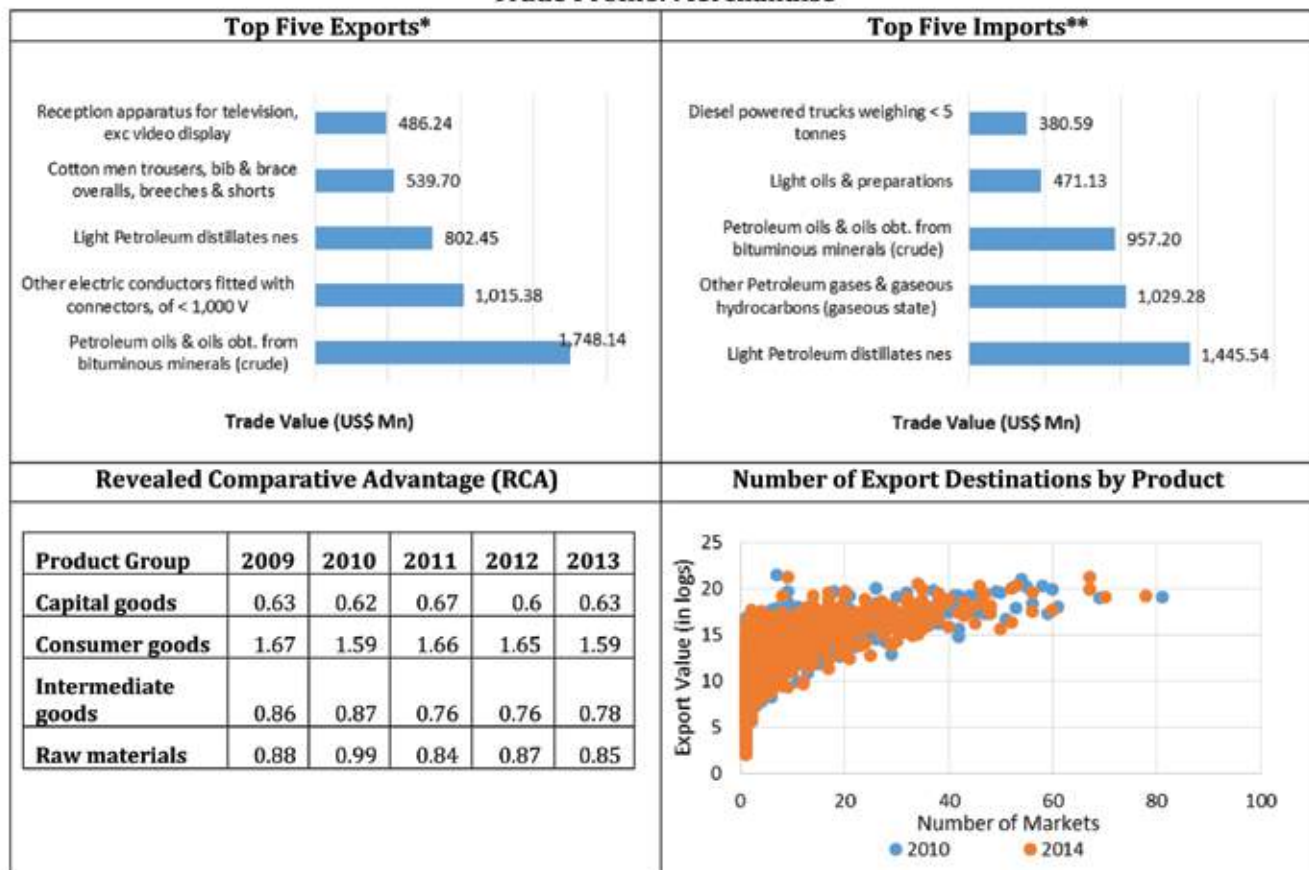




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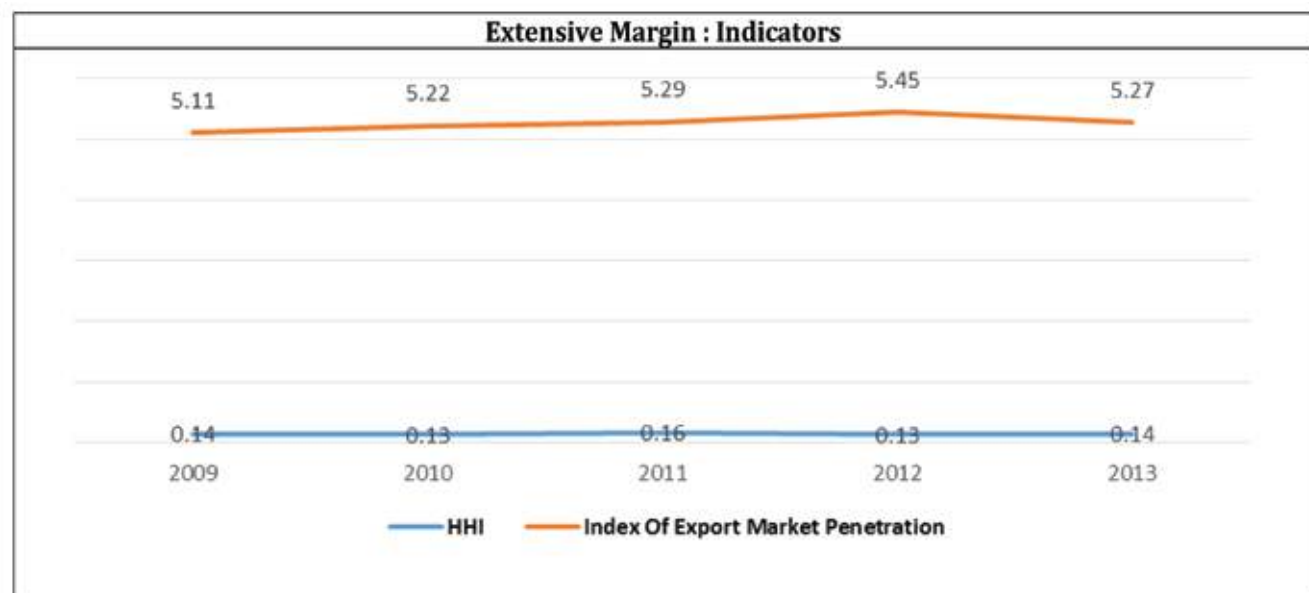
<b>COUNTRY PROFILE: TUNISIA</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	3.00
Exports of goods and services (% of GDP)	2014	47.00
Growth rate of exports (annual %)	2014	---
Imports of goods and services (% of GDP)	2013	56.00
Growth rate of imports (annual %)	2013	---
Services Export (BoP, % GDP)	2013	0.10
Services Import (BoP, % GDP)	2013	0.07
Trade Openness/Trade to GDP ratio (%)	2013	103.00
Services Trade (% GDP)	2013	17.31
High-tech exports(US\$ Millions)	2013	616
High-tech exports (% of manufactured exports)	2013	4.90

