

Deepening South-South Collaboration:

An Analysis of Africa and India's Trade and Investment



JOINTLY PREPARED BY

The African Export-Import Bank (Afreximbank)
and the Export-Import Bank of India (Exim India)



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Foreword

At a time when trade tensions and escalating protectionism are undermining the rules-based multilateral system that has governed international trade for decades, the diversification of trade partners, including through the promotion of South–South cooperation advocated by both the African Export-Import Bank (Afreximbank) and the Export-Import Bank of India (Exim India), has become even more urgent. In fact, institutional commitment by Afreximbank and Exim India to strengthen South–South trade and economic cooperation has led to a surge in bilateral trade between India and African countries.

Trade between Africa and India has increased more than eight-fold from US\$7.2 billion in 2001 to US\$59.9 billion in 2017, making India Africa’s fourth-largest national trading partner, accounting for more than 6.4 percent of total African trade in 2017, up from 2.7 percent in 2001. Trade with Africa now accounts for just over 8 percent of India’s total trade, but this is only marginally higher than the 7.6 percent in 2001.

The impressive growth in trade between Africa and India stems from a mix of factors, including the growing stock of foreign direct investment undertaken by African and Indian corporate entities; and deepening economic and political ties illustrated by a number of strategic initiatives, most notably “Focus Africa” launched by the government of

India in 2002 to boost trade and investment between Africa and India, and the India–Africa Forum Summit launched in 2008.

Other key drivers include the government of India’s Duty-Free Tariffs Preference Scheme for Least Developed Countries and the strengthening cooperation between Afreximbank and Exim India. The latter enables the two banks to leverage their partnerships and facilities to promote greater trade and investment between Africa and India through risk mitigation, project and trade finance, and advisory services and capacity building. In particular, the staff exchange programme initiated by both institutions has introduced staff to innovative products and facilities developed by each to promote trade and investment between the two regions.

Despite the impressive rate of trade growth, which has enabled Africa and India to diversify their trade destinations and, in the process, mitigate their exposure to global volatility and adverse terms-of-trade shocks, trade between the two parties is still driven by a limited number of products. Primary commodities and natural resources account for around 75 percent of Africa’s total exports to India. India’s exports to Africa are dominated by refined petroleum and pharmaceutical products; over the last five years, these two products have accounted for about 40 percent of total exports into African markets.

Nonetheless, estimates of export potential based on proven ability and competitiveness of these two major trading partners is very encouraging. They show that the potential for expanding trade between Africa and India is significant, with a number of African products exhibiting high export potential to India. Likewise, an examination of products with the greatest export potential to Africa shows that India could sharply raise its exports to Africa. According to projections, Africa-India trade could double by 2021, especially if appropriate steps are taken by sovereign and corporate entities to reap the full benefits of growth and of the potential offered by the two trading partners.

More than identifying areas for potential growth and expansion of trade and

investment between Africa and India, this first report, jointly prepared by the Research Departments of Afreximbank and Exim India, aims to improve understanding of trade and investment opportunities in Africa and India and outline options for optimally leveraging financing and other instruments provided by the two exim banks to realise them. The report is part of ongoing collaboration between the Afreximbank and Exim India banks to accelerate the transformation of the economies of their member countries through innovation in trade finance and the expansion of South-South trade. We hope that readers, especially those seeking investment and growth opportunities in Africa and India, will find the report informative and useful.



Dr. Benedict O. ORAMAH
President and Chairman of the Board of Directors
The African Export-Import Bank



Mr. David RASQUINHA
Managing Director
Export-Import Bank of India



About the African Export-Import Bank



The African Export Import Bank (Afreximbank) was established in Abuja, Nigeria in October, 1993 by African Governments, African private and institutional investors as well as non-African financial institutions and private investors for the purpose of financing, promoting and expanding intra-African and extra-African trade. The Bank was established under the twin constitutive instruments of an Agreement signed by Member States and multilateral organizations, and which confers on the Bank the status of an international multilateral organization; as well as a Charter, governing its corporate structure and operations, signed by all Shareholders.

The Bank's specific functions include: extending credit to eligible African exporters by providing pre- and post-shipment finance; extending indirect credit to African exporters and importers of African goods through the intermediary of banks and other African financial institutions; promoting and financing trade between African states and other developing states; acting as

intermediary between African exporters and African and non-African importers through the issuance of letters of credit, guarantees and other trade documents in support of export-import transactions; promoting and providing insurance and guarantee services covering commercial and non-commercial risks associated with African exports; and carrying out market research and providing auxiliary services aimed at expanding the international trade of African countries and boosting African exports.

The Bank's vision is to be the trade finance bank for Africa, and its mission is to stimulate a consistent expansion, diversification and development of African trade, particularly intra-African trade, while operating as a first-class, profit oriented, socially responsible financial institution and a centre of excellence in African trade matters. The Bank aims to increase the number of Participating States from the current 50 to include all 55 sovereign African nations.

To know more about the Bank, visit **www.afreximbank.com**



About Export-Import Bank of India



Export-Import Bank of India (Exim Bank) was set up in 1982 by an Act of Parliament for financing, facilitating and promoting India's foreign trade. It is the principal financial institution in the country for coordinating the working of institutions engaged in financing exports and imports. Exim Bank is fully owned by the Government of India.

The Bank provides financial as well as value-added services to Indian exporters. Assistance is given to export-oriented units (EOUs) by way of term loans in Indian rupees or foreign currencies for setting up new production facilities, expansion/modernization or upgradation of existing facilities and for acquisition of production equipment or technology. The Bank lays special emphasis on extension of Lines of Credit to overseas entities, national governments, regional financial institutions and commercial banks. The Bank extends Buyers' credit and Suppliers' credit to finance and promote India's exports and also has a programme called the Buyer's Credit under National Export Insurance Account (NEIA) to facilitate medium and long term exports from India.

To promote hi-tech exports from India, the Bank has a lending programme to finance

research and development activities of EOUs. The Bank has a Marketing Advisory Services programme, to assist Indian companies in identification of prospective business partners, facilitating placement of final orders and also identification of opportunities for setting up plants or projects or for acquisition of companies overseas.

The Bank supports the internationalization endeavours of Small and Medium Enterprises (SMEs) by meeting the foreign currency capital requirements of Indian exporters. Further, as a facilitator of trade, Exim Bank has recently launched a portal called Exim Mitra (www.eximmitra.in), that provides trade related information and access to credit and insurance for exporters and importers.

Exim Bank supplements its financing programmes with a wide range of value-added information, advisory and support services, which enable exporters to evaluate international risks, tap export opportunities and improve competitiveness, thereby helping them in their globalisation efforts.

To know more about the Bank, visit:
www.eximbankindia.in



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The Study is prepared by a research team from Afreximbank and Exim India—Vanlalruata Fanai, David Sinate, and Sangeeta Sharma of Exim India and Anthony Kyereboah-Coleman, Abah Ofon, Raymond Boumbouya, and Yusuf Daya of Afreximbank—under the overall guidance and supervision of Dr. Hippolyte Fofack, Chief Economist and Director of Research and International Cooperation

(Afreximbank), and Mr. Prahalathan Iyer, Chief General Manager (Exim India).

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The opinions expressed in this report are those of the authors and do not necessarily represent the views of the affiliated institutions.

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Abbreviations & Acronyms

AADFI	Association of African Development Finance Institutions
AfCFTA	African Continental Free Trade Area
BC-NEIA	Buyer's Credit under the National Export Insurance Account
BNDES	Banco Nacional de Desenvolvimento Economico e Social
BOAD	West African Development Bank
BRICS	Association of five major developing economies: Brazil, Russia, India, China and South Africa
CAGR	Compound Annual Growth Rate
COMESA	Common Market for Eastern and Southern Africa
DFTP	A Duty-Free Tariff Preference
ECOWAS	Economic Community of West African States
FDI	Foreign direct investment
G-NEXID	Global Network of Exim Banks and Development Financial Institutions
ITC	International Trade Centre
KPDC	Kukuza Project Development Company
LDCs	Least Developed Countries
SACU	Southern African Custom Union
SADC	Southern African Development Community
SITA	Supporting Indian Trade and Investment for Africa
TDB	Eastern and Southern African Trade and Development Bank
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa

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Chapter One



Introduction and Executive Summary

Africa and India have social and economic relations dating back many centuries. Deepening relations have been reflected in the patterns of trade and investment, as well as people-to-people interactions, cultural exchanges and cooperation at the continental and at the regional and bilateral levels. Trade and investment relations have witnessed strong growth in the recent past, reflecting expanding economic opportunities in both Africa and India. The bilateral relationship has expanded to include socio-political and commercial issues, capacity building, development cooperation, and economic and technological initiatives.

As “development partners”, Africa and India have demonstrated eagerness and enthusiasm to enhance bilateral relations through initiatives that seek to strengthen their partnership against the backdrop of deepening South–South cooperation and mutually beneficial expectations and outcomes.

The robust growth in bilateral trade between Africa and India exemplifies the success of the growing partnership. Bilateral trade has risen over 10-fold from US\$7.2 billion in 2001 to about US\$78 billion in 2014, before moderating to about US\$59.9 billion in 2017, reflecting the commodity and oil price decline at the end of the commodity super-cycle, which was characterized by a synchronous slowdown in economic activity across a number of emerging and developing

market economies and by heightened financial market volatility.

The growing trade between India and Africa partly reflects India’s growing energy needs underpinned by increased mineral demand. For instance, since 2005, accelerated growth in India has led to huge increases in India’s imports of minerals and fuels from Africa. Trade development between the two sides has been anchored on the rise in crude oil imports from Africa, reinforced by simultaneous growth in India’s exports of refined petroleum products in the other direction, creating a symbiotic relationship between the two development partners. Given the dominance of crude petroleum in bilateral trade, India’s trade with Africa has unsurprisingly been driven by trade with the Western African region. However, over the last decade, interactions with other regions of Africa have strengthened, led mainly by Northern and Southern Africa. By 2013, Eastern Africa had also emerged to become India’s second-largest trading partner among the African regions.

Despite the impressive growth in trade, the composition of trade differs considerably between the two sides. Africa’s exports to India remain essentially concentrated in crude oil and primary commodities, while India’s exports to Africa are more diversified and include manufactured and technological-content products. While in the medium term it can be expected that this pattern will continue, especially with



India's energy deficit and strong demand for African fuels and minerals, ongoing efforts at diversifying sources of growth and structural transformation—given African countries' natural resource and labour cost advantages—should see the composition of trade evolve to include a greater proportion of manufactured, non-traditional and agro-processed exports from Africa to India. India's Duty-Free Tariff Preference scheme, which offers an added advantage to the exports of Africa's Least Developed Countries to India will further support this changing composition of trade. At the same time, as India moves up the technological ladder, its export basket is also likely to evolve further, with a greater proportion of technological and intellectual

property-based products exported to Africa. An assessment conducted as part of this study estimates the value of the bilateral trade potential between Africa and India in excess of US\$42 billion.

Bilateral investment flows have also increased considerably in the last decade. The attractiveness of Africa and India as investment destinations has risen in recent years on the back of strong economic growth, an improved business environment and better investment regulations, high rates of return on investment and a rising consumer market. Africa's resource endowments and energy security concerns in India have also stimulated investments.

India's foreign direct investment (FDI) stock in Africa rose from US\$11.9 billion in 2010 to US\$15.2 billion in 2014, over the same period, Africa's FDI stock in India increased from US\$57 billion to US\$73.3 billion, with investments in sectors including oil and gas, agriculture, retail, health care and telecommunications.

India's development cooperation with African countries has also evolved to include trade and investment, capacity building, technology transfer, and grants and concessional loans. At the same time, India is fostering development cooperation with African countries through initiatives such as the India-Africa Summits, becoming a member of the African Capacity Building Foundation, and launching the "Team 9" Initiative connecting India with francophone Africa. The cooperative measures undertaken during the India-Africa Summits provide further impetus to African countries to support key sectors such as agriculture and health care through greater Indian technological inputs and capacity development initiatives.¹ Indeed, while there is some literature on Africa-India trade developments, revisiting the bilateral trade relationship under the current world economic order and shifts in trading power globally, is not only critical, but would also

provide the requisite ingredient for policy discourse and formulation with a view to optimizing the mutual gains of such a long-standing bilateral relationship.

Against the background of deepening partnership between Africa and India, this report analyses the dynamics of trade and investment relations with the view to deriving maximum benefits by both parties. The rest of the report is organized as follows: Chapter 2 examines the evolution of Africa-India trade, highlights changes in trade content and composition, including volume and density. Chapter 3 looks at the potential and opportunities for expanding trade and investment relations between Africa and India by focusing on key sectors and products. It draws on empirical analysis, and particularly export potential, to shed more light on the future of trade and investment relations between the two sides. More emphasis is placed on product-market matching for key countries in Africa and India. It also highlights the significance of trade-enhancing investment in promoting trade between the two partners. Chapter 4 enumerates some key constraints (including finance, capacity and market access) to promoting trade between the two parties. As access to finance has often been singled out as a key constraint to trade, Chapter 5 reviews the roles of Afreximbank and Exim India in financing and facilitating international trade between Africa and India through the two Exim Banks' initiatives, and Chapter 6 concludes.

1 Rani D Mullen and Kashyap Arora, "India's Reinvigorated Relationship with Africa" Centre for Policy Research, Policy Brief, December 16, 2016.

END

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Chapter Two



The Evolution of Africa-India Trade

India and Africa share deep social and economic relations dating back thousands of years when Indian traders first sailed to the east coast of Africa in search of agricultural and animal products, gems and minerals. The establishment of the Omani suzerainty in the 17th century over Zanzibar and its hinterland reinforced this relationship, and some Indian merchants and business owners who live in Eastern Africa today trace their roots to this period. And a shared history of colonialism saw large inflows of Indian labourers and migrants to several African countries, with large Indian communities settling in East and Southern Africa as well as the island states of Mauritius and Madagascar.

Trade relations between India and Africa after independence reflected their shared colonial past, with Europe remaining the main trading partner. However, over the last decade, and with the emergence of the Global South, bilateral trade between India and Africa has recorded impressive growth with India emerging as Africa's fourth-largest trading partner. This has been supported by various initiatives undertaken by the government of India, including "Focus Africa" launched in March 2002, which aims at increasing interactions between the two regions through bilateral trade and investment; India's Duty-Free Tariff Preference scheme for the Least Developed Countries in 2008; and the institution of India-Africa Summits and private sector-led conclaves. These initiatives have succeeded

in lifting bilateral trade and investment flows between the two historical partners to new heights.

2.1 Recent Trends in India-Africa Trade

Bilateral trade between India and Africa has grown steadily over the years, characterized by the rise of both India and Africa's corresponding trading activities. Figure 2.1 shows the trend of bilateral trade from 2001 to 2017. Bilateral trade volumes have increased from just US\$7.2 billion in 2001 to peak at US\$78 billion in 2014, before falling to US\$59.9 billion in 2017. The decline in trade observed after 2014 mainly reflects the lingering effect of plummeting commodity prices and the synchronous slowdown in global economic activity after the end of the commodity super-cycle in mid-2014. Despite these developments, bilateral trade has recorded an average compound annual growth rate (CAGR) of 14.2 percent over the period, with India-Africa trade accounting for 8 percent of India's total trade and 6.4 percent of Africa's in 2017, against 7.6 percent and 2.7 percent, respectively, in 2001.

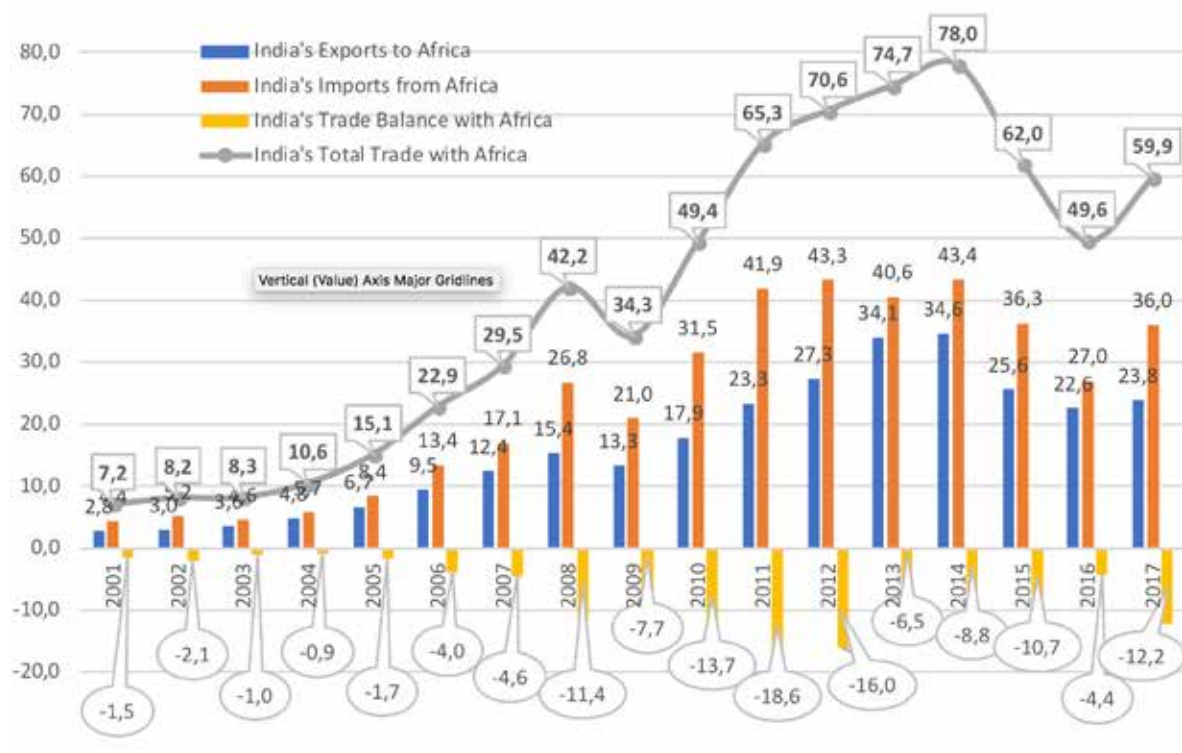
The strong growth in bilateral trade has been driven by growth in exports and imports. India's exports to Africa grew by a CAGR of 14.3 percent after 2001 to reach US\$23.8 billion in 2017, up from US\$2.8 billion in 2001. Exports to Africa now account for 8.0 percent of India's total

Figure 2.1 India-Africa Trade and its Share in Total Trade of India and Africa



Source: Afreximbank research (2018); Exim India research (2018); ITC Trade Map, UNCTADstat.