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

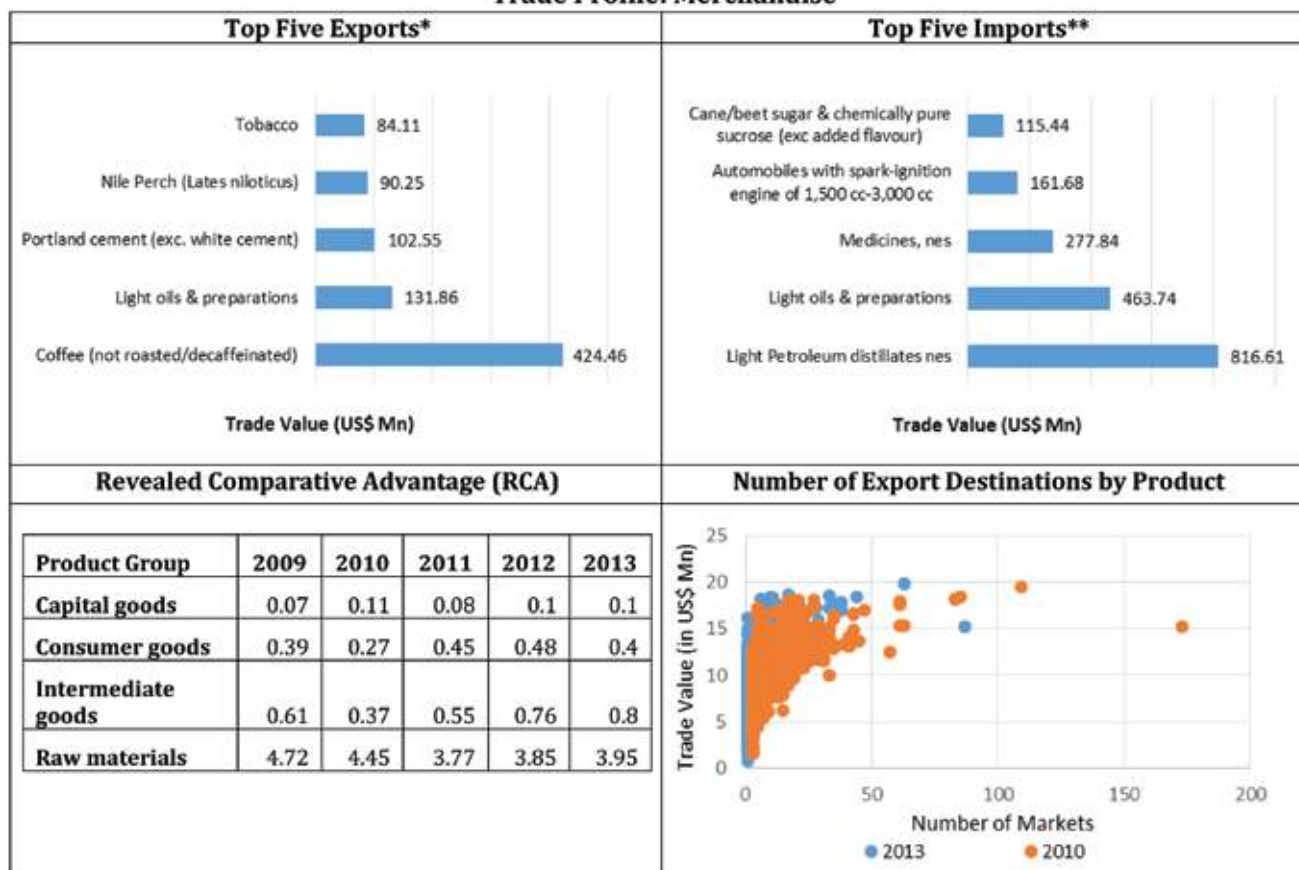


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## COUNTRY PROFILE: UGANDA

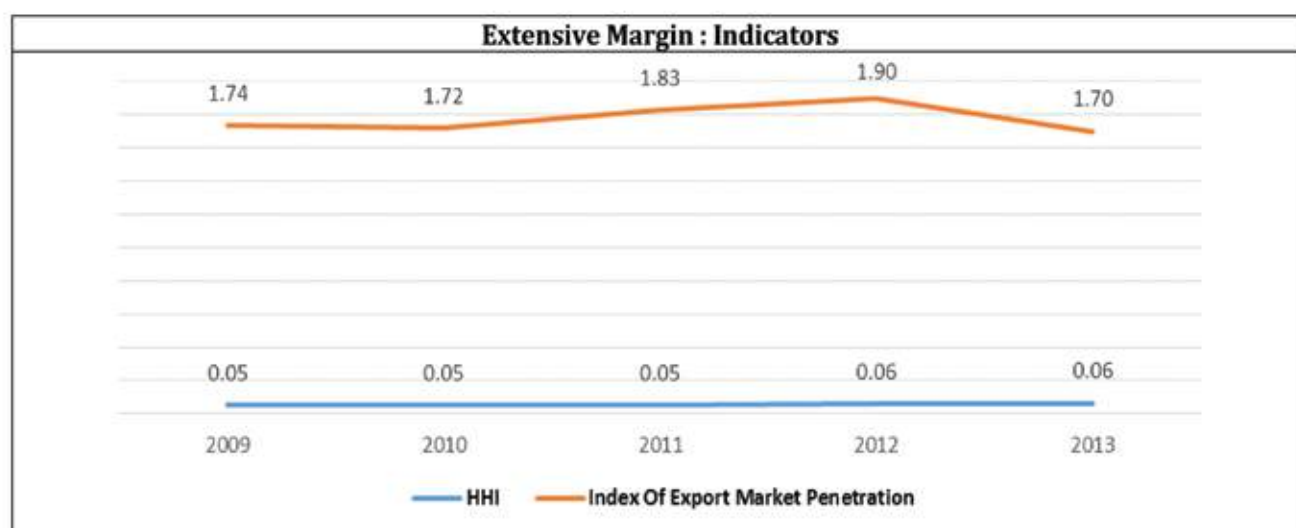
Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	5.40
Exports of goods and services (% of GDP)	2014	20.00
Growth rate of exports (annual %)	2014	6.00
Imports of goods and services (% of GDP)	2014	29.00
Growth rate of imports (annual %)	2014	-4.00
Services Export (BoP, % GDP)	2013	0.09
Services Import (BoP, % GDP)	2013	0.11
Trade Openness/Trade to GDP ratio (%)	2014	49.00
Services Trade (% GDP)	2013	20.14
High-tech exports(US\$ Millions)	2013	8
High-tech exports (% of manufactured exports)	2013	1.90