Figure 2.2 Trends in India-Africa Trade (US\$ billion)



Source: Afreximbank research (2018); Exim India research (2018); UNCTADstat, ITC Trade Map.

exports, and 4.6 percent of Africa's imports (Figure 2.2). During the same period, Africa's exports to India grew at a CAGR of 14.1 percent, increasing to US\$36.0 billion in 2017, up from US\$4.4 billion in 2001, with Africa now accounting for 8.0 percent of India's global imports and India now accounting for 8.7 percent of Africa's global exports. Over this period, Africa has enjoyed a trade surplus with India, peaking at US\$18.6 billion in 2011 before narrowing to US\$12.2 billion in 2017, largely as a result of the decline in global oil prices.

2.2 Analysis of Trade between India and Africa by Region and Country

2.2.1 India's Trade with Africa

The growth in India-Africa trade since the early 2000s has seen a shift in the

composition of India's export basket to Africa. In 2017, this basket was dominated by petroleum products, medicine and pharmaceutical products, and road vehicles which together accounted for 38.8 percent of India's exports to Africa (Table 2.1). Trend analysis shows that the share of textile yarns—a dominant product of India's exports to Africa in the early 2000s—has declined, while petroleum products have gained prominence. At the same time there has been diversification of traded components in the non-oil and non-pharmaceutical segments. South Africa, Mozambique, Mauritius, Kenya, and Tanzania accounted for over 82 percent of India's exports of petroleum products to Africa in 2017. Further, there has been a significant decline in the share of textile yarn and related products.

Table 2.1 India's Major Exports to Africa by Sector (% share in India's total exports)

Items	2001	2006	2011	2017
India's Total Exports to Africa	100.0	100.0	100.0	100.0
Petroleum, petroleum products and related materials	0.1	25.0	22.2	15.3
Medicinal and pharmaceutical products	9.0	7.8	9.0	13.0
Road vehicles	6.9	8.8	9.2	10.5
Cereals and cereal preparations	3.9	5.7	3.2	7.8
Textile yarn and related products	24.1	9.1	8.2	6.4
Specialized machinery	2.7	2.9	3.0	3.4
Iron and steel	6.6	6.3	4.7	3.1
Electrical machinery, apparatus and appliances, n.e.s.	2.5	2.2	3.3	3.0
Manufactures of metal, n.e.s.*	6.0	3.9	3.8	2.7
Organic chemicals	1.6	1.7	1.7	2.7
Other industrial machinery and parts	2.4	2.8	2.3	2.7
Articles of apparel & clothing accessories	3.6	1.4	1.9	2.6
Sugar, sugar preparations and honey	1.1	0.5	2.7	2.3
Miscellaneous manufactured articles, n.e.s.	3.6	2.0	1.9	2.1
Meat and meat preparations	2.6	1.4	2.1	2.0

Items	2001	2006	2011	2017
Non-metallic mineral manufactures, n.e.s.	1.8	1.1	1.2	1.7
Chemical materials and products, n.e.s.	0.9	1.1	1.1	1.6
Plastics in primary forms	1.0	1.3	1.2	1.6
Paper and paper manufactures	1.4	1.2	1.0	1.3
Other Transport Equipments	0.1	1.8	0.4	1.3

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

*n.e.s - not elsewhere specified

India's dependency on Africa's natural resources is shown in the import component of India from the region. The share of petroleum (mostly crude) in India's imports from Africa increased from around one-third in 2001 to over two-thirds in 2011, which then fell due to the fall in oil prices (Table 2.2). Nigeria and Angola are the major sources of petroleum, supplying 61.6 percent and 20.3 percent, respectively, of India's total imports of the product from Africa in 2017. The share of gold, which is the second-largest import from Africa, remains high. Whereas India depended solely on South Africa for its gold imports in 2001, by 2017, the share of South Africa fell to 22.8 percent, with Ghana (48.4 percent) and Tanzania (12.3 percent) emerging as new major exporters of gold to India. While the share of these two commodities has remained high since

2001, there has been a decline in the shares of inorganic chemicals and of metalliferous ores and metal scrap, which together accounted for around 7.1 percent of India's imports from Africa in 2017, down from over 28.5 percent in 2001. The period under analysis also saw an increase in the shares of commodities such as coal, coke and briquettes; non-metallic manufactures; and natural and manufactured gas exported to India. Countries such as South Africa and Mozambique supplied over 98 percent of India's imports of coal, coke and briquettes from Africa in 2017, while Botswana, Angola and South Africa together supplied over 84 percent of India's imports of non-metallic mineral manufactures from Africa in 2017. During the same period, around 90 percent of natural and manufactured gas sourced from Africa came from Nigeria, Angola and Equatorial Guinea.

Table 2.2 India's Major Imports from Africa by Sector (% share in India's total imports)

Items	2001	2006	2011	2017
India's Total Imports from Africa	100.0	100.0	100.0	100.0
Petroleum, petroleum products and related materials	34.3	67.2	68.7	41.7
Gold, non-monetary (excluding gold ores & concentrates)	13.9	6.9	10.6	14.9
Coal, coke and briquettes	2.5	1.0	2.9	10.0
Non-metallic mineral manufactures, n.e.s.	1.2	0.5	0.4	7.5
Gas, natural and manufactured	0.2	1.1	1.9	6.0
Vegetables and fruits	4.0	2.6	3.0	4.3
Metalliferous ores and metal scrap	14.2	3.3	2.3	3.9
Inorganic chemicals	14.3	7.2	3.8	3.2

Items	2001	2006	2011	2017
Non-ferrous metals	1.2	1.0	0.7	2.3
Crude fertilizers other than division 56, and crude minerals	1.3	1.2	1.0	1.0
Textiles fibres and their wastes	4.2	0.6	0.3	0.9
Pulp and waste paper	0.5	0.3	0.1	0.8
Cork and wood	2.4	1.0	0.6	0.6
Coffee, tea, cocoa, spices, and manufactures thereof	0.3	0.2	0.3	0.5
Power generating machinery and equipment	0.1	0.1	0.1	0.4
Iron and steel	0.6	1.3	0.2	0.3
Oil seeds and oleaginous fruits	0.0	0.1	0.0	0.2
Electrical machinery, apparatus and appliances, n.e.s.	0.4	0.1	0.1	0.2
Organic chemicals	0.6	0.4	0.2	0.2
Crude animal and vegetable materials, n.e.s.	0.3	0.8	0.1	0.1

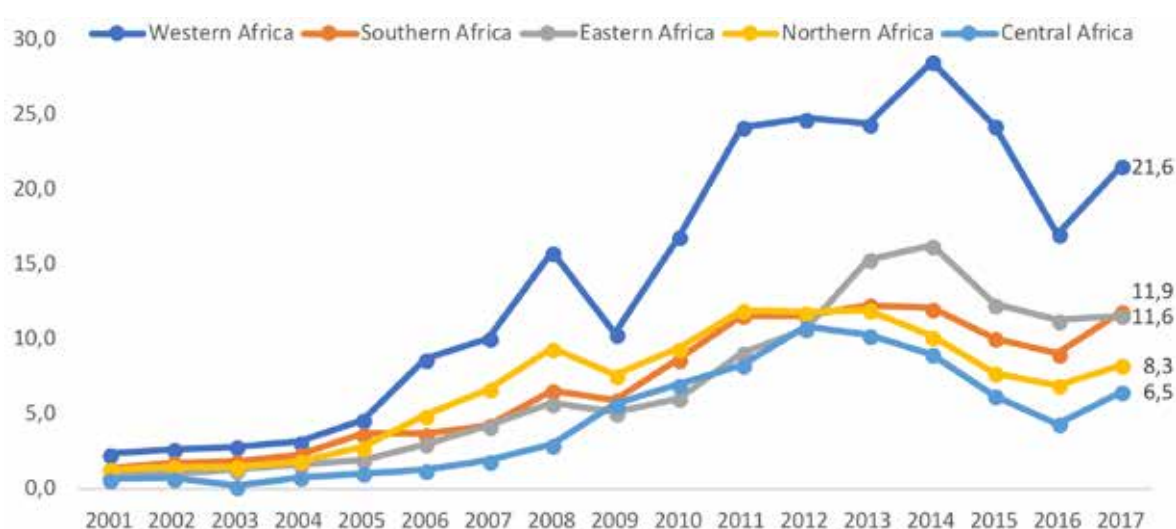
Source: Afreximbank research (2018); Exim India research (2018); UNCTADstat.

2.2.2 India's Trade with Africa—Regional Analysis

In this section, a trade analysis is carried out for the five regions of Africa—Eastern Africa, Western Africa, Northern Africa, Southern Africa and Central Africa. Given the dominance of petroleum in bilateral trade, India's trade with Africa has

unsurprisingly been dominated by trade with the Western African region. However, over the last decade interactions with all the regions of Africa have increased, led mainly by Northern and Southern Africa. The last decade also witnessed the growing importance of the Eastern African region as India's trading partner in Africa (Figure 2.3).

Figure 2.3 Trends in India's Trade with Regions in Africa (US\$ billion)

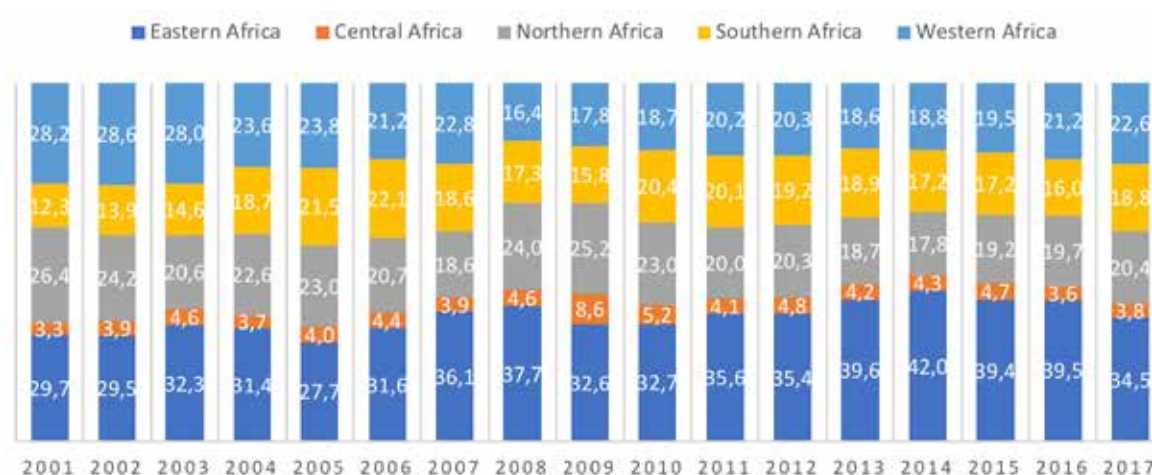


Source: Afreximbank research (2018); Exim India research (2018); UNCTADstat.

Eastern Africa has become India's largest export destination among the African regions with its share increasing from 29.7 percent in 2001 to 34.5 percent in 2017. Over the same period, the share of Western Africa in India's exports to Africa fell from 28.2 percent to 22.6 percent (Figure 2.4). On the other hand,

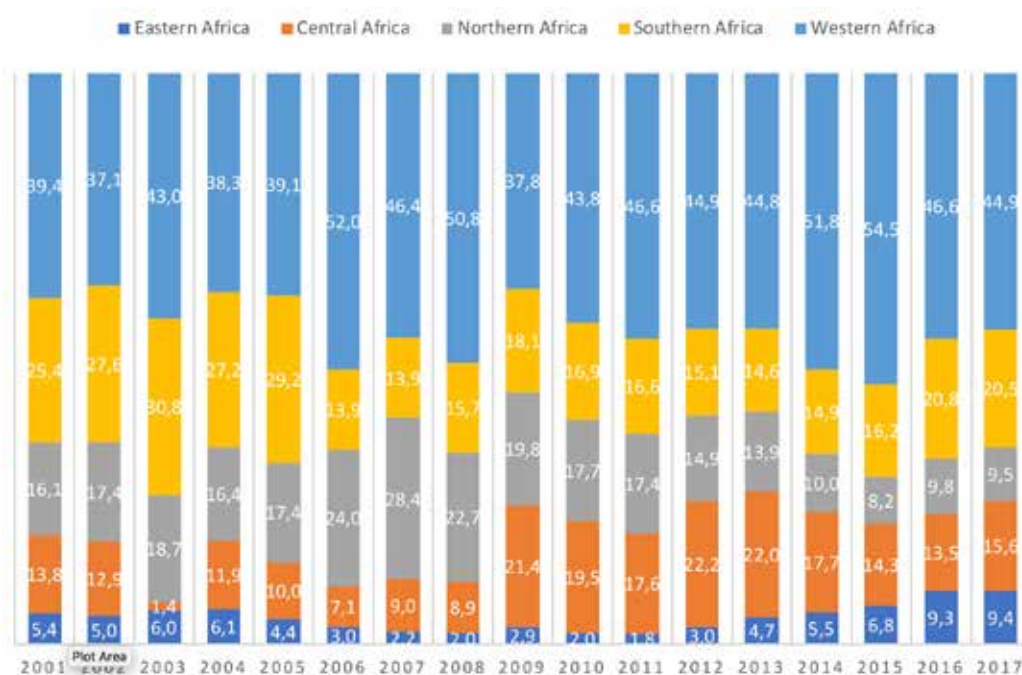
Africa's exports to India are dominated by the Western African region, whose share increased from 39.4 percent in 2001 to 44.9 percent in 2017. In 2017, the Southern African region was the second-largest import source for India, followed by the Central and Northern African regions (Figure 2.5).

Figure 2.4 Regional Shares in India's Exports to Africa (%)



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

Figure 2.5 Regional Shares in India's Imports from Africa (%)



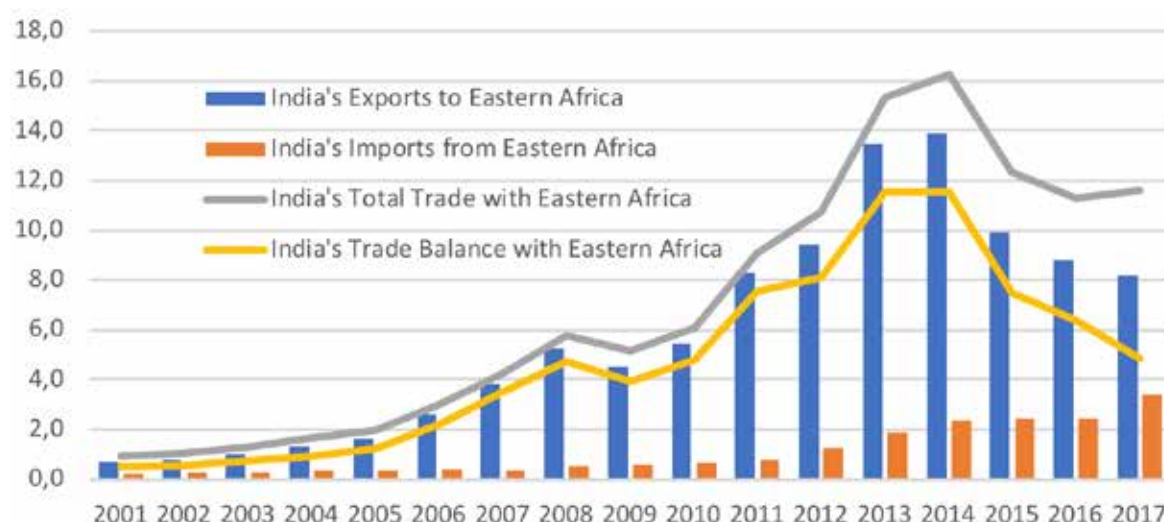
Source: Afreximbank research (2018); Exim India research (2018); UNCTADstat

2.2.2.1 India's Trade with Eastern Africa

India's total trade with Eastern African countries has strengthened, increasing from a meagre US\$0.9 billion in 2001 to US\$11.6 billion in 2017, peaking at US\$16.3 billion in 2014 and marking a CAGR of 17 percent. This growth was driven by India's growing exports to the region, which expanded from

US\$0.7 billion in 2001 to US\$8.2 billion in 2017. Eastern African exports to India also grew, reaching US\$3.4 billion in 2017 from US\$0.2 billion in 2001. India has enjoyed a trade surplus with Eastern Africa throughout the period, with the surplus increasing from US\$0.5 billion in 2001 to US\$4.8 billion in 2017, peaking at US\$11.6 billion in 2013 (Figure 2.6).

Figure 2.6 Trends in India's Trade with Eastern Africa (US\$ billion)



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

India's major exports to Eastern Africa include: petroleum, petroleum products and related materials, accounting for 25.6 percent of India's total exports to the region in 2017, and exported mainly to Kenya, Tanzania, Mozambique and Mauritius; medicinal and pharmaceutical products (15.2 percent), exported mainly to Kenya, Tanzania, Uganda and Ethiopia; and road vehicles (5.8 percent), exported mainly to Kenya, Ethiopia, Tanzania and Uganda (Table 2.3).