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2013)

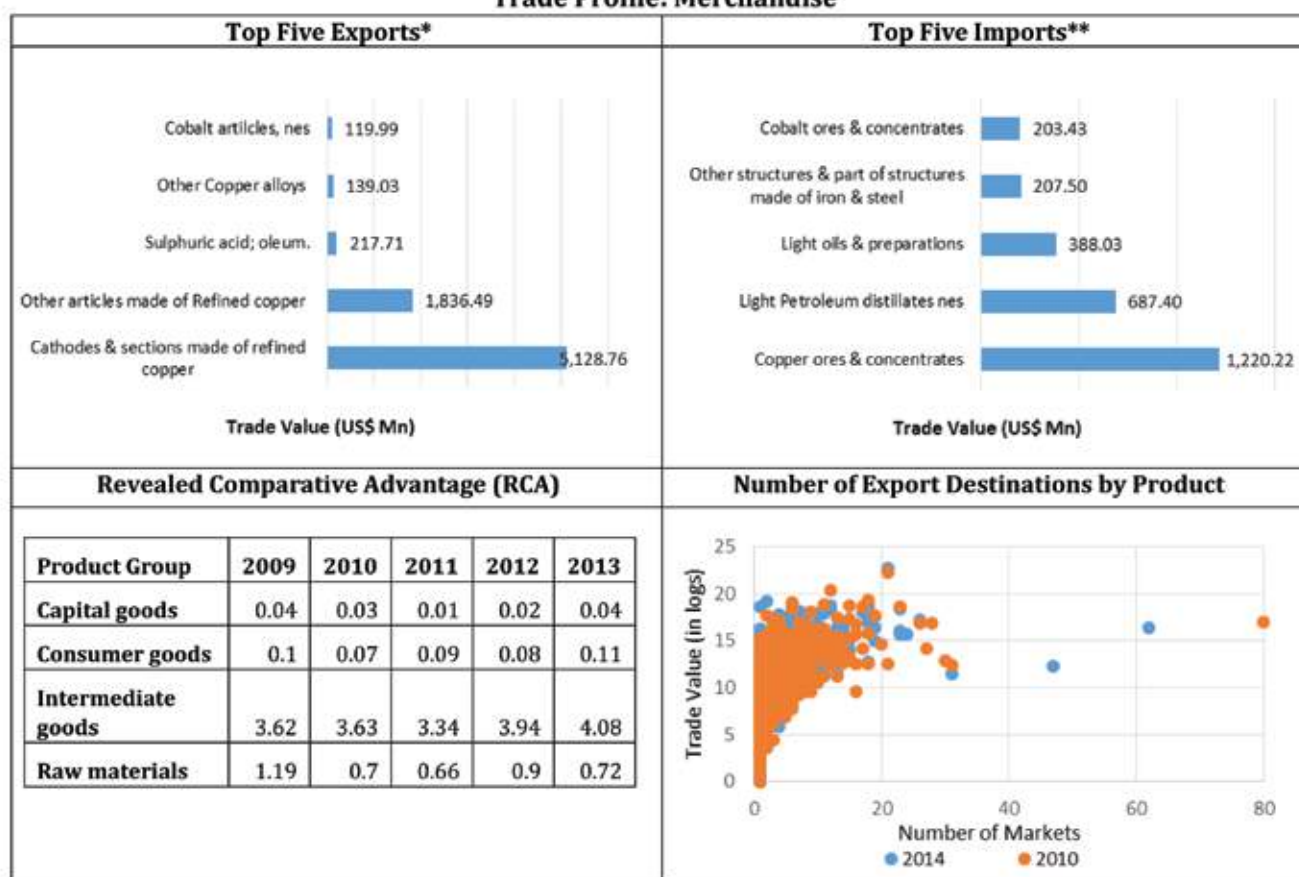
\*\* Data used are of the last reporting year (2013)