The changes in shares of these products in India's exports are notable. While the share of petroleum and related products has witnessed a huge increase (from 0.8 percent in 2001 to 25.6 percent in 2017), followed by medicinal and pharmaceutical products (from 9.2 percent in 2001 to 15.2 percent in 2017), the share of road vehicles declined

from 6.6 percent in 2001 to 5.8 percent in 2017. On similar lines, there has been a steep drop in the shares of exports of textile yarn and related products as well as iron and steel (see Table 2.3).

India's top imports from Eastern Africa include coal, coke and briquettes, mainly from Mozambique; gold, mainly from Tanzania; non-ferrous metals, mainly from Zambia and Madagascar; and vegetables and fruits, which are sourced mainly from Tanzania, Mozambique, Kenya and Malawi.

The shares in imports of these commodities have also varied quite a lot. While there have been large increases in shares of coal, coke and briquettes (0.6 percent in 2001 to 30.8 percent in 2017), gold (0 percent in 2001 to 19.5 percent in 2017), and non-ferrous

metals (0.5 percent in 2001 to 18.8 percent in 2017), the shares of vegetables and fruits, non-metallic mineral manufactures, textile

fibres and their wastes, crude fertilizers, and leather and its manufactures have tumbled over the period (Table 2.4).

Table 2.3 India's Major Exports to Eastern Africa (% share)

	2001	2006	2011	2017
Eastern Africa	100	100	100	100
Petroleum, petroleum products and related materials	0.8	35.4	36.6	25.6
Medicinal and pharmaceutical products	9.2	9.4	9.1	15.2
Road vehicles	6.6	3.8	4.1	5.8
Cereals and cereal preparations	2.0	2.8	2.0	5.3
Textile yarn and related products	24.0	7.0	4.1	4.4
Iron and steel	13.7	6.8	5.6	4.3
Specialised machinery	2.9	3.5	4.0	3.4
Sugar, sugar preparations and honey	1.0	1.2	4.8	3.2
Electrical machinery, apparatus and appliances, n.e.s.	2.3	2.6	3.7	2.8
Manufactures of metal, n.e.s.	4.0	2.4	3.6	2.5
Articles of apparel & clothing accessories	2.2	1.1	1.6	2.4
Other industrial machinery and parts	2.7	2.4	2.4	2.3
Miscellaneous manufactured articles, n.e.s.	4.0	2.3	1.9	2.3
Paper and paper manufactures	1.6	1.3	1.2	1.8
Chemical materials and products, n.e.s.	1.0	0.9	0.9	1.7
Non metallic mineral manufactures, n.e.s.	2.7	1.4	0.8	1.5
Footwear	0.1	0.1	0.1	1.5
Organic chemicals	1.1	0.8	0.7	1.4
Rubber manufactures, n.e.s.	3.4	2.4	1.4	1.3
Plastics in primary forms	0.9	1.2	1.0	1.2

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

Table 2.4 India's Major Imports from Eastern Africa (% share)

	2001	2006	2011	2017
Eastern Africa	100.0	100.0	100.0	100.0
Coal, coke and briquettes	0.6	0.0	2.0	30.8
Gold, non-monetary (excl. gold ores & concentrates)	0.0	2.6	0.0	19.5
Non-ferrous metals	0.5	6.2	7.2	18.8
Vegetables and fruits	39.2	25.1	39.7	10.7
Non metallic mineral manufactures, n.e.s.	19.2	6.7	6.5	5.5
Coffee, tea, cocoa, spices, and manufactures thereof	3.4	4.6	8.7	4.5

	2001	2006	2011	2017
Metalliferous ores and metal scrap	1.8	30.3	11.1	3.1
Petroleum, petroleum products and related materials	0.0	0.1	0.6	1.6
Cork and wood	0.4	1.2	2.0	1.0
Textiles fibres and their wastes	9.6	1.7	0.8	0.8
Oil seeds and oleaginous fruits	0.2	0.7	0.1	0.7
Inorganic chemicals	2.7	5.4	4.9	0.6
Essential oils for perfume materials and cleaning preparations	0.1	0.2	0.2	0.5
Leather, leather manufactures and dressed furskins	4.7	2.1	3.9	0.3
Electrical machinery, apparatus and appliances, n.e.s.	0.0	0.2	0.3	0.3
Crude fertilizers other than division 56, and crude minerals	6.9	4.2	2.6	0.3
Professional and scientific instruments, n.e.s.	0.1	0.2	0.4	0.2
Feedstuff for animals (excluding unmilled cereals)	0.0	0.0	0.0	0.1
Tobacco and tobacco manufactures	0.1	0.8	1.3	0.1
Other transport equipment	0.0	0.5	0.1	0.1

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

Tanzania is India's largest trading partner in Eastern Africa with 19.3 percent of India's total trade with the region in 2017, followed by Mozambique (17.9 percent), Kenya (15.7 percent), Mauritius (8.4 percent) and Ethiopia (8.3 percent). Countries such as Mozambique, Somalia, Madagascar, Rwanda, Zambia and Burundi have witnessed remarkable growth

in their total trade with India, with a CAGR of more than 20 percent from 2001 to 2017. Other countries with strengthening growth in total trade with India include Comoros (17.5 percent), Tanzania (16.7 percent), Uganda (16.5 percent), Djibouti (15.5 percent), Malawi and Kenya (CAGR of over 15 percent each) (Table 2.5).

Table 2.5 India's Trade with Eastern Africa by Country

Country	Total Trade (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
Tanzania	187.7	2236.3	19.3	16.7
Mozambique	36.7	2077.4	17.9	28.7
Kenya	192.3	1826.7	15.7	15.1
Mauritius	164.1	969.0	8.4	11.7
Ethiopia	111.3	967.9	8.3	14.5
Zambia	48.9	958.6	8.3	20.4
Uganda	60.6	698.8	6.0	16.5
Somalia	16.3	485.7	4.2	23.6
Madagascar	17.5	397.3	3.4	21.6
Malawi	27.5	270.1	2.3	15.3

Country	Total Trade (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
Djibouti	18.5	184.6	1.6	15.5
Zimbabwe	26.4	181.1	1.6	12.8
Rwanda	5.7	113.5	1.0	20.5
Burundi	4.3	85.2	0.7	20.6
South Sudan	0.0	64.5	0.6	-
Seychelles	6.0	45.5	0.4	13.5
Comoros	2.6	34.4	0.3	17.4
Eritrea	18.1	7.6	0.1	-5.2
Eastern Africa	944.5	11604.2	100.0	17.0

- Not Applicable. Source: Afreximbank research (2018); Exim India research (2018); UNCTADstat.

India's largest export destinations in Eastern Africa include Kenya, accounting for 21.4 percent of its exports to the region in 2017, followed by Tanzania, Mauritius, Ethiopia and Mozambique, which together accounted for 69.7 percent of its exports to the region in 2017. The growth rate of exports to this region has been remarkable, with exports

to countries such as Somalia, Mozambique, Rwanda, and Burundi recording a CAGR of more than 20 percent. Exports to other countries such as Madagascar, Tanzania, Zambia, Djibouti and Zimbabwe, also recorded noteworthy growth during 2001–17 (Table 2.6).

Table 2.6 India's Exports to Eastern Africa by Country

Country	India's Exports (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
Kenya	157.2	1757.6	21.4	16.3
Tanzania	85.9	1288.1	15.7	18.4
Mauritius	160.6	951.3	11.6	11.8
Ethiopia	91.5	920.4	11.2	15.5
Mozambique	26.7	808.1	9.8	23.8
Uganda	59.6	643.0	7.8	16.0
Somalia	10.5	481.7	5.9	27.0
Madagascar	15.5	272.3	3.3	19.6
Zambia	21.6	262.2	3.2	16.9
Malawi	25.6	252.9	3.1	15.4
Djibouti	15.0	181.3	2.2	16.9
Zimbabwe	11.2	135.1	1.6	16.8
Rwanda	5.7	110.3	1.3	20.4
Burundi	4.2	79.0	1.0	20.1
Seychelles	6.0	44.9	0.5	13.4
Comoros	1.9	15.2	0.2	13.9
Eritrea	14.1	5.5	0.1	-5.7
South Sudan	0.0	5.2	0.1	-
Eastern Africa	712.7	8214.1	100.0	16.5

- Not Applicable. Source: Afreximbank research (2018); Exim India research (2018); UNCTADstat.

India's major sources of imports in Eastern Africa include Mozambique, Tanzania, and Zambia, which together accounted for 86 percent of India's imports from the region in 2017. Trends in growth of India's imports from the region have been positive in most of the countries. During 2001–17, India's

imports grew faster from countries such as Mozambique (CAGR of 35.3 percent), Burundi (34.4 percent), Rwanda (29.7 percent), Madagascar (29.4 percent) and Uganda (28.4 percent). In contrast, India's imports from Eritrea, Somalia and Djibouti contracted during the same period (Table 2.7).

Table 2.7 India's Imports from Eastern Africa by Country

Country	India's Imports (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
Mozambique	10.1	1269.4	37.4	35.3
Tanzania	101.8	948.3	28.0	15.0
Zambia	27.3	696.4	20.5	22.4
Madagascar	2.0	125.0	3.7	29.4
Kenya	35.1	69.0	2.0	4.3
South Sudan	0.0	59.2	1.7	-
Uganda	1.0	55.9	1.6	28.4
Ethiopia	19.8	47.5	1.4	5.6
Zimbabwe	15.2	45.9	1.4	7.2
Comoros	0.7	19.2	0.6	22.7
Mauritius	3.5	17.6	0.5	10.6
Malawi	1.9	17.2	0.5	14.8
Burundi	0.1	6.2	0.2	34.5
Somalia	5.8	4.1	0.1	-2.2
Djibouti	3.5	3.3	0.1	-0.4
Rwanda	0.0	3.2	0.1	29.7
Eritrea	4.0	2.2	0.1	-3.7
Seychelles	0.0	0.6	0.0	23.5
Eastern Africa	231.8	3390.2	100.0	18.3

- Not Applicable. Source: Afreximbank research (2018); Exim India research (2018); UNCTADstat.

With the exceptions of Mozambique, Zambia, South Sudan and Comoros, India has maintained a positive trade balance with all of the Eastern African countries. In relative terms, India's trade balance with Kenya is the largest, followed by Mauritius, Ethiopia,

Uganda, Somalia and Tanzania. India's trade balance with Tanzania and Zimbabwe has moved from a deficit in 2001 to a surplus in 2017, driven by the sharp growth of Indian exports to these countries (Table 2.8).

Table 2.8 India's Trade Balance with Eastern Africa (US\$ million)

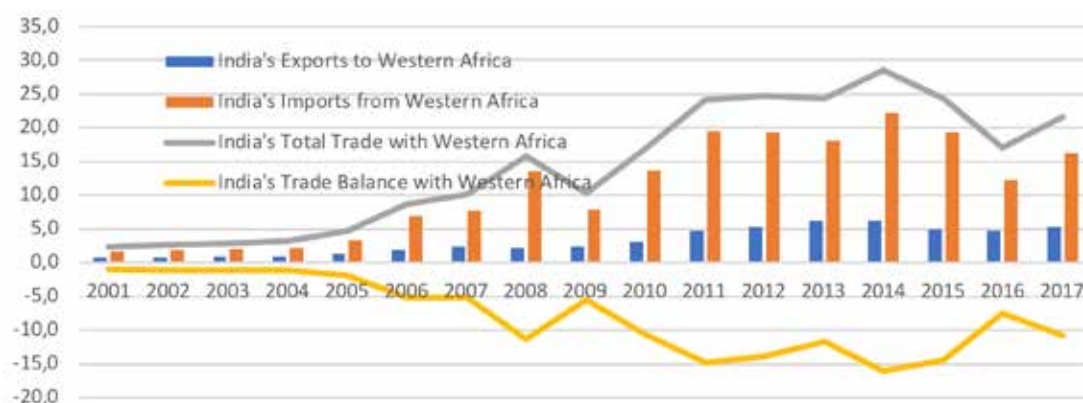
Country	2001	2017
Kenya	122.2	1688.6
Mauritius	157.0	933.7
Ethiopia	71.7	872.9
Uganda	58.6	587.1
Somalia	4.6	477.6
Tanzania	-15.9	339.8
Malawi	23.7	235.6
Djibouti	11.5	178.0
Madagascar	13.4	147.3
Rwanda	5.6	107.1
Zimbabwe	-4.0	89.2
Burundi	4.2	72.8
Seychelles	6.0	44.3
Eritrea	10.1	3.3
Comoros	1.2	-3.9
South Sudan	0.0	-54.0
Zambia	-5.7	-434.2
Mozambique	16.6	-461.3
Eastern Africa	480.9	4823.9

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

2.2.2.2 India's Trade with Western Africa

India's trade with Western Africa stands in contrast to that of Eastern Africa. Although India's total trade with Western Africa has also increased sharply, with a CAGR of nearly 15 percent from US\$2.4 billion in 2001 to US\$21.6 billion in 2017, it is mainly driven by India's growing imports from the region,

which have expanded from US\$1.7 billion in 2001 to US\$16.2 billion in 2017. Unlike Eastern Africa, India's exports to Western Africa have remained relatively sluggish, climbing to US\$5.4 billion in 2017 from US\$0.7 billion in 2001. The trade surplus accumulated by Western Africa increased from US\$1 billion in 2001 to US\$16.1 billion in 2014 (Figure 2.7), before declining sharply to US\$10.8 billion in 2017.

Figure 2.7 Trends in India's Trade with Western Africa (US\$ billion)

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

India's top exports to Western Africa include cereals and cereal preparations, which accounted for 20.3 percent of India's total exports to the region in 2017, with Benin, Guinea, Senegal and Côte d'Ivoire the primary destinations. Medicinal and pharmaceutical products were other key products, accounting for 12.3 percent of India's exports, mainly to Nigeria, Ghana and Guinea; road vehicles (9.9 percent), primarily to Nigeria, Senegal, Ghana and Guinea; and textile yarn and related products (8.1 percent), mostly to Senegal, Togo, Nigeria and Ghana (Table 2.9).

From 2001 to 2017, the products that witnessed a rise in share include cereal and cereal preparations (from 5.6 percent to 20.3 percent), followed by petroleum and related products (from 0 percent to 5.9 percent), other transport equipment (from 0.2 percent to 2.2 percent), electrical machinery (from 2.8 percent to 4.0 percent) and medicinal and pharmaceutical products (from 11.5 percent to 12.3 percent). In contrast, the share of exports of textile yarn and related products fell sharply (from 19.3 percent to 8.1 percent) while that of manufactures of metals declined from 7.1 percent to 3.7 percent.

Table 2.9 India's Major Exports to Western Africa (% share)

Western Africa	2001	2006	2011	2017
Cereals and cereal preparations	5.6	15.4	7.0	20.3
Medicinal and pharmaceutical products	11.5	10.4	10.7	12.3
Road vehicles	9.3	4.8	8.7	9.9
Textile yarn and related products	19.3	7.2	7.8	8.1
Specialised machinery	8.5	8.4	3.7	4.3
Electrical machinery, apparatus and appliances, n.e.s.	2.8	4.3	6.4	4.0
Petroleum, petroleum products and related materials	0.0	2.4	7.1	3.7
Manufactures of metal, n.e.s.	7.1	5.0	4.6	3.7
Other industrial machinery and parts	3.5	5.8	4.7	3.2
Iron and steel	5.6	5.9	7.3	2.8
Miscellaneous manufactured articles, n.e.s.	2.0	2.5	2.3	2.5
Articles of apparel & clothing accessories	1.9	0.6	0.9	2.5
Organic chemicals	1.8	1.7	2.2	2.2
Other transport equipment	0.2	0.4	0.2	2.2
Paper and paper manufactures	2.1	3.0	1.9	1.7
Chemical materials and products, n.e.s.	0.7	2.4	1.8	1.7
Plastics in non-primary forms	1.1	1.9	2.0	1.6
Plastics in primary forms	0.5	1.0	1.9	1.4
Coffee, tea, cocoa, spices, and manufactures thereof	0.2	0.2	0.6	1.1
Power generating machinery and equipment	3.0	1.9	1.2	1.0

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

The top commodities imported by India from Western Africa include petroleum, petroleum products and related materials, which accounted for 57.1 percent of India's total imports from the region in 2017, primarily imported from Nigeria; followed by gold (21.5 percent of India's imports

from the region), which is mainly sourced from Ghana, Burkina Faso, Guinea and Mali; natural and manufactured gas (7.1 percent), from Nigeria; and vegetable and fruits (6.8 percent), sourced mainly from Côte d'Ivoire, Ghana, Guinea Bissau, and Benin. (Table 2.10).

From 2001 to 2017, there have been sharp increases in the shares of imports of gold (0 percent to 21.5 percent), natural and manufactured gas (0 percent to 7.1 percent) and vegetables and fruits (4.8 percent to

6.8 percent), but the shares of imports of petroleum, petroleum products and related materials, cork and wood, inorganic chemicals, and textile fibres and their wastes have plunged.

Table 2.10 India's Major Imports from Western Africa (% share)

Western Africa	2001	2006	2011	2017
Petroleum, petroleum products and related materials	75.5	88.3	85.7	57.1
Gold, non-monetary (excl. gold ores and concentrates)	0.0	0.0	0.0	21.5
Gas, natural and manufactured	0.0	0.0	2.4	7.1
Vegetables and fruits	4.8	3.5	4.9	6.8
Inorganic chemicals	5.6	1.4	1.9	2.5
Metalliferous ores and metal scrap	0.4	1.1	1.3	1.6
Textiles fibres and their wastes	6.0	0.1	0.0	1.1
Cork and wood	5.0	1.3	1.1	0.7
Crude fertilizers other than div. 56 & crude minerals	1.3	0.5	0.4	0.3
Crude rubber (including synthetic and reclaimed)	0.0	0.0	0.9	0.2
Coffee, tea, cocoa, spices, and manufactures thereof	0.2	0.2	0.3	0.2
Oil seeds and oleaginous fruits	0.0	0.2	0.0	0.2
Other transport equipment	0.1	1.2	0.0	0.2
Electrical machinery, apparatus and appliances, n.e.s.	0.0	0.0	0.0	0.1
Leather, leather manufactures and dressed furskins	0.0	0.0	0.1	0.1
Non-ferrous metals	0.0	0.2	0.4	0.1
Crude animal and vegetable materials, n.e.s.	0.1	1.4	0.1	0.1

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

Nigeria is India's largest trading partner in Western Africa with 57.0 percent of India's total trade with the region in 2017, followed by Ghana (16.1 percent), Senegal (5.0 percent) and Côte d'Ivoire (4.5 percent).

Countries such as Ghana, Burkina Faso, Guinea, Cabo Verde and Liberia have witnessed remarkable growth in total trade with India, with a CAGR of more than 20 percent between 2001 and 2017 (Table 2.11).

Table 2.11 India's Trade with Western Africa by Country

Country	India's Total Trade (US\$ million)		Share in 2017 (%)	CAGR (2001-17) (%)
	2001	2017		
Nigeria	1727.5	12304.3	57.0	13.1
Ghana	78.9	3467.9	16.1	26.7
Senegal	144.5	1075.7	5.0	13.4
Côte d'Ivoire	132.1	979.8	4.5	13.3
Burkina Faso	15.1	776.5	3.6	27.9
Guinea	16.8	718.7	3.3	26.5
Benin	90.3	649.3	3.0	13.1

Country	India's Total Trade (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
Togo	34.6	343.6	1.6	15.4
Liberia	14.8	308.2	1.4	20.9
Guinea-Bissau	39.6	296.2	1.4	13.4
Mali	23.9	239.3	1.1	15.5
Niger	23.1	138.7	0.6	11.8
Gambia	8.1	121.5	0.6	18.4
Sierra Leone	12.8	107.1	0.5	14.2
Mauritania	9.6	48.1	0.2	10.6
Cabo Verde	0.1	3.6	0.0	25.2
Western Africa	2371.6	21578.3	100.0	14.8

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

Major destinations for India's exports in Western Africa include Nigeria, Senegal and Ghana, which together accounted for over 56 percent of India's exports to the region in 2017. India's exports to Liberia, Senegal, Burkina Faso and Guinea and have recorded

a CAGR of more than 20 percent during 2001–17, while exports to other countries, including Benin, Côte d'Ivoire and Cabo Verde, also recorded strong growth during the same period (Table 2.12).

Table 2.12 India's Exports to Western Africa by Country

Country	India's Exports (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
Nigeria	403.8	1796.6	33.4	9.8
Senegal	20.9	630.1	11.7	23.7
Ghana	62.7	595.4	11.1	15.1
Benin	29.0	473.0	8.8	19.1
Côte d'Ivoire	36.4	467.1	8.7	17.3
Guinea	13.5	282.8	5.3	21.0
Liberia	6.5	268.7	5.0	26.2
Togo	24.5	238.4	4.4	15.3
Burkina Faso	6.9	166.0	3.1	22.0
Mali	17.4	133.6	2.5	13.6
Niger	20.6	109.3	2.0	11.0
Sierra Leone	12.3	91.2	1.7	13.3
Gambia	7.8	77.7	1.4	15.5
Mauritania	9.5	46.0	0.9	10.3
Guinea-Bissau	6.1	7.5	0.1	1.3
Cabo Verde	0.1	1.2	0.0	17.2
Nigeria	403.8	1796.6	33.4	9.8

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

Nigeria emerged as India's largest source of imports in Western Africa, accounting for 64.9 percent of India's imports from the region in 2017, followed by Ghana, Burkina Faso and Côte d'Ivoire. Trends in growth of India's imports from the region

have also been positive in all the countries in the region, with Ghana, Gambia, Guinea, Mauritania, Burkina Faso and Sierra Leone witnessing CAGRs of over 20 percent (Table 2.13).

Table 2.13 India's Imports from Western Africa by Country

Country	India's Imports (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
Nigeria	1323.7	10507.7	64.9	13.8
Ghana	16.2	2872.5	17.7	38.2
Burkina Faso	8.2	610.6	3.8	30.9
Côte d'Ivoire	95.7	512.7	3.2	11.1
Senegal	123.5	445.6	2.8	8.3
Guinea	3.3	435.8	2.7	35.7
Guinea-Bissau	33.5	288.7	1.8	14.4
Benin	61.3	176.3	1.1	6.8
Mali	6.5	105.7	0.7	19.1
Togo	10.1	105.2	0.6	15.8
Gambia	0.3	43.8	0.3	35.7
Liberia	8.3	39.5	0.2	10.2
Niger	2.5	29.3	0.2	16.5
Sierra Leone	0.4	15.9	0.1	25.3
Cabo Verde	0.0	2.3	0.0	-
Mauritania	0.0	2.1	0.0	34.8
Western Africa	1693.6	16193.8	100.0	15.2

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

India's trade balance with Western African countries varies. While it has a trade surplus with nine countries, including Benin, Liberia, Senegal and Togo, its trade deficit with the other seven countries heavily outweighs this surplus (Table 2.14). India's trade deficit with Nigeria is the largest in the region, driven by petroleum and related products, which account for the lion's share of the trade deficit of India with the entire Western African region.

2.2.2.3 India's Trade with Northern Africa

India's total trade with Northern Africa has also increased, growing at a CAGR of

12.1 percent, from US\$1.3 billion in 2001 to US\$8.3 billion in 2017. After an initial period of slow growth, exports and imports accelerated from 2006, with a moderation in the aftermath of the global financial crisis in 2008. While the period after 2011 saw steadily declining imports, exports of the region to India recovered in 2017 reaching US\$3.4 billion. At the same time, India's exports to the region also rebounded to reach US\$4.9 billion that year. The trade balance between India and Northern Africa has risen from a small deficit of US\$0.1 billion in 2001 to a surplus of US\$1.4 billion in 2017 (Figure 2.8).

Table 2.14 India's Trade Balance with Western Africa (US\$ million)

Country	2001	2017
Benin	-32.4	296.7
Liberia	-1.9	229.2
Senegal	-102.6	184.5
Togo	14.4	133.2
Niger	18.1	80.0
Sierra Leone	11.9	75.3
Mauritania	9.5	43.9
Gambia	7.4	33.9
Mali	11.0	27.9
Cabo Verde	0.1	-1.1
Côte d'Ivoire	-59.2	-45.6
Guinea	10.2	-153.0
Guinea-Bissau	-27.4	-281.3
Burkina Faso	-1.3	-444.6
Ghana	46.5	-2277.1
Nigeria	-919.9	-8711.1
Western Africa	-1015.6	-10809.2

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

Figure 2.8 Trends in India's Trade with Northern Africa (US\$ billion)



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

India's top exports to Northern Africa include textile yarn and related products, which accounted for 11.2 percent of the country's total exports to the region in 2017, and road vehicles (10.6 percent)—these goods are exported mainly to Egypt, Algeria, Tunisia, Morocco and Sudan; meat and meat preparations (7.6 percent), also mainly exported to Egypt and Algeria; petroleum, petroleum products (6.9 percent), mainly exported to Egypt and Morocco; medicinal and pharmaceutical products (5.7 percent), mainly to Egypt, Sudan, Algeria and Morocco; and organic

chemicals (4.5 percent), to Egypt, Algeria, Morocco and Tunisia (Table 2.15).

Among these, the products that saw a rise in share between 2001 and 2017 include road vehicles (6.6 percent to 10.6 percent), followed by petroleum, petroleum products (0.1 percent to 6.9 percent), medicinal and pharmaceutical products (3.2 percent to 5.7 percent), and organic chemicals (1.7 percent to 4.5 percent). In contrast, the share in exports of textile yarn and related products fell from 20.8 percent to 11.2 percent.

Table 2.15 India's Major Exports to Northern Africa (% share)

Northern Africa	2001	2006	2011	2017
Textile yarn and related products	20.8	13.6	15.4	11.2
Road vehicles	6.6	14.0	12.4	10.6
Meat and meat preparations	7.4	0.6	7.9	7.6
Petroleum, petroleum products and related materials	0.1	11.4	5.3	6.9
Medicinal and pharmaceutical products	3.2	3.6	3.4	5.7
Organic chemicals	1.7	2.4	2.7	4.5
Sugar, sugar preparations and honey	2.5	0.3	5.1	4.4
Plastics in primary forms	1.9	3.3	2.3	3.4
Other industrial machinery and parts	2.6	3.0	3.8	3.4
Electrical machinery, apparatus and appliances, n.e.s.	2.9	3.0	2.9	3.3
Specialised machinery	1.4	3.5	3.7	3.3
Articles of apparel & clothing accessories	0.9	0.9	0.8	2.9
Coffee, tea, cocoa, spices, and manufactures thereof	2.2	1.0	2.1	2.9
Iron and steel	8.3	8.4	4.0	2.9
Cereals and cereal preparations	3.7	1.6	0.6	2.6
Other transport equipment	0.0	0.4	0.2	2.6
Miscellaneous manufactured articles, n.e.s.	2.0	1.6	1.2	1.9
Chemical materials and products, n.e.s.	0.8	1.2	1.7	1.8
Manufactures of metal, n.e.s.	3.5	6.2	2.6	1.8
Power generating machinery and equipment	2.6	1.9	1.4	1.7

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

The top products imported by India from Northern Africa include petroleum, petroleum products and related materials, which accounted for 53.6 percent of India's total imports from the region in 2017, primarily from Algeria and Egypt. These are followed

by inorganic chemicals (18.1 percent), sourced mainly from Morocco and Tunisia; and crude fertilizers other than division 56 and crude minerals (8.1 percent), sourced mainly from Morocco and Egypt) (Table 2.16).

While there have been improvements in the shares of imports of petroleum, petroleum products and related materials (from 27.8 percent in 2001 to 53.6 percent in 2017), of crude fertilizers (1.2 percent in 2001 to 8.1

percent in 2017) and of vegetables and fruits (0 percent in 2001 to 2.0 percent in 2017), the shares of imports of inorganic chemicals and of textile fibres and their wastes have fallen sharply.

Table 2.16 India's Major Imports from Northern Africa (% share)

Northern Africa	2001	2006	2011	2017
Petroleum, petroleum products and related materials	27.8	62.7	66.2	53.6
Inorganic chemicals	56.5	19.2	14.0	18.1
Crude fertilizers other than division 56, and crude minerals	1.2	3.2	4.1	8.1
Gas, natural and manufactured	0.4	4.6	4.5	5.6
Metalliferous ores and metal scrap	0.9	1.0	1.2	2.1
Vegetables and fruits	0.0	0.0	0.1	2.0
Textiles fibres and their wastes	5.3	1.9	1.2	1.8
Coal, coke and briquettes	0.0	0.0	0.1	1.3
Non metallic mineral manufactures, n.e.s.	0.0	0.1	0.3	1.0
Oil seeds and oleaginous fruits	0.0	0.0	0.0	0.9
Crude animal and vegetable materials, n.e.s.	0.2	0.2	0.3	0.9
Fertilizers other than group 272	3.9	3.2	6.0	0.7
Cork and wood	0.0	0.1	0.2	0.6
Leather, leather manufactures and dressed furskins	1.4	0.3	0.3	0.5
Electrical machinery, apparatus and appliances, n.e.s.	0.3	0.2	0.1	0.4
Textile yarn and related products	0.1	0.1	0.2	0.4
Pulp and waste paper	0.0	0.1	0.1	0.4
Essential oils for perfume materials and cleaning preparations	0.0	0.0	0.0	0.3
Non-ferrous metals	0.0	0.2	0.2	0.2
Chemical materials and products, n.e.s.	0.0	0.0	0.1	0.2

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

Egypt is India's largest trading partner in the Northern Africa region accounting for over 40 percent of India's total trade with the region in 2017, followed by Algeria (23.5 percent) and Morocco (15.2 percent). Algeria

recorded the highest growth rate of trade with India with a CAGR of 26.7 percent, followed by Sudan (14.6 percent) and Egypt (11.6 percent).

Table 2.17 India's Trade with Northern Africa by Country

Country	India's Total Trade (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
Egypt	583.6	3363.6	40.5	11.6
Algeria	44.0	1948.7	23.5	26.7
Morocco	362.3	1273.1	15.3	8.2
Sudan	132.4	1163.4	14.0	14.6
Tunisia	153.0	405.4	4.9	6.3
Libya	51.1	140.8	1.7	6.5
Northern Africa	1326.3	8295.0	100.0	12.1

Source: UNCTADstat; Exim India research.

Major destinations for India's exports in Northern Africa include Egypt, accounting for 46.1 percent of India's exports to the region in 2017, followed by Algeria (18.8 percent) and Sudan (16.6 percent). India's

exports to Algeria at a CAGR of 23.2 percent during 2001–17, the highest within the region. Exports to other countries, notably Libya and Morocco also recorded impressive growth during the period (Table 2.18).

Table 2.18 India's Exports to Northern Africa by Country

Country	India's Exports (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
Egypt	384.8	2241.7	46.1	11.6
Algeria	32.2	913.2	18.8	23.2
Sudan	109.3	810.1	16.6	13.3
Morocco	57.2	499.0	10.3	14.5
Tunisia	42.4	288.1	5.9	12.7
Libya	8.3	114.7	2.4	17.8
Northern Africa	634.2	4866.7	100.0	13.6

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

Egypt is also India's largest source of imports in Northern Africa (32.7 percent in 2017), followed closely by Morocco (30.2 percent) and Algeria (22.6 percent). Trends in growth of India's imports from the region

have been steady in most countries, with higher growth in Algeria, which posted a CAGR of 32.3 percent over the period. Libya witnessed a contraction (with a CAGR of -3.0 percent) during the period (Table 2.19).

Table 2.19 India's Imports from Northern Africa by Country

Country	India's Imports (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
Egypt	198.8	1121.8	32.7	11.4
Algeria	11.8	1035.5	30.2	32.3
Morocco	305.1	774.1	22.6	6.0
Sudan	23.0	353.3	10.3	18.6
Tunisia	110.6	117.3	3.4	0.4
Libya	42.8	26.2	0.8	-3.0
Northern Africa	692.1	3428.3	100.0	10.5

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

India's trade balance with Northern African countries stands at a surplus with all countries except Algeria and Morocco. India's trade surplus in the region was the highest in Egypt at US\$1.1 billion in 2017; the deficit

with Morocco was US\$0.3 billion during the same year. India's trade deficits with Tunisia and Libya in 2001 have turned to trade surpluses (Table 2.20).

Table 2.20 India's Trade Balance with Northern Africa (US\$ million)

Country	2001	2017
Egypt	185.9	1119.9
Sudan	86.3	456.8
Tunisia	-68.2	170.8
Libya	-34.5	88.5
Algeria	20.5	-122.3
Morocco	-248.0	-275.2
Northern Africa	-57.9	1438.5

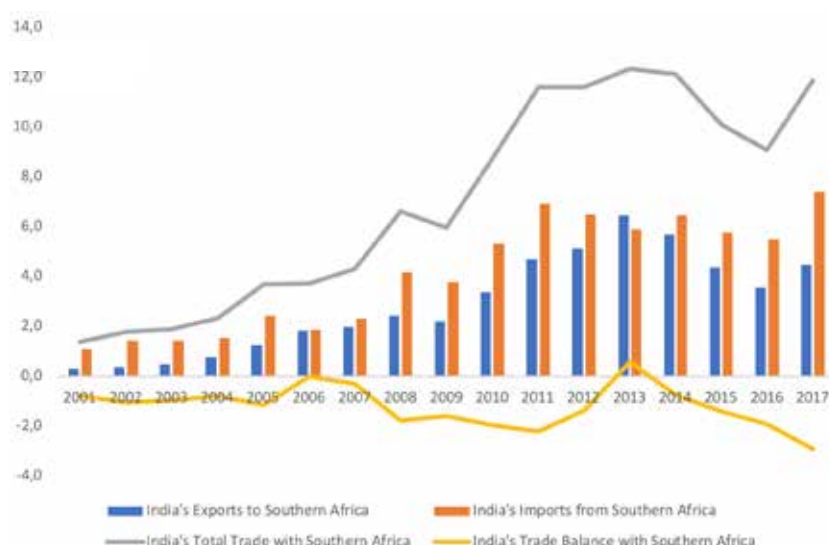
Source: Afreximbank research (2018); Exim India research (2018); UNCTADstat.

2.2.2.4 India's Trade with Southern Africa

India's trade with Southern African countries has increased from US\$1.4 billion in 2001 to US\$11.9 billion in 2017, peaking at US\$12.3 billion in 2014, with a CAGR of 14.1 percent. India's exports to the region expanded from US\$0.3 billion

in 2001 to US\$4.5 billion in 2017. Imports also recorded impressive growth, climbing to US\$7.4 billion in 2017 from US\$1.1 billion in 2001. Except for 2013, the trade balance between India and Southern Africa remained in deficit throughout the period, increasing from US\$0.8 billion to US\$2.9 billion (Figure 2.9).

Figure 2.9 Trends in India's Trade with Southern Africa (US\$ billion)



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

India's major exports to Southern Africa include petroleum, petroleum products and related materials, which accounted for 21.7 percent of India's total exports to the region in 2017; road vehicles (20.5 percent), which are predominantly exported to South Africa; and medicinal and pharmaceutical products (15.0 percent), mainly to South Africa, Botswana and Swaziland (Table 2.21).