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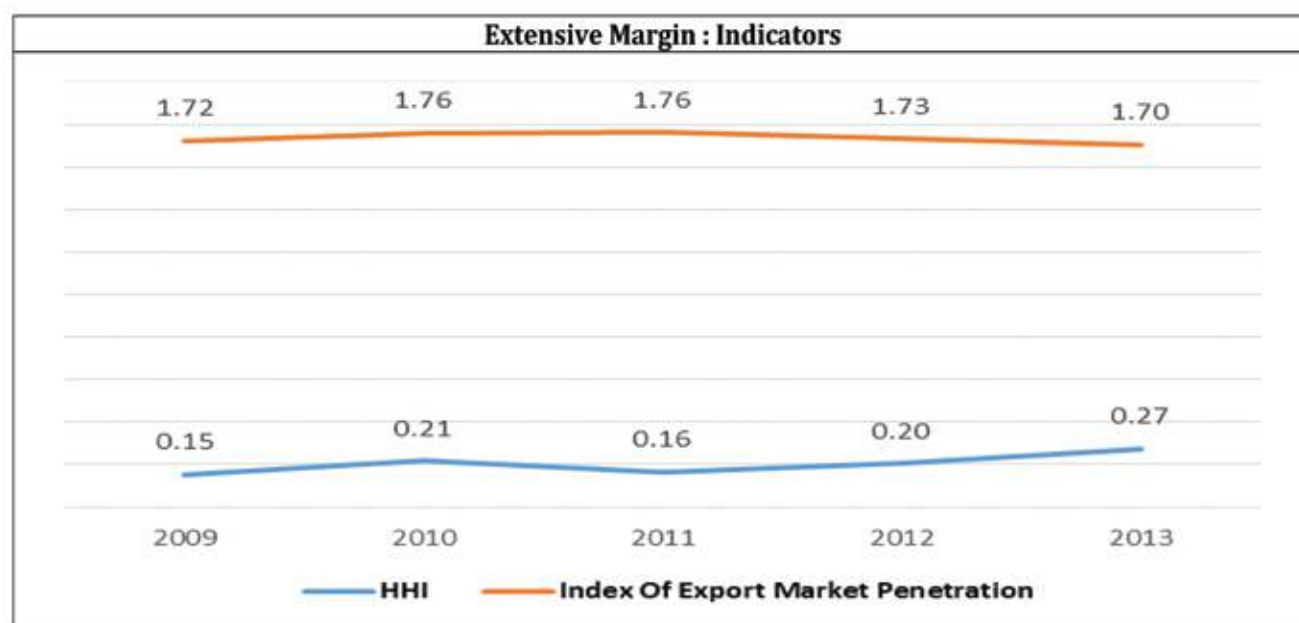
<b>COUNTRY PROFILE: ZAMBIA</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	6.74
Exports of goods and services (% of GDP)	2013	43.00
Growth rate of exports (annual %)	2013	18.00
Imports of goods and services (% of GDP)	2013	41.00
Growth rate of imports (annual %)	2013	20.00
Services Export (BoP, % GDP)	2013	0.02
Services Import (BoP, % GDP)	2013	0.05
Trade Openness/Trade to GDP ratio (%)	2014	79.00
Services Trade (% GDP)	2013	7.65
High-tech exports(US\$ Millions)	2013	39
High-tech exports (% of manufactured exports)	2013	2.40

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

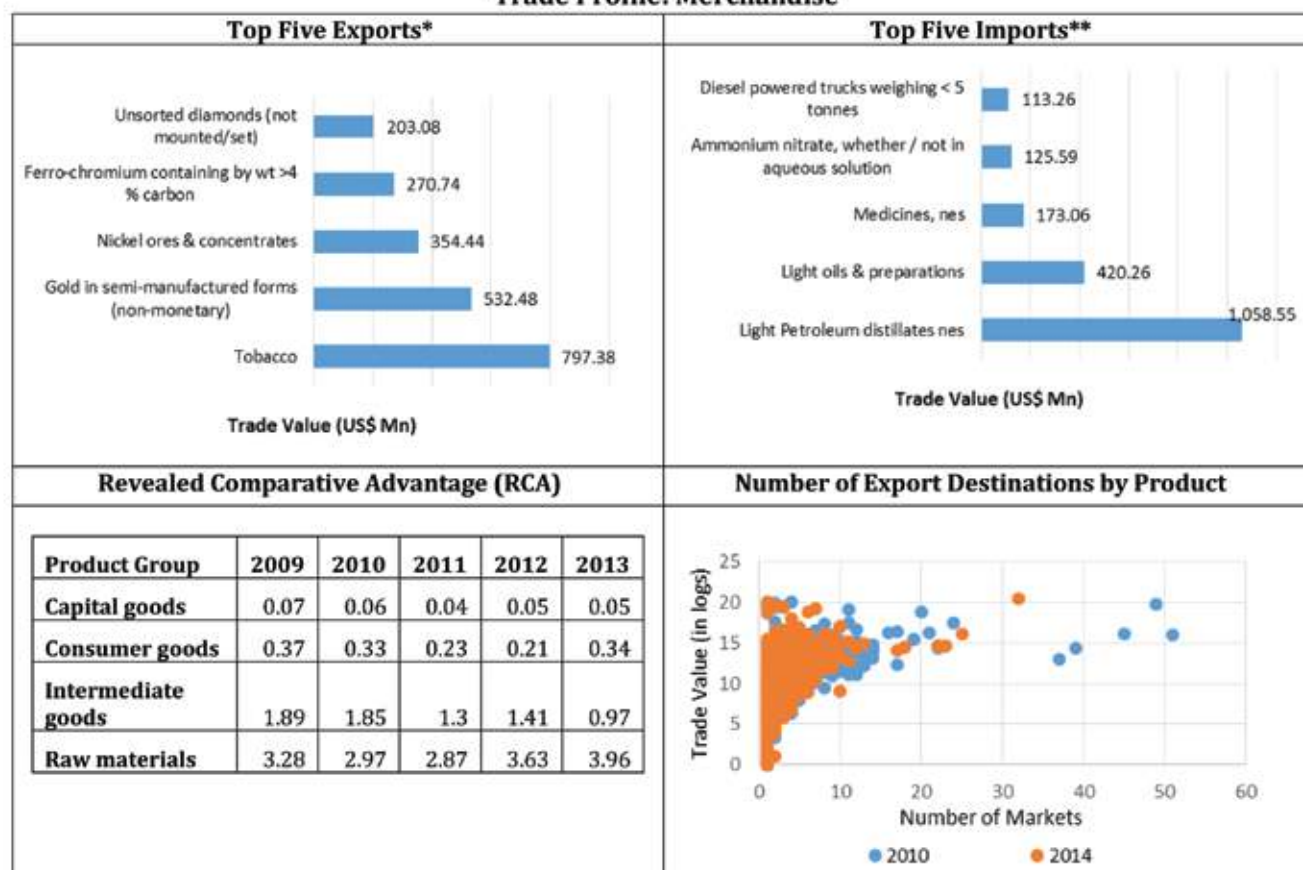


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## COUNTRY PROFILE: ZIMBABWE

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	2.82
Exports of goods and services (% of GDP)	2014	26.00
Growth rate of exports (annual %)	2014	6.00
Imports of goods and services (% of GDP)	2014	55.00
Growth rate of imports (annual %)	2014	-4.00
Services Export (BoP, % GDP)	2013	---
Services Import (BoP, % GDP)	2013	---
Trade Openness/Trade to GDP ratio (%)	2014	82.00
Services Trade (% GDP)	2013	---
High-tech exports(US\$ Millions)	2013	18
High-tech exports (% of manufactured exports)	2013	3.60