The products that registered a large upswing in trade between 2001 and 2017 include petroleum, petroleum products and related materials (1.5 percent to 21.7 percent), followed by road vehicles (3.7 percent to 20.5 percent), and medicinal and pharmaceutical products (4.9 percent to 15.0 percent). In contrast, the share of textile yarn and related products dropped from 13.5 percent to 2.8 percent.

The top products imported by India from Southern Africa include coal, coke and

briquettes, which accounted for 34 percent of India's total imports from the region in 2017, mainly from South Africa. These are followed by non-metallic mineral manufactures (23.9 percent), primarily sourced from Botswana and South Africa; gold (16.5 percent) mainly from South Africa; and metalliferous ores and metal scrap (10.2 percent), again mainly sourced from South Africa (Table 2.22).

While the period from 2001 to 2017 has seen large increases in shares in imports of coal, coke and briquettes (9.8 percent to 34 percent), of non-metallic mineral manufactures (0.2 percent to 23.9 percent) and of metalliferous ores and metal scrap (3.9 percent to 10.2 percent), the share of imports of gold has reduced to one-third over the period (54.7 percent to 16.5 percent).

Table 2.21 India's Major Exports to Southern Africa (% share)

Southern Africa	2001	2006	2011	2017
Petroleum, petroleum products and related materials	1.5	28.2	33.2	21.7
Road vehicles	3.7	16.3	16.5	20.5
Medicinal and pharmaceutical products	4.9	4.5	7.9	15.0
Organic chemicals	3.2	3.5	2.7	3.6
Non metallic mineral manufactures, n.e.s.	2.7	2.2	2.5	3.2
Articles of apparel & clothing accessories	9.7	2.6	2.3	3.1
Specialised machinery	2.2	1.8	1.9	3.0
Cereals and cereal preparations	6.1	5.1	1.8	3.0
Textile yarn and related products	13.5	4.1	3.1	2.8
Manufactures of metal, n.e.s.	6.0	3.0	3.7	2.6
Electrical machinery, apparatus and appliances, n.e.s.	3.2	2.2	2.0	2.0
Other industrial machinery and parts	2.9	2.0	1.8	1.9
Iron and steel	5.4	7.9	2.1	1.6
Essential oils for perfume materials & cleaning preparations	0.8	0.5	0.7	1.3
Plastics in non-primary forms	0.7	0.7	1.5	1.2
Miscellaneous manufactured articles, n.e.s.	5.1	2.0	1.4	1.1
Chemical materials and products, n.e.s.	1.5	0.9	0.9	1.1
Dyeing, tanning and colouring materials	1.9	0.6	0.7	1.1
Rubber manufactures, n.e.s.	2.0	1.1	0.9	1.0
Coffee, tea, cocoa, spices, and manufactures thereof	1.9	0.6	0.9	0.8
Petroleum, petroleum products and related materials	1.5	28.2	33.2	21.7

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

Table 2.22 India's Major Imports from Southern Africa (% share)

Southern Africa	2001	2006	2011	2017
Coal, coke and briquettes	9.8	6.9	17.0	34.0
Non metallic mineral manufactures, n.e.s.	0.2	1.8	1.6	23.9
Gold, non-monetary (excluding gold ores and concentrates)	54.7	48.9	64.3	16.5
Metalliferous ores and metal scrap	3.9	7.5	5.7	10.2
Pulp and waste paper	2.0	2.2	0.8	3.5
Power generating machinery and equipment	0.4	0.6	0.5	1.8
Non-ferrous metals	4.2	4.3	1.8	1.7
Petroleum, petroleum products and related materials	0.4	0.8	0.3	1.6
Iron and steel	2.4	5.3	1.3	1.4
Inorganic chemicals	11.3	12.0	2.6	1.3
Organic chemicals	1.6	1.8	0.8	0.7
Cork and wood	0.4	0.0	0.0	0.4
Vegetables and fruits	0.0	0.1	0.1	0.4
Crude fertilizers other than division 56, and crude minerals	0.9	0.3	0.2	0.3
Other industrial machinery and parts	0.8	0.6	0.4	0.2

Southern Africa	2001	2006	2011	2017
Dyeing, tanning and colouring materials	0.1	0.4	0.1	0.2
Electrical machinery, apparatus and appliances, n.e.s.	1.3	0.3	0.1	0.2
Professional and scientific instruments, n.e.s.	0.1	0.2	0.1	0.2
Road vehicles	0.2	0.2	0.2	0.2
Textiles fibres and their wastes	0.6	0.4	0.3	0.1

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

South Africa remains India's largest trading partner in Southern Africa, accounting for 84.2 percent of India's total trade with the region in 2017, followed by Botswana and

Namibia. Countries such as Lesotho and Botswana have seen strong growth in trade with India, with CAGRs of more than 40 percent between 2001 and 2017 (Table 2.23).

Table 2.23 India's Trade with Southern Africa by Country

Country	India's Total Trade (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
South Africa	1371.8	9987.1	84.2	13.2
Botswana	5.5	1621.1	13.7	42.6
Namibia	6.6	141.1	1.2	21.1
Lesotho	0.1	72.2	0.6	51.1
Swaziland	1.0	44.6	0.4	26.5
Southern Africa	1385.0	11866.1	100.0	14.4

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

South Africa is also the major market for India's exports to Southern Africa—93.3 percent in 2017—followed by Botswana

and Namibia. Lesotho and Swaziland have recorded CAGRs of more than 20 percent during 2001–17 (Table 2.24).

Table 2.24 India's Exports to Southern Africa by Country

Country	India's Exports (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
South Africa	282.3	4176.0	93.3	18.3
Botswana	5.5	154.6	3.5	23.2
Namibia	6.5	85.6	1.9	17.5
Swaziland	0.8	38.6	0.9	27.2
Lesotho	0.1	23.5	0.5	40.9
Southern Africa	295.2	4478.2	100.0	18.5

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

South Africa is India's largest source of imports in Southern Africa, accounting for 78.7 percent of India's imports from the region in 2017, followed by Botswana, together accounting for 98.6 percent of India's imports from the

Southern Africa region. Trends in growth of India's imports from the region have also been positive for all countries, with much higher growth in countries such as Botswana and Namibia (Table 2.25).

Table 2.25 India's Imports from Southern Africa by Country

Country	India's Imports (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
South Africa	1089.4	5811.1	78.7	11.0
Botswana	0.1	1466.6	19.9	86.8
Namibia	0.1	55.5	0.8	46.0
Lesotho	0.0	48.7	0.7	-
Swaziland	0.2	6.0	0.1	23.1
Southern Africa	1089.9	7387.9	100.0	12.7

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

India's trade balance with Southern African countries varies. The country has a trade surplus with two countries—Namibia and Swaziland—and a deficit with the other three—South Africa, Botswana and Lesotho, and the deficit by far outweighs the surplus (Table 2.26). India's trade deficits with

South Africa and Botswana are huge, and are primarily due to large imports of coal, coke and briquettes, gold, and non-metallic mineral manufactures from South Africa; and large imports of non-metallic mineral manufactures from Botswana.

Table 2.26 India's Trade Balance with Southern Africa (US\$ million)

Country	2001	2017
Swaziland	0.6	32.6
Namibia	6.3	30.0
Lesotho	0.1	-25.2
Botswana	5.4	-1312.0
South Africa	-807.1	-1635.1
Southern Africa	-794.7	-2909.7

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

2.2.2.5 India's Trade with Central Africa

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

from US\$0.6 billion in 2001 to US\$5.6 billion in 2017. India's exports to Central Africa have also increased, but at a much slower pace than imports. The resultant trade deficit widened, reaching US\$8.3 billion in 2012 before narrowing to US\$ 4.7 billion by 2017 (Figure 2.10).

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



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

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

and cereal preparation, exported mainly to Cameroon and Angola (Table 2.27).

Among these, the products that witnessed a rise in share between 2001 and 2017 include medicinal and pharmaceutical products (from 20.5 percent to 26.9 percent), followed by cereal and cereal preparations (from 1.8 percent to 6.3 percent).

Table 2.27 India's Major Exports to Central Africa (% share)

Central Africa	2001	2006	2011	2017
Medicinal and pharmaceutical products	20.5	17.8	15.2	26.9
Meat and meat preparations	17.6	19.6	10.8	8.1
Road vehicles	5.9	7.4	10.6	7.4
Cereals and cereal preparations	1.8	8.3	3.5	6.3
Textile yarn and related products	17.4	6.9	3.5	5.8
Petroleum, petroleum products and related materials	4.5	11.7	10.1	3.6
Miscellaneous manufactured articles, n.e.s.	2.5	1.8	1.9	3.4
Other transport equipment	0.0	3.4	6.9	3.1
Organic chemicals	0.4	0.5	1.6	2.9
Electrical machinery, apparatus and appliances, n.e.s.	0.9	0.6	2.1	2.4
Manufactures of metal, n.e.s.	4.2	1.6	3.5	2.4
Essential oils for perfume materials & cleaning preparations	2.7	0.6	1.4	2.4

Central Africa	2001	2006	2011	2017
Other industrial machinery and parts	1.3	1.6	1.5	2.4
Plastics in non-primary forms	0.2	1.2	1.0	2.4
Iron and steel	4.5	3.9	5.3	2.1
Sugar, sugar preparations and honey	0.1	0.3	1.1	1.8
Specialised machinery	2.1	4.1	3.6	1.8
Non metallic mineral manufactures, n.e.s.	0.5	0.3	0.6	1.5
Paper and paper manufactures	0.5	0.7	1.1	1.4
Plastics in primary forms	0.1	0.2	0.9	1.4

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

The top commodities imported by India from the Central African region include petroleum, petroleum products and related materials, which accounted for 66.7 percent of India's imports from the region in 2017. They were imported primarily from Angola and Equatorial Guinea. They were followed by natural and manufactured gas (14.6 percent of India's imports from the region), sourced mainly from Equatorial Guinea and Angola; and by non-metallic mineral manufactures sourced from Angola and DRC (Table 2.28).

While between 2001 and 2017 there have been steep increases in import shares of petroleum, petroleum products and related materials (from 0.1 percent to 66.7 percent); of natural and manufactured gas (0 percent to 14.6 percent); and of non-metallic mineral manufactures (0.2 percent to 12.9 percent), there has been a significant decline in the share of metalliferous ores and metal scrap (from 92.7 percent to 3.5 percent).

Table 2.28 India's Major Imports from Central Africa (% share)

Central Africa	2001	2006	2011	2017
Petroleum, petroleum products and related materials	0.1	85.8	97.6	66.7
Gas, natural and manufactured	0.0	0.0	0.0	14.6
Non metallic mineral manufactures, n.e.s.	0.2	0.5	0.0	12.9
Metalliferous ores and metal scrap	92.7	7.8	1.8	3.5
Non-ferrous metals	0.4	0.8	0.0	0.7
Textiles fibres and their wastes	2.3	0.1	0.0	0.7
Cork and wood	2.5	4.1	0.3	0.2
Cork and wood manufactures (excluding furniture)	0.0	0.0	0.0	0.1
Coffee, tea, cocoa, spices, and manufactures thereof	0.0	0.0	0.0	0.1
Crude fertilizers other than division 56, and crude minerals	0.0	0.1	0.0	0.1
Vegetables and fruits	0.0	0.0	0.0	0.1
Crude animal and vegetable materials, n.e.s.	1.0	0.4	0.1	0.1
Electrical machinery, apparatus and appliances, n.e.s.	0.0	0.0	0.0	0.1
Specialised machinery	0.0	0.1	0.0	0.0
Medicinal and pharmaceutical products	0.0	0.1	0.0	0.0

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

Angola is India's largest trading partner in Central Africa, accounting for 67.7 percent of India's trade with the region in 2017, followed by Equatorial Guinea, DRC and Cameroon. In the region, India's trade with

Equatorial Guinea saw the highest growth, with a CAGR of 58.3 percent during 2001 to 2017, followed by DRC, São Tomé and Príncipe, and Chad (Table 2.29).

Table 2.29 India's Trade with Central Africa by Country

Country	India's Total Trade (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
Angola	572.3	4416.1	67.7	13.6
Equatorial Guinea	0.4	671.8	10.3	58.3
Dem. Rep. of the Congo	3.6	442.2	6.8	35.0
Cameroon	25.3	360.5	5.5	18.1
Gabon	22.8	272.7	4.2	16.8
Congo	36.6	206.8	3.2	11.4
Chad	4.6	112.6	1.7	22.1
Central African Republic	6.5	40.5	0.6	12.1
Sao Tome and Principe	0.0	0.8	0.0	26.7
Central Africa	672.1	6524.0	100.0	15.3

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

Major destinations for India's exports in Central Africa include Angola, accounting for 28.3 percent of India's exports to the region in 2017, closely followed by DRC (24.4 percent) and Cameroon (21.9

percent). India's exports to DRC recorded the highest growth, with a CAGR of 29.5 percent in 2001–17, followed by Central African Republic, São Tomé and Príncipe and Equatorial Guinea (Table 2.30).

Table 2.30 India's Exports to Central Africa by Country

Country	India's Exports (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
Angola	25.1	253.8	28.3	15.6
Dem. Rep. of the Congo	3.5	219.0	24.4	29.5
Cameroon	11.0	196.8	21.9	19.8
Congo	26.6	95.4	10.6	8.3
Gabon	8.5	53.8	6.0	12.2
Central African Republic	0.7	37.9	4.2	28.1
Chad	4.6	28.0	3.1	12.0
Equatorial Guinea	0.4	11.2	1.3	22.6
Sao Tome and Principe	0.0	0.8	0.1	26.7
Central Africa	80.4	896.8	100.0	16.3

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

India's imports from the Central African region are dominated by Angola, whose share in India's imports from Central Africa in 2017 stood at 74.0 percent, followed by Equatorial Guinea and DRC. Trends in growth of India's imports from the region have been steady in most countries, with higher growth

in DRC at a CAGR of 58.1 percent. Significant growth is also seen for India's imports from Equatorial Guinea and Gabon. In contrast, the Central African Republic recorded negative growth (a CAGR of -5.0 percent) during the period (Table 2.31).

Table 2.31 India's Imports from Central Africa by Country

Country	India's Imports (US\$ million)		Share in 2017 (%)	CAGR (2001–17) (%)
	2001	2017		
Angola	547.1	4162.3	74.0	13.5
Equatorial Guinea	0.0	660.6	11.7	-
Dem. Rep. of the Congo	0.1	223.2	4.0	58.1
Gabon	14.4	218.9	3.9	18.6
Cameroon	14.3	163.8	2.9	16.5
Congo	10.0	111.3	2.0	16.2
Chad	0.0	84.6	1.5	-
Central African Republic	5.8	2.5	0.0	-5.0
Sao Tome and Principe	0.0	0.0	0.0	-
Central Africa	591.7	5627.2	100.0	15.1

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

India's trade balance with Central African countries varies with India having a trade surplus with three countries—the Central African Republic, Cameroon and São Tomé and Príncipe—and a deficit with the

remaining countries in the region, which by far outweighs the surplus (Table 2.32). India's trade deficits with Angola and Equatorial Guinea are substantial, primarily due to large imports of petroleum.

Table 2.32 India's Trade Balance with Central Africa (US\$ million)

Country	2001	2017
Central African Republic	-5.0	35.4
Cameroon	-3.4	33.0
Sao Tome and Principe	0.0	0.8
Dem. Rep. of the Congo	3.4	-4.1
Congo	16.6	-15.9
Chad	4.6	-56.6
Gabon	-5.9	-165.2
Equatorial Guinea	0.4	-649.4
Angola	-522.0	-3908.5
Central Africa	-511.3	-4730.4

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

3

Chapter Three



Prospects and Opportunities for Expanding Africa-India Trade

Strong economic growth in India and Africa during the last two decades has made significant inroads into poverty and seen a growing middle class. Sustained economic growth in the years ahead is likely to have a further positive impact on poverty reduction and consumer markets across both Africa and India. GDP growth is projected to average 4.5 percent in Africa and 7.8 percent in India over the next five years (IMF WEO 2018). Trade has also expanded rapidly in recent years, as economic growth has supported greater integration of India and Africa into the global economy.

A key feature of the growth in trade has been the expansion of South–South trade and the strengthening trade relations between India and Africa, with trade growing seven-fold from US\$7.2 billion in 2001 to US\$49.6 billion in 2016, supported by the public and private sectors in both regions. At this pace, bilateral trade between India and Africa could reach US\$117 billion by 2021, driven primarily by improved economic ties and growing business opportunities.

This chapter looks at the key products and the countries that hold the greatest trade potential for fostering greater trade between Africa and India. It also assesses

the potential growth in bilateral trade relations and discusses ongoing efforts to promote trade and investment between the two regions.

3.1 Africa-India Trade Potential

As shown in Chapter 2, the impressive growth in bilateral trade has seen India emerge as the fourth-largest destination for African exports after the European Union, China, and the United States. Similarly, the growing importance of Africa for India's exports is reflected in the fact that, in 2017, Africa emerged as India's third-largest export destination. The composition of trade differs greatly between the two regions, however. For instance, Africa's exports to India remain essentially concentrated in crude oil and primary commodities, while India's to Africa are more diversified and include more manufactured and technological-content products.

These patterns are expected to persist in the medium term, especially given India's energy deficit and its strong demand for African fuels and minerals. Yet efforts at diversifying sources of growth and pursuing structural transformation—given African

countries' natural-resource and labour-cost advantages—should see the composition of trade evolve to include a greater proportion of manufactured, non-traditional and agro-processed exports from Africa to India. And as India moves closer to the technological frontier, its export basket is likely to evolve further, with a greater proportion of technological and intellectual property-based products exported to Africa.

Using an export potential assessment methodology developed by the International Trade Centre (ITC), this chapter assesses Africa-India trade products with the greatest export potential.¹ It is based on a decomposition of a country's potential exports of a product to a given target market, considering three factors: supply, demand and ease of trading. The Export Potential Indicator identifies products in which both Africa and India have proven to be internationally competitive and which have good prospects of export success in each other's markets. Based on the export potential, taking into account the proven ability to export and products that have good prospects for export, the bilateral trade potential between India and Africa exceeds US\$42 billion.

3.2 India's Export Potential to Africa

An examination of the products with the greatest export potential to Africa based on India's proven ability to be internationally competitive and those products that have good prospects for export success reveals that the top 25 products with the greatest export potential exceed US\$35.1 billion (Figure 3.1). The product with the

greatest export potential is rice, followed by pharmaceutical products, motor vehicles and parts, and machinery.

India's exports of rice to Africa were valued at around US\$1.7 billion in 2017 and constituted about 26 percent of the country's global rice exports. Four Western African countries—Benin, Senegal, Guinea and Côte d'Ivoire—account for over 50 percent of India's rice exports to Africa. Still, the Western African region has the greatest export potential for India, estimated at over US\$3 billion, largely due to the rice production deficit in most African countries, given poor yields and strong consumption. For instance, figures from the US Department of Agriculture show a 50 percent production shortfall in Senegal's rice requirements in 2017.

Export potential also exists with several other African regions, notably Eastern Africa, where it is estimated at just under US\$1 billion (Figure 3.2).

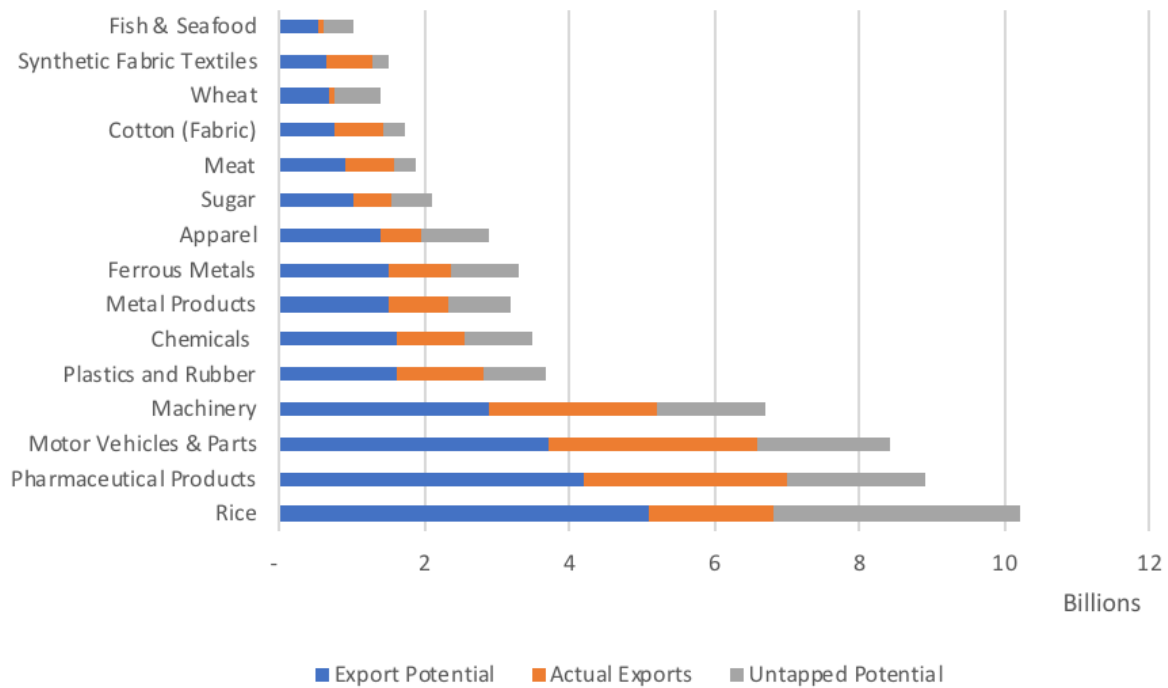
India's exports of pharmaceutical products to Africa were valued at around US\$2.8 billion in 2017 and represented about 22 percent of India's global exports of such products that year. Although India's exports of these products to Africa have a relatively diversified market, South Africa and Nigeria are the leading destinations with a combined share of 30 percent in 2017, largely due to demographic factors and the size of the health care sector, particularly in South Africa.

The export potential for pharmaceutical products to Africa is estimated at US\$4.2 billion. The region with the greatest export potential is Eastern Africa (US\$2.3 billion), followed by Southern Africa (US\$637 million) (Figure 3.3).

India's exports of motor vehicles and parts products to Africa were valued at around US\$2.9 billion in 2017, accounting for about 18.5 percent of India's global motor vehicles

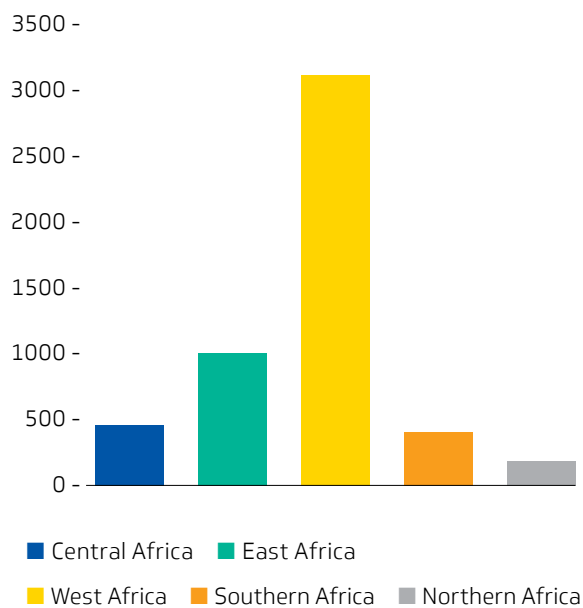
1 Yvan Decreux and Julia Spies (2016). Export Potential Assessments: A methodology to identify export opportunities for developing countries. Available at http://exportpotential.intracen.org/media/1089/epa-methodology_141216.pdf

Figure 3.1 India's Export Potential to Africa



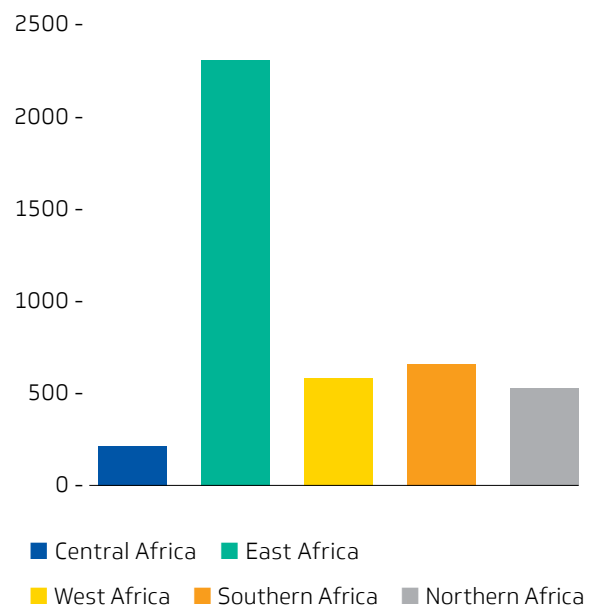
Source: ITC Trade Map, ITC Export Potential Map, Afreximbank calculations, Exim India calculations.

Figure 3.2 Export Potential of Rice by Region (US\$ million)



Source: ITC Trade Map, ITC Export Potential Map, Afreximbank calculations, Exim India calculations.

Figure 3.3 Export Potential of Pharmaceutical Products by Region (US\$ million)

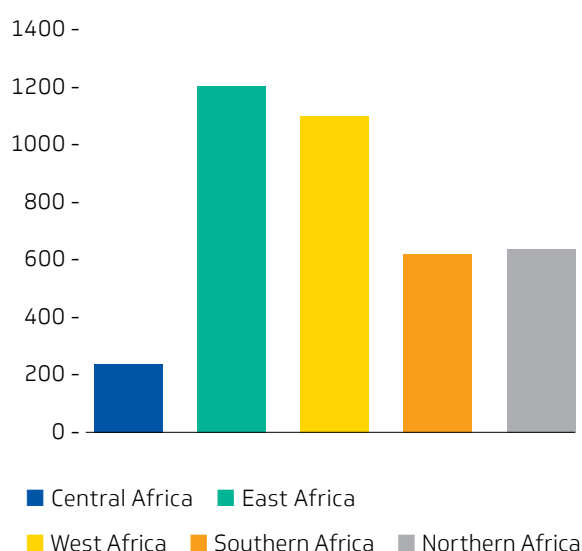


Source: ITC Trade Map, ITC Export Potential Map, Afreximbank calculations, Exim India calculation.

and parts exports in 2017. India's exports are relatively concentrated, with South Africa, Algeria, Egypt, Nigeria and Tunisia taking around 90 percent of these exports from India to Africa. South Africa alone accounted for 53 percent of these exports to Africa that year, in part reflecting the relatively large contribution of automotive industries in its GDP.

Despite this relative concentration, motor vehicles and parts still hold tremendous export potential for India in Africa, estimated at US\$3.7 billion (Figure 3.4). The region with the greatest export potential is Eastern Africa (estimated at US\$1.2 billion), followed by Western Africa (US\$1.1 billion). India may be able to draw on the competitiveness of its automotive industry to increase its exports and market share in Africa, particularly given emerging regulations setting age limits for motor vehicle imports in the continent.

Figure 3.4 Export Potential of Motor Vehicles and Parts by Region (US\$ million)



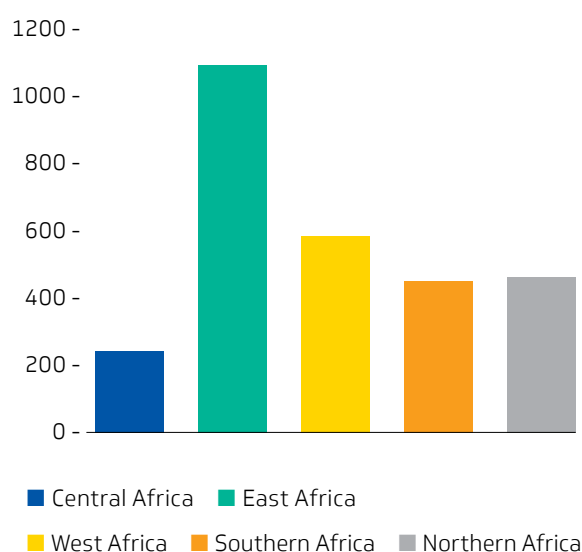
Source: ITC Trade Map, ITC Export Potential Map, Afreximbank calculations, Exim India calculations.

India's exports of machinery to Africa were valued at around US\$2.3 billion in 2017 and constituted about 14 percent of India's global machinery exports in 2017. India's exports are relatively diversified with

countries in Western Africa, Southern Africa, Eastern Africa and Northern Africa all among its most important export destinations. The leading export markets included Nigeria, Kenya, South Africa, Egypt and Tanzania, which collectively accounted for around 56 percent of India's machinery exports to Africa.

The export potential for machinery products to Africa is estimated at US\$2.9 billion. The region with the greatest export potential is Eastern Africa (estimated at US\$1.1 billion), followed by Western Africa (US\$580 million) (Figure 3.5). Northern and Southern Africa—third and fourth on export potential—are almost on par at US\$467 million and US\$448 million, respectively.

Figure 3.5 Export Potential of Machinery by Region (US\$ million)

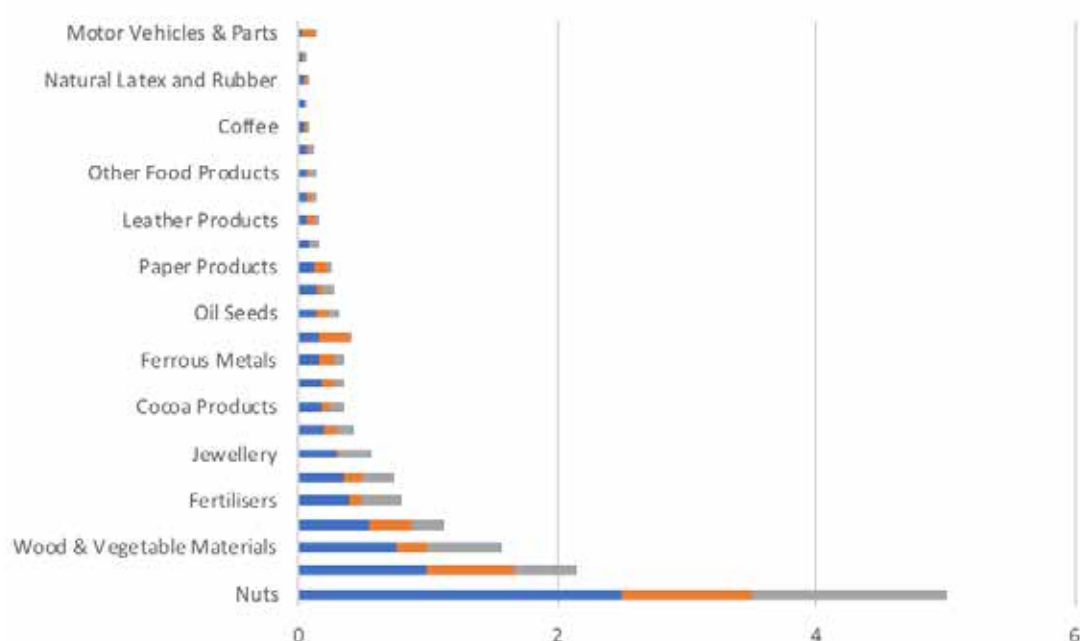


Source: ITC Trade Map, ITC Export Potential Map, Afreximbank calculations, Exim India calculations.

3.3 Africa's Export Potential to India

An examination of the products with the greatest export potential to India based on Africa's proven ability to compete internationally reveals that the top 25 products with greatest export potential

Figure 3.6 Africa's Export Potential to India (US\$ billion)



Source: ITC Trade Map, ITC Export Potential Map, Afreximbank calculations, Exim India calculations.

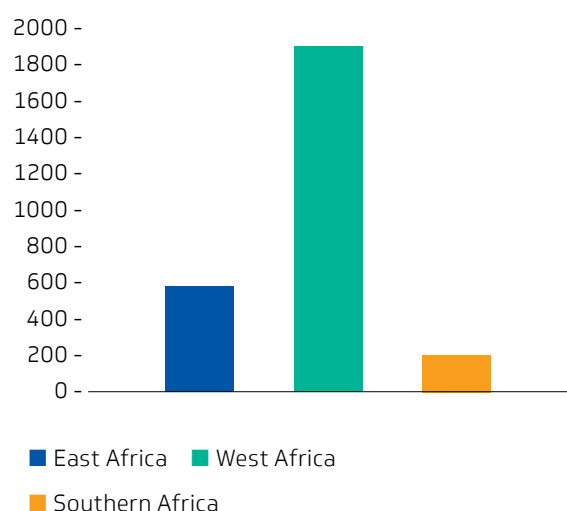
exceed US\$7.3 billion (Figure 3.6). The product with the greatest export potential is nuts, followed by ferrous metals, wood and vegetable materials, and pulses. The list also includes industrial products and manufactured goods such as fertilizers, chemicals, plastics and leather products.

Africa's exports of nuts, specifically cashew nuts, to India were valued at around US\$1 billion in 2017 and accounted for over 86 percent of India's total cashew imports and around 75 percent of Africa's total cashew exports, making India the single most important market for Africa's cashew exports.

India's imports of cashew nuts are sourced from a growing number of countries, but Guinea-Bissau and Côte d'Ivoire account for almost 50 percent of Africa's exports to India, which have been supported by globally integrated supply chains. Other important supplier markets are Benin, Ghana, Tanzania, Nigeria, Gambia and Mozambique. Africa's total export potential for nuts to India is

estimated at US\$2.5 billion. The region with greatest export potential is Western Africa, followed by Eastern Africa and Southern Africa (Figure 3.7).

Figure 3.7 Export Potential of Nuts by Region (US\$ million)

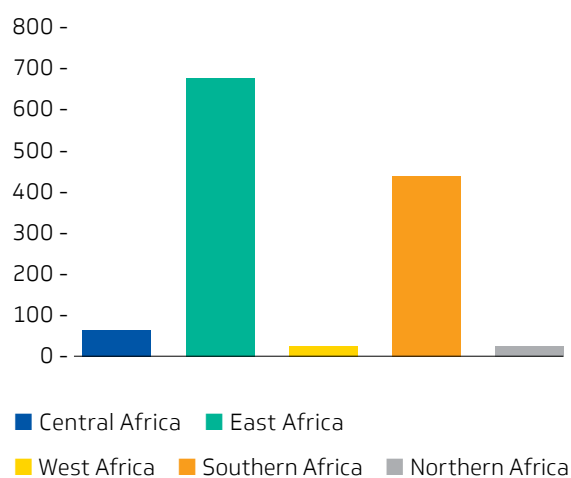


Source: ITC Trade Map, ITC Export Potential Map, Afreximbank calculations, Exim India calculations.

Africa's exports of ferrous metal products to India were valued at around US\$664 million in 2017 and were dominated by exports of copper and aluminium products, at around 64 percent. African exports accounted for about 23 percent of India's total copper imports in 2017. Zambia—Africa's second-largest copper producer—dominates Africa's copper exports to India, accounting for 85 percent. Other sources include the Democratic Republic of Congo (DRC) and South Africa. African exports accounted for about 5 percent of India's total aluminium imports in 2017. South Africa is the leading aluminium exporter, followed by Nigeria, Morocco and Ghana, collectively accounting for 62 percent of Africa's aluminium exports to India.