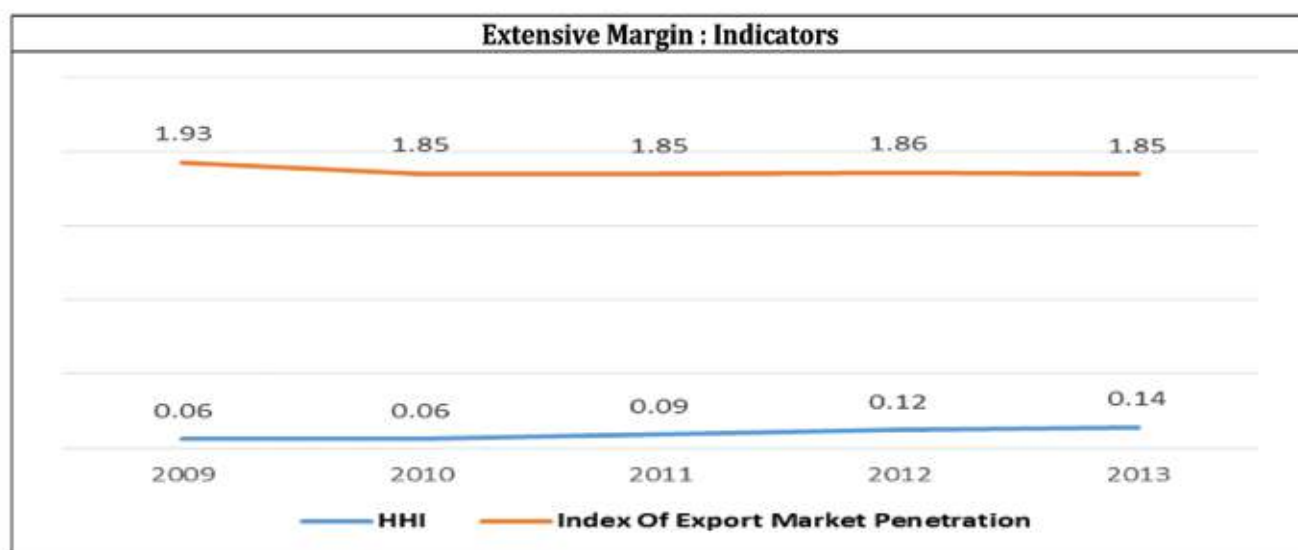
### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)

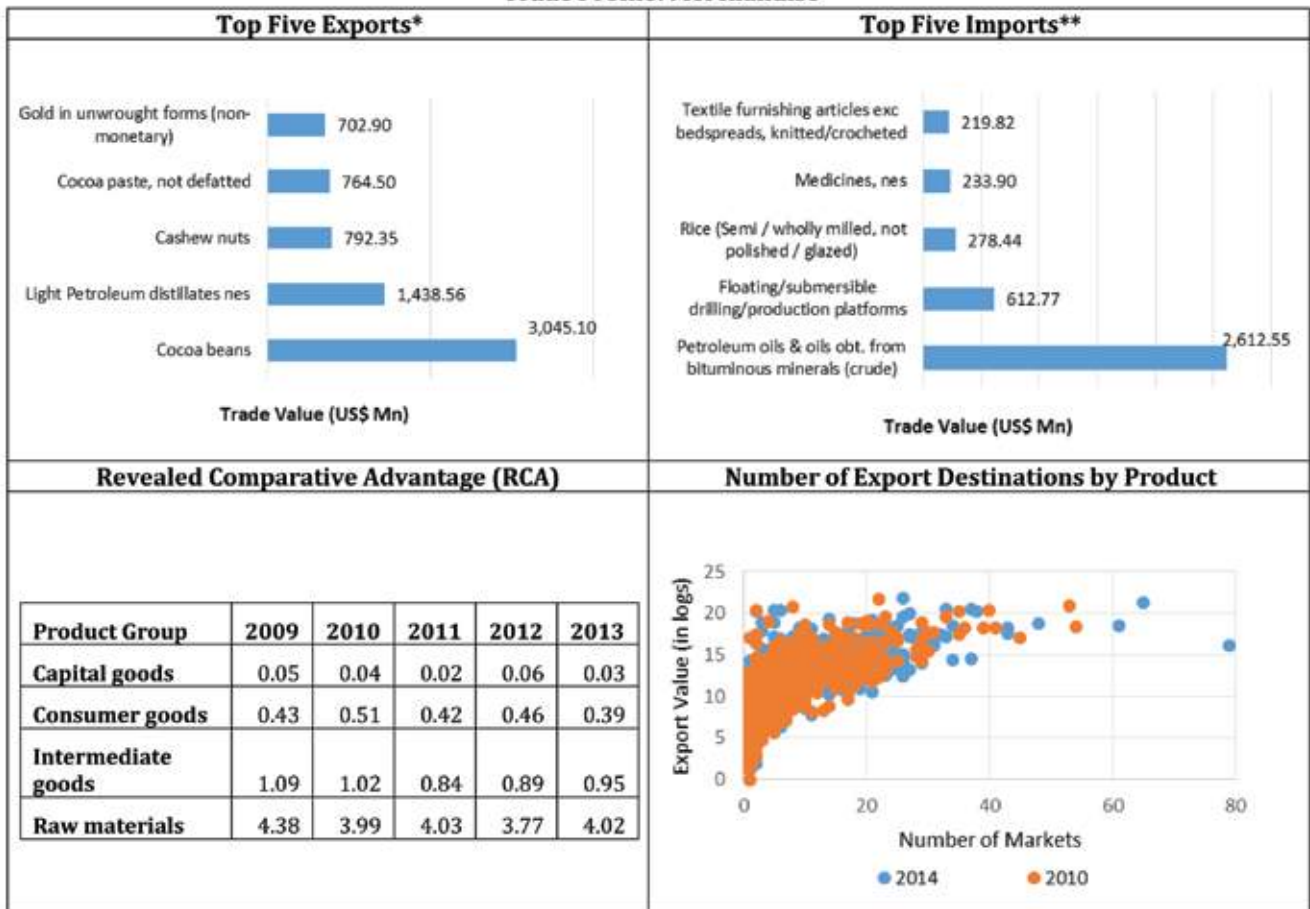




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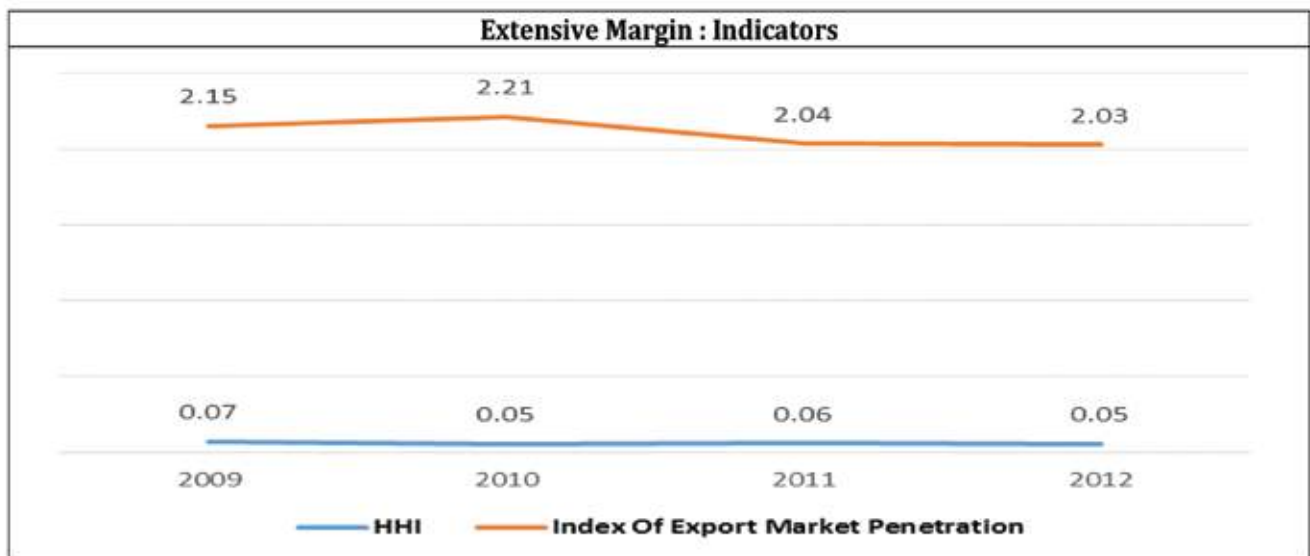
<b>COUNTRY PROFILE: COTE D'IVOIRE</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	7.75
Exports of goods and services (% of GDP)	2013	44.00
Growth rate of exports (annual %)	2013	8.00
Imports of goods and services (% of GDP)	2013	41.00
Growth rate of imports (annual %)	2013	15.00
Services Export (BoP, % GDP)	2013	---
Services Import (BoP, % GDP)	2013	---
Trade Openness/Trade to GDP ratio (%)	2014	83.00
Services Trade (% GDP)	2013	---
High-tech exports(US\$ Millions)	2013	39
High-tech exports (% of manufactured exports)	2013	1.30

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2014)

\*\* Data used are of the last reporting year (2014)



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## COUNTRY PROFILE: LESOTHO

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	3.95
Exports of goods and services (% of GDP)	2013	42.00
Growth rate of exports (annual %)	2013	-5.00
Imports of goods and services (% of GDP)	2013	105.00
Growth rate of imports (annual %)	2013	1.00
Services Export (BoP, % GDP)	2013	0.03
Services Import (BoP, % GDP)	2013	0.17
Trade Openness/Trade to GDP ratio (%)	2013	146.00
Services Trade (% GDP)	2013	20.26
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	---

### Trade Profile: Merchandise



\*Data used are of the last reporting year (2012)

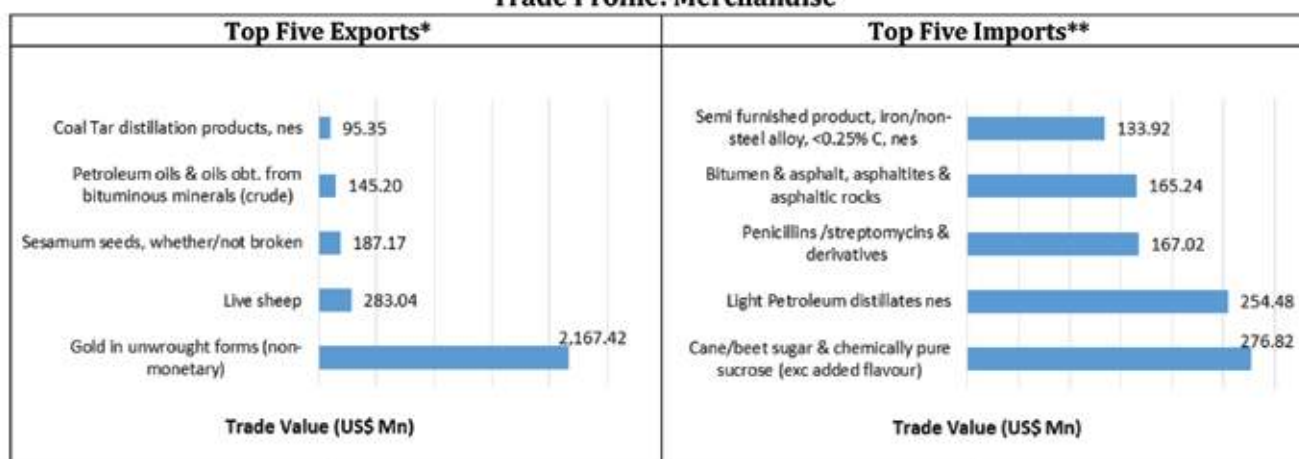
\*\* Data used are of the last reporting year (2012)

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## COUNTRY PROFILE: SUDAN

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	3.30
Exports of goods and services (% of GDP)	2014	10.00
Growth rate of exports (annual %)	2014	3.00
Imports of goods and services (% of GDP)	2014	13.00
Growth rate of imports (annual %)	2014	-11.00
Services Export (BoP, % GDP)	2013	0.02
Services Import (BoP, % GDP)	2013	0.03
Trade Openness/Trade to GDP ratio (%)	2014	22.00
Services Trade (% GDP)	2013	4.61
High-tech exports(US\$ Millions)	2013	0
High-tech exports (% of manufactured exports)	2013	0.70