The export potential for ferrous metals products to India is estimated at just under US\$1 billion. The region with the greatest export potential is Eastern Africa (estimated at US\$678 million), followed by Southern Africa (US\$441 million) (Figure 3.8), because DRC, Zambia and South Africa—straddling Eastern and Southern Africa—are Africa's top three copper-producing countries, with plans as well as significant potential to boost their medium-term output.

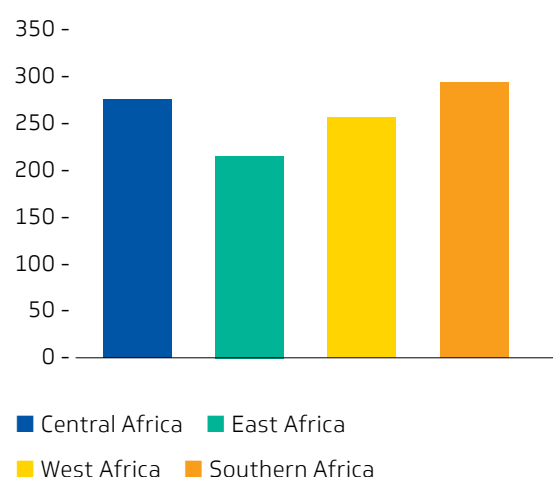
Figure 3.8 Export Potential of Ferrous Metal Products by Region (US\$ million)



Source: ITC Trade Map, ITC Export Potential Map, Afreximbank calculations, Exim India calculations.

Africa's exports of wood and vegetable products to India were valued at around US\$232 million in 2017 and were dominated by exports of wood in the rough, which accounted for around 63 percent of exports to India. African exports accounted for about 9.2 percent of India's total wood imports in 2017. Supplying markets to India are quite diverse with the leading exporters Ghana, South Africa, Tanzania, Togo and Gabon, which collectively accounted for 70 percent of India's imports from Africa in 2017.

Figure 3.9 Export Potential of Wood and Vegetable Products to India (US\$ million)



Source: ITC Trade Map, ITC Export Potential Map, Afreximbank calculations, Exim India calculations.

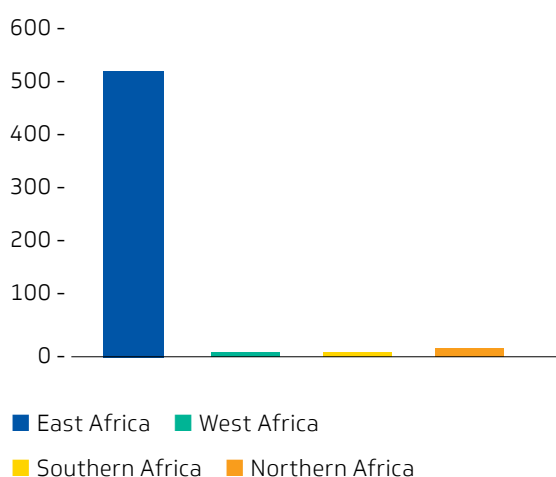
The export potential for wood and vegetable products to India is estimated at over US\$750 million. However, this value could understate Africa's full export potential, which could be boosted by exporting more processed or semi-processed wood, which has a greater value. Export potential is quite evenly spread across four regions, with the greatest export potential in Southern Africa (estimated at US\$291 million), followed by Central Africa (US\$276 million) (Figure 3.9).

Africa's exports of pulses to India were valued at around US\$330 million in 2017 and represented about 5 percent of India's total imports. Supplying markets for India is currently largely concentrated in Eastern

and Southern Africa with two countries, namely Tanzania and Mozambique, accounting for over 60 percent of Africa's exports to India. Other supplying markets include Ethiopia, Malawi, South Africa and Madagascar.

The export potential for pulses to India is estimated at over US\$538 million, dominated by Eastern Africa (estimated at US\$522 million) (Figure 3.10).

Figure 3.10 Export Potential of Pulses to India (US\$ million)



Source: ITC Trade Map, ITC Export Potential Map, Afreximbank calculations, Exim India calculations.

3.4 India-Africa Investment

3.4.1 Recent Developments

After the global financial crisis and protracted multilateral negotiations, many developed countries are increasingly opting for inward-looking and protectionist policies. At the same time, the global economy has witnessed the emergence of the Global South, which has become a key driver of global growth and trade in recent years, collectively accounting for about 40 percent of global trade in 2017, up from 24 percent in 2001. The traditional pattern of trade, generally skewed towards developed economies, has shifted to a growing

South-South trade relationship. The rapidly expanding trade and investment relationship between India and Africa attests to this dynamic change.

Although limited—given that domestic policies were highly restrictive in releasing the foreign exchange necessary for domestic companies to invest abroad—investment relations between India and Africa can be traced back to post-independence years, when some large Indian companies invested in Eastern African countries in the 1960s. The Birla Group was the first Indian company to invest in Ethiopia in 1956. In 1969, it entered into a joint venture, Pan-Paper, with the Kenyan government and the World Bank. Investments in that era were typically led by a handful of large Indian firms and were far smaller than today's flows.

In recent years, bilateral investment flows have surged: between 2010 and 2014, the stock of Indian FDI in Africa rose from US\$11.9 billion to US\$15.2 billion. The World Investment Report of 2016 puts India as the eighth-largest investor in Africa. India's African investments are often in natural resource industries, textiles, information and communications technology, banking and automotive industries (WTO/ CII 2015). Examples include investments in extractive industries, such as state-owned oil and natural gas corporations (Côte d'Ivoire, Libya, Mozambique, Libya, South Sudan and Sudan); coal (Mozambique and Zambia) and copper (Zambia); agriculture, including tea production (Uganda and Rwanda) and floriculture (Ethiopia and Kenya); services, such as telecommunications and health care (Kenya), information technology (Ethiopia and South Africa); banking (Botswana, Ghana, Kenya, Mauritius, South Africa, Uganda, Zambia and Mauritius); manufacturing (Ghana and Nigeria); and pharmaceuticals (Nigeria).

The flow of FDI has not been unidirectional. Between 2010 and 2014, the stock of African FDI in India increased from US\$57



billion to US\$73.3 billion, with FDI from Africa in India accounting for almost 23 per cent of the country's FDI stock in 2014 (UNECA/ CII 2018). For example, Mauritius has established itself as a major source of FDI for India, even overtaking Singapore to become the top source of FDI in India in 2016–17. Mauritius is a widely used conduit for Indian inward and outward FDI, owing to the island nation's advantageous tax conditions. South Africa, Seychelles, Swaziland and Morocco are among the other largest African investors in India. Investments from South Africa have grown steadily, with Tiger Brands, Airports Company South Africa & Bidvest, SAB Miller, FirstRand Bank, Standard Bank, Old Mutual, Balela Leisure, Anglo-American, Sasol and Nandos Group Holdings having made investments in India. Morocco has invested in the production of phosphates in India, with Zuari Maroc Phosphore holding a 74 per cent stake in the previously state-run Paradeep Phosphate Ltd (WT/CII 2013).

Research conducted by the Observer Research Foundation shows that the growth of investment flows can be attributed to several developments in India and Africa. First, India was traditionally highly restrictive in releasing the foreign exchange necessary for Indian firms to invest abroad given capital scarcity and limited foreign exchange resources. However, economic reforms since the 1990s have relaxed these restrictions and, with the overall investment ceiling on outward Indian investment abolished in 2003, Indian companies are now largely free to invest abroad, thus facilitating greater outward investments. In addition, India has signed bilateral investment agreements with 13 African countries.²

² Democratic Republic of Congo; Djibouti; Egypt; Ethiopia; Ghana, Libya, Mauritius, Morocco, Mozambique, Senegal; Seychelles, Sudan and Zimbabwe.

Second, with faster economic growth, India's energy requirements have also increased dramatically such that energy security concerns have come to occupy a prominent position in India's foreign policy discourse. The diversification of energy suppliers and investment in oil and gas ventures abroad became important objectives of India's foreign policy and an important avenue for India's investment in Africa. To facilitate the acquisition of energy assets abroad, Oil and Natural Gas Corporation-Videsh Limited was established in 1996. The company now holds interests in oil and gas assets in Mozambique, Libya, Sudan and South Sudan.

Finally, significant changes also took place in Africa, facilitating greater inward and outward investment. Africa entered a phase of high growth in the 2000s and African countries like Ethiopia, Kenya, Rwanda, DRC and Angola experienced an economic turnaround in the 2000s. Africa therefore became an attractive investment destination for its high rate of growth, a rising middle class, and its resource abundance, particularly in energy. Private corporations like Reliance, Varun Beverages, Bharti Airtel, Essar Group, and the TATA Group made huge investments in many African countries, beyond a multitude of small and medium-sized Indian firms operating in Africa. In addition, the emergence of African multinationals and growing South-South cooperation saw several African companies invest in India to take advantage of its huge consumer market.

3.4.2 Efforts to Promote Africa-India Trade and Investment

The governments of India and of African countries, with their private sectors, in recent years have implemented initiatives to nurture and expand the India-Africa trade and investment relationship. These efforts have been welcomed by countries on both sides of the Indian Ocean as they increasingly seek to diversify export markets

and strengthen partnerships with non-traditional partners, as now reviewed.

BRICS is the acronym for an association of five major developing economies: Brazil, Russia, India, China and South Africa. The BRICS members are known for their significant influence on regional and global affairs—all are members of G20, for example. Since 2009, the BRICS have met annually at formal summits. These summits serve as platforms for strengthening economic, commercial, cultural and political cooperation. The nominal GDP of BRICS members as a group is estimated at US\$18.6 trillion, and they hold an estimated US\$4.46 trillion in combined foreign reserves. To mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging and developing-market economies, the BRICS established the New Development Bank in 2015, to support the development of public and private investment projects through loans, guarantees, equity participation and others approaches, and to collaborate with international organizations and other financial entities, and to provide technical assistance for projects to be supported by the bank.

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

The 2011 summit resulted in the establishment of the India-Africa



Trade Ministers Dialogue, an annual ministerial platform to discuss trade-related bilateral issues and assess the progress of development cooperation set out in summits. More recently, the Indian Commerce Ministry formulated a comprehensive action plan to boost India's trade with Africa. The ministry announced that a series of engagements have been lined up in different parts of Africa to discuss ways to promote trade and investment between the two regions, and to prepare an action plan to boost exports and imports from Africa.

Indian private sector organizations

have been active in Africa for the last few years, mobilizing government, institutional and private initiatives, forging stronger public-private partnerships and joint-venture initiatives between African and Indian firms. In particular the annual Confederation of Indian Industry-Exim Bank

India-Africa Project Partnership Conclaves have developed into a platform for private business communities and government enterprises to find a credible access point for appropriate technologies and partners. The first conclave was held in 2005, and the latest (13th) conclave was held in March 2018.

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

A Duty-Free Tariff Preference (DFTP)

scheme was launched by India in 2008, under which duty-free market access is afforded

to all least developed countries (LDCs). The scheme, implemented in phases, has been fully operational since October 2012. The DFTP, which was amended in April 2015, provides zero duty market access to LDCs on 96 percent of India's tariff lines (4,994 products) with an additional 2.2 percent (114 products) subject to preferential rates. To make the scheme more attractive to LDCs, and to African LDCs in particular, the Indian government amended the exclusion and margin of preference lists in 2014. The exclusion list was whittled down to 97 items and the margin of preference list was reduced to 114 tariff lines.

While a large number of products of interest for African LDCs are covered by the scheme, the exclusion list still excludes some products where African LDCs have strong export potential. For instance, fruit and vegetable products remain on the exclusion list as do wood products, base metals,

processed cashew nuts, beverages, coffee, and copper and related products (e.g. bars, rods, cathodes, waste and scrap). A 2018 joint report by the United Nations Economic Commission for Africa (UNECA) and the Confederation of Indian Industry shows that products on the exclusion list accounted for a significant proportion of total exports of several African countries, including Burundi, Ethiopia, Rwanda, Uganda, Malawi and Zambia, with only a small share of these products exported to India. This is despite the fact that India imports a substantial amount of these products, mainly from outside Africa. The report argues that extending the DFTP to 100 percent of products would provide better opportunities for African exporters without necessarily affecting Indian producers.³

3 UNECA and CII (2018) Deepening Africa-India Trade and Investment Partnership, Addis Ababa, Ethiopia.

END

4

Chapter Four



Overview of Constraints to Africa-India Trade

The growing trade ties between Africa and India, highlighted in Chapter 2, reflect the steadily increasing economic and trade engagement between Africa and Asia, underpinned by growing South-South trade. Although the European Union (EU) is still the largest trading partner for Africa, some countries in Asia—including India—have emerged to become among Africa's largest trading partners. Trends fostering Africa's trade with Asia are qualitatively different from its traditional North-South commerce involving the EU and the United States, in which trade flows were stimulated largely by preferential arrangements. The strengthening South-South complementarities between the two developing regions suggest that the current level of trade between Africa and Asia, including India, has the potential to grow further, with India's trade with Africa projected to reach US\$117 billion by 2021 (The Hindu Centre 2017).

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

4.1 Limited Access to Trade Finance

This remains the overriding constraint to India-Africa bilateral trade. Trade relations between India and African countries

face challenges relating to sustainable financial support, including export support mechanisms. Indeed, lack of proper financing mechanisms stand out as the major constraining factors to trade and investment between India and Africa, according to the joint Study by the Confederation of Indian Industry and World Trade Organization—a view supported by African traders, with surveys estimating the scale of the trade finance gap. According to most recent estimates, Africa's trade finance gap is largely in excess of US\$120 billion. More accurately, and for most African countries, limited trade finance and trade-related project finance have been exacerbated by stringent regulatory environment and high compliance costs, resulting in the withdrawal of many international banks and correspondent banking relationships from the African trade finance space. This has contributed to the continent's limited trade expansion with the rest of the world, including India.

4.2 Weak Infrastructure and Supply-Side Capacities

Especially in Africa, these weaknesses have constituted a major barrier constraining trade and investment, undermining African countries' capacity to respond to growing trade and investment opportunities around the world. Africa remains one of the continents with a huge infrastructure deficit, which has proliferating adverse impacts on



transaction costs for traders and investors alike, forming part of the non-tariff barriers that restrict trade within Africa and between its regions and other parts of the world. Exporters need access to local markets for their products, which requires adequate and well-functioning infrastructure, including road and other transport systems, export and storage facilities, and energy and water supply. Furthermore, trade and investment-support services, particularly in the area of trade and investment promotion, development finance and marketing, remain inadequate across Africa, thereby limiting its trade expansion.

Similarly in India, weak transport systems, poor communications facilities, power shortages and breakdowns disrupt production schedules, undermine productivity and raise production costs, with knock-on effects on timeliness of shipments of exports to African countries, hindering export growth. Owing to

relatively high transport and logistics costs, including shipping and insurance, most Indian exporters prefer selling their goods on a free-on-board basis instead of on a cost-insurance-freight basis. This is with a view to transferring the risk of loss to potential buyers in Africa due to the high transaction costs associated with exporting to the region, undermining trade relations and volumes between the two parties. In addition to infrastructure challenges limiting Africa's exports to India, product standards and sanitary and phytosanitary requirements also contribute to exacerbating trade flows from Africa to India.

4.3 Weakening Trade Complementarities

These also undermine trade relations between Africa and India. Although Africa's exports to Asia do not exhibit significant

product diversification, the region's factor endowments complement those of countries such as India. It can be argued that Africa, with its rich resource endowment, has a natural comparative advantage in producing raw materials, including energy resources. On the other hand India, with its rich supply of skilled labour, has a comparative advantage in manufactured products. Three main shifts in these complementarities are emerging, however.

The first is the prospect for resource-based value-added manufacturing exports, which India is importing. African countries could increase their manufactured exports to India based on their existing export of raw materials by moving up the commodity value chain (UNCTAD 2012). With growth limited by horizontal diversification, African countries are gradually moving away from being a resource basket for other economies with a view to optimizing dynamic efficiency gains by extracting value from their endowed resources. It is against this backdrop that the African Union emphasizes value addition, industrialization and export diversification under Agenda 2063, whose primary objective is to facilitate structural transformation of African economies through promoting intra-African trade, enhancing export competitiveness and accelerating the pace of economic integration.

The second is the opportunity for broader participation in global value chains, given that vertical complementarities along value chains between Africa and India are growing. For instance, among Africa's top 20 items traded with India, clear complementarities exist in the cotton-textile-garment value chain. Western African countries supply raw material (cotton) to India, which supplies intermediate materials (fabrics) to apparel producers in Mauritius, Nigeria, South Africa and other African countries. Yet new business case studies show that African producers could participate in global network trade in the apparel sector.

The third is the diversity among African countries and potential benefits from regional integration. South Africa has evolved as a regional hub of industrial and commercial development in Africa and beyond. The technological complementarities between South Africa and India provide scope for more intra-industry trade. Through regional integration, the emerging intra-sectoral complementarities between Africa's industrial leaders and India could lead to wider benefits in Africa's regional markets through further forward and backward linkages. The process has the potential to change the composition of Africa-India trade, especially as it looks set to promote intra-regional trade.

4.4 Market Access Issues

With evolving regulation in the trading environment, problems of market access remain a constraint to free flow of trade between nations, including African countries and India. While India faces market access challenges with some products to Africa, many countries in the continent are unable to export as much as they would to India due to limited awareness of the Duty-Free Tariff Preference (DFTP) scheme offered by India to Least Developed Countries (LDCs), numbering 34, of which 26 are from Africa (as of October 2017), with several countries graduating from the United Nations list of LDCs.¹ To address this, commercial wings of most African high commissions and embassies in India, and commercial wings of Indian embassies in Africa, could provide trade information through in-country research on market expansion opportunities for exporters.