### Trade Profile: Merchandise



#### Revealed Comparative Advantage (RCA)

Product	2012
Capital Goods	0.06
Consumer Goods	0.08
Intermediate Goods	0.33
Raw Materials	5.07

\*Data used are of the last reporting year (2012)

\*\* Data used are of the last reporting year (2012)

\*\*\*\*\*

### COUNTRY PROFILE: ANGOLA

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	4.50
Exports of goods and services (% of GDP)	2014	56.00
Growth rate of exports (annual %)	2014	-2.00
Imports of goods and services (% of GDP)	2014	42.00
Growth rate of imports (annual %)	2014	10.00
Services Export (BoP, % GDP)	2013	0.01
Services Import (BoP, % GDP)	2013	0.18
Trade Openness/Trade to GDP ratio (%)	2014	101.00
Services Trade (% GDP)	2013	19.46
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	---

\*\*\*\*\*

### COUNTRY PROFILE: CHAD

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	7.59
Exports of goods and services (% of GDP)	2014	34.00
Growth rate of exports (annual %)	2014	---
Imports of goods and services (% of GDP)	2014	42.00
Growth rate of imports (annual %)	2014	---
Services Export (BoP, % GDP)	2013	---
Services Import (BoP, % GDP)	2013	---
Trade Openness/Trade to GDP ratio (%)	2014	77.00
Services Trade (% GDP)	2013	---
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	---

\*\*\*\*\*

<b>COUNTRY PROFILE: COMOROS</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	3.52
Exports of goods and services (% of GDP)	2014	17.00
Growth rate of exports (annual %)	2014	2.00
Imports of goods and services (% of GDP)	2014	56.00
Growth rate of imports (annual %)	2014	5.00
Services Export (BoP, % GDP)	2012	0.12
Services Import (BoP, % GDP)	2012	0.18
Trade Openness/Trade to GDP ratio (%)	2014	74.00
Services Trade (% GDP)	2012	0.12
High-tech exports(US\$ Millions)	2013	..
High-tech exports (% of manufactured exports)	2013	..

<b>TRADE PROFILE: MERCHANDISE</b>	
<b>Revealed Comparative Advantage (RCA)</b>	
Product Group	2009
Capital goods	0.17
Consumer goods	1.31
Intermediate goods	2.2
Raw materials	0.46

\*\*\*\*\*

<b>COUNTRY PROFILE: DEMOCRATIC REPUBLIC OF CONGO</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	9.19
Exports of goods and services (% of GDP)	2014	34.00
Growth rate of exports (annual %)	2014	8.00
Imports of goods and services (% of GDP)	2014	39.00
Growth rate of imports (annual %)	2014	5.00
Services Export (BoP, % GDP)	2013	0.01
Services Import (BoP, % GDP)	2013	0.08
Trade Openness/Trade to GDP ratio (%)	2014	72.00
Services Trade (% GDP)	2013	8.94
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	---

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### COUNTRY PROFILE: EQUATORIAL GUINEA

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	-15.39
Exports of goods and services (% of GDP)	2014	88.00
Growth rate of exports (annual %)	2014	-1.00
Imports of goods and services (% of GDP)	2014	70.00
Growth rate of imports (annual %)	2014	-7.00
Services Export (BoP, % GDP)	2013	---
Services Import (BoP, % GDP)	2013	---
Trade Openness/Trade to GDP ratio (%)	2014	158.00
Services Trade (% GDP)	2013	---
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	---

\*\*\*\*\*

### COUNTRY PROFILE: DJIBOUTI

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	6.50
Exports of goods and services (% of GDP)	2014	---
Growth rate of exports (annual %)	2014	---
Imports of goods and services (% of GDP)	2014	---
Growth rate of imports (annual %)	2014	---
Services Export (BoP, % GDP)	2013	0.25
Services Import (BoP, % GDP)	2013	0.12
Trade Openness/Trade to GDP ratio (%)	2014	---
Services Trade (% GDP)	2013	36.74
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	---

### TRADE PROFILE: MERCHANDISE

Revealed Comparative Advantage (RCA)	
Product Group	2009
Capital goods	0.1
Consumer goods	0.65
Intermediate goods	0.11
Raw materials	4.54

\*\*\*\*\*

### COUNTRY PROFILE: GUINEA

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	-0.27
Exports of goods and services (% of GDP)	2014	28.00
Growth rate of exports (annual %)	2014	1.00
Imports of goods and services (% of GDP)	2014	53.00
Growth rate of imports (annual %)	2014	5.00
Services Export (BoP, % GDP)	2013	0.02
Services Import (BoP, % GDP)	2013	0.11
Trade Openness/Trade to GDP ratio (%)	2014	81.00
Services Trade (% GDP)	2013	12.84
High-tech exports(US\$ Millions)	2013	..
High-tech exports (% of manufactured exports)	2013	..

\*\*\*\*\*

### COUNTRY PROFILE: GABON

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	4.43
Exports of goods and services (% of GDP)	2014	57.00
Growth rate of exports (annual %)	2014	-1.00
Imports of goods and services (% of GDP)	2014	35.00
Growth rate of imports (annual %)	2014	-6.00
Services Export (BoP, % GDP)	2013	---
Services Import (BoP, % GDP)	2013	---
Trade Openness/Trade to GDP ratio (%)	2014	86.00
Services Trade (% GDP)	2013	---
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	---

<b>TRADE PROFILE: MERCHANDISE</b>	
<b>Revealed Comparative Advantage (RCA)</b>	
Product Group	2009
Capital goods	0.19
Consumer goods	0.05
Intermediate goods	0.25
Raw materials	6.03

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<b>COUNTRY PROFILE: GUINEA BISSAU</b>		
<b>Basic Indicators</b>	<b>Year</b>	<b>Indicator's Value</b>
GDP growth (% p.a.)	2015	4.50
Exports of goods and services (% of GDP)	2014	17.00
Growth rate of exports (annual %)	2014	---
Imports of goods and services (% of GDP)	2014	23.00
Growth rate of imports (annual %)	2014	---
Services Export (BoP, % GDP)	2012	0.02
Services Import (BoP, % GDP)	2012	0.08
Trade Openness/Trade to GDP ratio (%)	2014	40.00
Services Trade (% GDP)	2012	0.02
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	---

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### COUNTRY PROFILE: LIBERIA

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	4.50
Exports of goods and services (% of GDP)	2014	56.00
Growth rate of exports (annual %)	2014	-2.00
Imports of goods and services (% of GDP)	2014	42.00
Growth rate of imports (annual %)	2014	10.00
Services Export (BoP, % GDP)	2013	0.01
Services Import (BoP, % GDP)	2013	0.18
Trade Openness/Trade to GDP ratio (%)	2014	101.00
Services Trade (% GDP)	2013	19.46
High-tech exports(US\$ Millions)	2013	..
High-tech exports (% of manufactured exports)	2013	..

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### COUNTRY PROFILE: SIERRA LEONE

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	3.39
Exports of goods and services (% of GDP)	2014	18.00
Growth rate of exports (annual %)	2014	274.00
Imports of goods and services (% of GDP)	2014	35.00
Growth rate of imports (annual %)	2014	9.00
Services Export (BoP, % GDP)	2013	---
Services Import (BoP, % GDP)	2013	---
Trade Openness/Trade to GDP ratio (%)	2014	77.00
Services Trade (% GDP)	2013	---
High-tech exports(US\$ Millions)	2013	3
High-tech exports (% of manufactured exports)	2013	---

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**COUNTRY PROFILE: SOUTH SUDAN**

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	3.39
Exports of goods and services (% of GDP)	2014	18.00
Growth rate of exports (annual %)	2014	274.00
Imports of goods and services (% of GDP)	2014	35.00
Growth rate of imports (annual %)	2014	9.00
Services Export (BoP, % GDP)	2013	---
Services Import (BoP, % GDP)	2013	---
Trade Openness/Trade to GDP ratio (%)	2014	77.00
Services Trade (% GDP)	2013	---
High-tech exports(US\$ Millions)	2013	3
High-tech exports (% of manufactured exports)	2013	---

\*\*\*\*\*

**COUNTRY PROFILE: SWAZILAND**

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	1.86
Exports of goods and services (% of GDP)	2014	60.00
Growth rate of exports (annual %)	2014	---
Imports of goods and services (% of GDP)	2013	69.00
Growth rate of imports (annual %)	2013	---
Services Export (BoP, % GDP)	2013	0.07
Services Import (BoP, % GDP)	2013	0.20
Trade Openness/Trade to GDP ratio (%)	2013	129.00
Services Trade (% GDP)	2013	26.46
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	---

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**COUNTRY PROFILE: SEYCHELLES**

Basic Indicators	Year	Indicator's Value
GDP growth (% p.a.)	2015	3.53
Exports of goods and services (% of GDP)	2014	85.00
Growth rate of exports (annual %)	2014	---
Imports of goods and services (% of GDP)	2014	100.00
Growth rate of imports (annual %)	2014	---
Services Export (BoP, % GDP)	2013	0.34
Services Import (BoP, % GDP)	2013	0.16
Trade Openness/Trade to GDP ratio (%)	2014	184.00
Services Trade (% GDP)	2013	50.78
High-tech exports(US\$ Millions)	2013	---
High-tech exports (% of manufactured exports)	2013	---

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## NOTES

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- Corporate Governance
- Sustainability
- Economics
- Public Policy

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## **About ASSOCHAM**

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ASSOCHAM initiated its endeavour of value creation for Indian industry in 1920. Having in its fold more than 400 Chambers and Trade Associations, and serving more than 4,50,000 members from all over India. It has witnessed upswings as well as upheavals of Indian Economy, and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country.

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As a representative organ of Corporate India, ASSOCHAM articulates the genuine, legitimate needs and interests of its members. Its mission is to impact the policy and legislative environment so as to foster balanced economic, industrial and social development. We believe education, IT, BT, Health, Corporate Social responsibility and environment to be the critical success factors.

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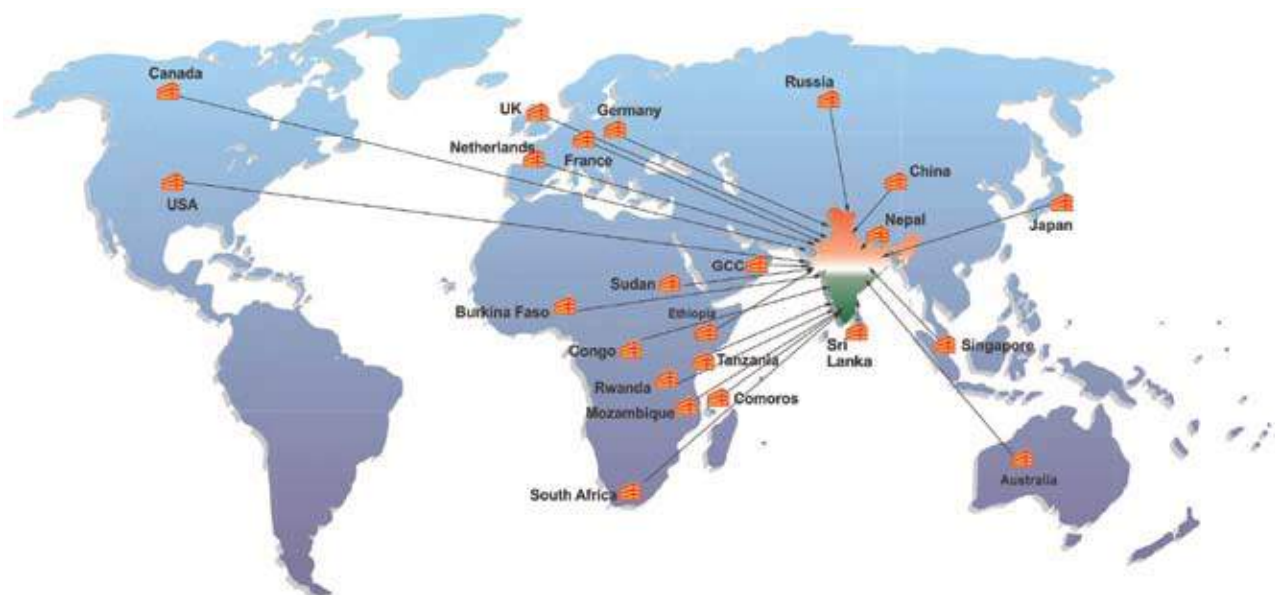
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The pictorial presentation of the world map does not purport to be the political and geographical maps of the world and India and is not drawn to scale. This is only indicative.

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