While the scheme is limited to 26 LDCs in Africa, there is scope for widening it to the

1 Government of India, "India's Duty-Free Tariff Preference (DFTP) Scheme for Least Developed Countries (LDCs)" Ministry of Commerce and Industry, October 9, 2017



entire continent to enhance India-Africa trade and investment. This is also sensible in the present-day context, with the region moving towards the establishment of an African Continental Free Trade Area. Alternatively, and in the short term where progress is made towards ratification and full implementation of this area, India could explore entering bilateral free trade arrangements with other countries that are not part of the DFTP Scheme. Such an approach will help boost trade and investment between India and Africa in the short and medium term.

4.5 Inappropriate Trade and Investment Policies in Most African Countries

These policies have undermined the ability of countries to take full advantage of trade and growth potential offered by the deepening economic partnership between Africa and India. Indeed, in cases where trade and investment policies have been developed, they have often been inconsistent with overall national growth and development strategies. For most African countries, the economic structure has remained unchanged since independence and largely agrarian, with agriculture the mainstay of most economies in a world where the composition of trade has changed significantly, with industrial production and

manufactured goods accounting for over 75 percent. African trade and economic growth are suffering from policies unable to address supply rigidities characterized by low productive capacities, poor transport and weak communications infrastructure, causing the continent to struggle to integrate effectively with global value chains (where trade is increasingly dominated by manufactured goods), thereby hurting trade relations between Africa and India.

4.6 Limited Market Information and Knowledge

Limited knowledge of the markets at both ends contributes to poor identification of, and linkages with, counterpart entities for promoting trade and economic relations between India and Africa. Another impediment relates to limited access to buyers, especially in exporting services to African firms, due to cumbersome visa and permit processes. These processes are more stringent when setting up firms in some African countries—more so with information technology—oriented firms exploring partnership opportunities across the continent. The situation is not very different from the reverse angle, where cumbersome visa acquisition processes, in addition to stringent investment criteria, serve as major limitations for African entities intending to establish a business in India.

END

5

Chapter Five



Financing Africa-India Trade: The Role of Afreximbank and Exim India

Against the backdrop of increasing uncertainty in the global economy, reliance on innovative and non-traditional financing solutions developed by export credit agencies including the Export-Import Bank of India (Exim India) and the African Export-Import Bank (Afreximbank), not only helps in mitigating risks in international trade but also contributes to promoting regional trade and investment. According to the Asian Development Bank, the global trade finance gap is estimated at about US\$1.5 trillion annually, with most of the finance needs coming from emerging and developing economies.¹ The African Development Bank (AfDB), through its periodic survey, puts the annual trade finance gap in Africa at US\$120 billion (AfDB 2014a). Lack of access to trade finance is one of the major

reasons for the low participation of micro, small and medium-sized enterprises in international trade. The challenge is even more pronounced in developing countries, especially in Africa, where small and medium-sized firms account for only 28 percent of banks' trade finance portfolios.

This chapter covers the roles of Afreximbank and Exim India in financing and facilitating international trade between Africa and India through their initiatives and programmes.

5.1 Promoting India-Africa Trade

Afreximbank and Exim India both draw on a range of financing, advisory and support services to create an enabling environment for enhancing two-way trade, services, investment and technology between India and Africa. While promoting infrastructure development and facilitating private sector development in host countries, efforts of Exim India, ensconced in its range of activities, also contribute towards institution

1 Asian Development Bank, “\$1.5 Trillion Trade Finance Gap Persists Despite Fintech Breakthroughs”, 5 September 2017 2016 Trade Finance Gaps, Growth, and Jobs Survey <https://www.adb.org/news/15-trillion-trade-finance-gap-persists-despite-fintech-breakthroughs>



building in Africa. Africa has always been a focus region for Exim India, and thus a critical component of its strategy to promote two-way trade and investment. The commitment of Exim India towards Africa's development is reflected in its programmes. Afreximbank also recognizes the importance of India's large and vibrant market as a destination for a wide range of African products, particularly the opportunities to export semi-finished or finished (processed) commodities.

Exim India has representative offices in three African cities: Abidjan, Côte d'Ivoire, Addis Ababa, Ethiopia, and Johannesburg, South Africa. The three offices in Western, Eastern and Southern Africa support cooperation between Afreximbank and Exim India and facilitate trade between India and Africa. These offices also interface with multilateral institutions such as the AfDB, regional financial institutions such as the Eastern and

Southern African Trade and Development Bank (TDB) (formerly PTA Bank), and West African Development Bank (BOAD), and development financial institutions such as the Industrial Development Corporation of South Africa Ltd., as well as Indian missions in the region with the view to increasing bilateral commercial engagements between the two regions.

Afreximbank and Exim India have collaborated on Africa-India trade promotion to support several deals from India to Africa and Africa to India, including in the telecommunications, power, construction, and commodity sectors. Afreximbank is also currently working with Exim India to support several transactions in Africa using the Bank's guarantee programme, including through the provision of bid bonds and performance bonds in relation to transactions involving Indian exporters for which Exim India is providing financing.

5.2 Lines of Credit and Co-Financing

To enhance bilateral trade and investment relations, Exim India has in place several lines of credit (LOCs), which are extended to a number of institutions/agencies in Africa. These LOCs supplement the Focus Africa programme of the government of India and are extended especially to priority sectors identified by the government for mutual cooperation and benefit. These facilities enable buyers in overseas countries to finance development projects' equipment and other goods and services on deferred payment terms. Exim India also extends its own commercial LOCs to financial institutions and other entities in Africa, such as TDB (covering 17 countries in the Eastern and Southern African region), BOAD (covering eight countries in the Western African region), Indo-Zambia Bank, Nigerian Exim Bank and Afreximbank. Exim India has already provided Afreximbank with two separate LOCs to support Africa-India trade and the two institutions are working together on an additional LOC for Afreximbank under the India Development and Economic Assistance Scheme (IDEAS) to help finance infrastructure projects in Africa. Most of these LOCs have contributed to strengthening the manufacturing sector in Africa either directly or indirectly. By 30 April 2017, the number of operative LOCs to Africa stood at 153 in 44 countries, amounting to US\$7.6 billion. Of these, 148 LOCs aggregating to US\$7.5 billion to 41 countries are guaranteed by the government of India.

Afreximbank also makes LOCs available, under its non-dual-recourse programmes, for the benefit of clients in sectors and countries in Africa that have shown a capacity for extra- and intra-African trade. In so doing, the Bank has supported African exports destined for markets in India. One such sector is the cotton and textile sector in Western Africa—which, outside the United States, is the largest source of Indian cotton imports—where Afreximbank continues

to deploy its pre-export financing to major producers and ginners in the industry.

5.3 Project Finance

Exim India provides a steady stream of support to project activities in engineering, procurement and construction (civil, mechanical, electrical or instrumental). This includes the provision of specific equipment related to supplies, construction and building materials, consultancy, technical know-how, technology transfer, design and engineering (basic or detailed). The Bank also supports existing and new projects, plants or processes that require additional assistance in areas such as international competitive bidding, including multilaterally funded projects in India. During 2016–17, 21 projects amounting to US\$6.4 billion covering 17 countries in Africa were undertaken by Indian exporters with the support of Exim India.

Similarly, through Afreximbank's Export Development Programme, the Bank supports the decommoditization of the continent's exports, combining credit, risk bearing, twinning, market access and advisory services geared towards creating non-commodity export products for sale to a broad range of export markets, including India. Through the Export Development Programme, Afreximbank fosters implementation of regional projects, including tradable infrastructure services, and can prepare projects for promoters requiring such services and assist in raising financing for such projects. This has been demonstrated in the Bank's support of transport infrastructure in Eastern Africa, which has been particularly important in helping to diversify the economies of Eastern Africa, and enhanced tourism flows from India to countries like Kenya. Similarly, the Bank's AFRICOIN initiative supports the transformation of primary commodities, including among others, cocoa, cashew, coffee, cassava, which hold potential for

stimulating greater trade between India and Africa. Afreximbank and Exim India have also partnered to support project finance in Africa. For instance, the two institutions financed a US\$225 million syndicated facility for the establishment of a Power Plant under a Build, Operate, Own and Transfer (“BOOT”) contract in Rwanda. The transaction was named the winner of the Africa Power Deal of the Year in the Infrastructure Journal (IJ) Global Awards 2017. Other areas of collaboration include power projects in Guinea, Mali and Senegal and an oil refinery project in Nigeria.

5.4 Buyer's Credit

To provide further impetus to project exports from India on a medium- or long-term basis, especially in the infrastructure sector, in April 2011, a product called Buyer's Credit under the National Export Insurance Account (BC-NEIA) was introduced. Under this programme, Exim India facilitates project exports from India by extending a credit facility to overseas sovereign governments and government-owned entities for importing goods and services from India on deferred credit terms. Indian exporters can obtain payment of eligible value from Exim India, without recourse to them, against negotiation of shipping documents. NEIA is a Trust, set up by the Ministry of Commerce and administered by the Export Credit Guarantee Corporation Ltd. As at 31 March 2017, Exim India sanctioned an aggregate amount of US\$1.86 billion under BC-NEIA for 15 projects in Africa.

To complement Exim India's Buyer Credit and in support of bilateral trade between India and Africa, importers of trade-enhancing heavy equipment for light manufacturing can also source financing under Afreximbank's Buyer Credit facility to finance their purchase of equipment for light manufacturing from India, particularly as Africa has strong demand from India for self-propelled bulldozers, machines for

processing rubber and a variety of capital equipment and mechanical appliances. Under this facility, Afreximbank can pay the Indian exporter of the heavy equipment while the Bank receives payment in due course from the buyer. This is also provided against appropriate guarantees where necessary.

5.5 Finance for Joint Ventures Overseas

Exim India supports Indian companies in their endeavour to globalize their operations, through overseas joint ventures and wholly owned subsidiaries. Such support includes loans and guarantees as well as equity finance. In some cases, Exim India has direct participation in equity along with Indian promoters to set up such ventures overseas. In Africa, Exim India has supported several such ventures in countries including South Africa, Kenya, Mauritius, Ghana, Nigeria, Sudan, Egypt, Zambia, Morocco, Uganda and Tanzania, across a range of sectors such as agriculture and food processing, agro-based products, auto and auto components, chemicals, construction, electronics, engineering goods, mining and minerals, plastics and rubber products, packaging, pharmaceuticals, software and IT enabled services, and textiles. These ventures serve to promote value addition and contribute to capacity building and capacity creation in host countries. As of 31 January 2018, Exim India, through its overseas investment finance programme, has supported 48 Indian companies in 12 African countries to the amount of US\$745 million (Rs51.3 billion).

Afreximbank supports these ventures from investors in India and globally through its guarantee programmes that provide comfort to project promoters entering African markets. This is to assure investors that African governments will meet their commitments to these projects, such as joint ventures and public-private partnerships. Afreximbank is also establishing Fund for



Africa Export Development (FUNFED), an initiative aimed at facilitating the inflow of foreign direct investment into Africa's export sector. Afreximbank sees foreign direct investment as key to transforming the Africa's export sectors. The objective of FUNFED is to provide equity capital and related financial, non-financial, and support services to promote intra- and extra-African trade and export development.

5.6 Joint Collaboration with the African Development Bank (AfDB)

Exim India and Afreximbank have close relations and a long history of collaboration with the AfDB on strategic projects in Africa. India is a member of the AfDB Group and many Indian companies participate in projects funded by the AfDB Group, while the AfDB is a founding shareholder of

Afreximbank. Exim India works very closely with AfDB and has an active programme that offers a range of information, advisory and support services to Indian companies to enable more effective participation in projects funded by multilateral funding agencies, including the AfDB. By supporting projects that align with the AfDB's "High Five" priority goals, Afreximbank and Exim India are able to leverage financing to support areas of mutual interest to Africa and India.

Exim India assists Indian companies in projects supported by the AfDB not only through fund- and non-fund-based assistance, but also by providing advance alerts on upcoming opportunities. With support from Exim India, Indian project exporters have secured a number of overseas contracts in Africa in several sectors including power,



telecommunications, transport, water supply and sanitation. Exim India and the AfDB have also signed an agreement for co-financing projects in Africa. The agreement envisages joint financing of projects (with priority to projects related to small and medium-sized enterprises) in regional member countries of the AfDB.²

5.7 Africa-India Partnership Day

Exim India, with the Federation of Indian Chambers of Commerce and Industry, organizes the Africa-India Partnership Day with a view to sharing India's developmental experiences with Africa, particularly in the public-private partnership model of financing infrastructure development. Exim India, with the federation, has hosted three such events; first on 30 May 2013 in Morocco, followed by Rwanda on 22 May 2014, Côte d'Ivoire on 27 May 2015, and Zambia on 24 May 2016. The Africa-India

Partnership Day has become a regular feature of the AfDB Annual Meetings and promises scope for expanding the mutually enriching partnership between Africa and India.

Similar to the continuing engagement with the AfDB, the long-standing relationship between Afreximbank and Exim India has enabled the two institutions to collaborate in a number of areas including: identification, preparation and appraisal of projects; provision of credit lines, co-financing and risk sharing, with a view to promoting South-South cooperation to facilitate trade and investment flows; organising roadshows; twinning arrangements; as well as research and capacity building initiatives, including a staff exchange programme.

5.8 Kukuza Project Development Company in Africa

Afreximbank sides with Exim India that Africa is a region of opportunities, as the continent continues to be a destination of choice for investments, especially in infrastructure.

² Exim India also organizes "Business Opportunities" seminars for projects funded by the AfDB in centres in India.

The public–private partnership structure is increasingly mainstreamed in national development and infrastructure master plans, reflecting the interest of the private sector in infrastructure development and the potential of infrastructure for productivity growth. However, institutional capacity in several African nations is at a nascent stage.

In order to address the limited institutional capacity in Africa on conceptualizing, managing, executing and imparting project development initiatives, Indian institutions including Exim India, Infrastructure Leasing and Financial Services Ltd. (IL&FS), and State Bank of India collaborated with the AfDB to promote the Kukuza Project Development Company (KPDC), incorporated in Mauritius in July 2015, for infrastructure development in Africa. (Kukuza in Swahili means ‘a cause of growth’). Reflecting the name, the KPDC is expected to provide specialist project development expertise taking infrastructure projects from concept to commissioning in Africa. The inaugural meeting of the KPDC was held on the sidelines of the India-Africa Forum Summit of 26–29 October 2015, in New Delhi. It is expected that the KPDC will leverage expertise of each partner during the project development stage to create a bankable and sustainable implementation format based on an in-depth engagement with all stakeholders—public authorities, user communities, developers/investors and lenders.

In support of project development Afreximbank is also exploring collaboration with KPDC and is launching a Project Preparation Facility (PPF), which aims to assist African governments and corporates to prepare and develop projects from concept stage to bankability. The PPF will fast-track the supply of bankable projects, which, in turn, will crowd in the private sector, thereby bridging Africa’s project finance gap. The PPF has the objective of not only leveraging the private sector’s financial resources but also tapping into its

technical expertise, thus fostering closer public private sector collaboration.

5.9 Member of Association of African Development Finance Institutions

Afreximbank and Exim India have collaborated to establish the Association of African Development Finance Institutions (AADFI), a forum of institutions/banks with the objective of strengthening the coordination and economic solidarity among development finance institutions in Africa and their relationship with Indian counterparts. As members of the AADFI, they work closely to provide a platform for building effective linkages between Exim India and other institutions in Africa that are members of the AADFI. This arrangement promotes co-financing arrangements, syndications and joint undertaking of projects relevant to India and Africa.

Exim India’s equity in the Agricultural Finance Corporation, which offers consultancy support in the development of agro-technology, and promotes membership in the Small Farmers’ Agri-Business Consortium—an investment institution whose objectives include promoting small and medium-sized agri-business ventures—places Exim India in a good position to share its expertise and support development-related activities in Africa.

5.10 Global Network of Exim Banks and Development Finance Institutions

Afreximbank and Exim India have signed an MOU with three export-import banks and development financial institutions to form the Global Network of Exim Banks and Development Financial Institutions (G-NEXID). The five original signatories were Export-Import Bank of India, Export-Import Bank of Malaysia, African Export-Import



Bank, Andean Development Corporation and Export-Import Bank of Slovakia. The overriding objective of G-NEXID was to promote South–South trade and investment. The network was formally launched at its inaugural meeting at UNCTAD, Geneva on 13 March 2006. The membership of the network has expanded from the initial five to over 20, and the leaders of the institutions meet annually to deliberate on measures to foster long-term relationships, share experience and strengthen financial cooperation to promote trade and investment between developing countries, including India and those in Africa.³

African institutions in G-NEXID include African Export-Import Bank, Egypt; Banque Nationale d'Investissement, Côte d'Ivoire; Banque pour le Financement de Petites et Moyennes Entreprises, Tunis; Development Bank of Central African States (BDEAC), Democratic Republic of Congo; Development Bank of Mali, Mali; Development Bank of Namibia, Namibia; Development Bank of Zambia, Zambia; Development Bank of Southern Africa, South Africa; East African Development Bank, Uganda; Industrial Development Bank of Kenya, Kenya; Industrial Development Corporation South

Africa, South Africa; Nigerian Export-Import Bank, Nigeria; and The Trade and Development Bank (TDB), Kenya. The partnerships create a much-needed platform for effective collaboration between Exim India and the above institutions to promote trade and economic relations with Africa.

5.11 Exim India's Country Mission

To enhance India's bilateral trade and investment relations and to support Indian entrepreneurs in their globalizing endeavours, Exim India has commissioned a country mission to selected countries in Africa. The mission endeavours to provide a framework for enhancing India's engagement in those countries by way of identifying key areas for commercial engagement while assisting these countries in achieving their developmental objectives. This initiative is backed by Exim India's long-standing strategic and commercial relations with institutions in Africa through its capacity-building programmes in these countries. Afreximbank's Trade Information Programme is on hand to complement Exim India's country missions by providing a suite of information on African economies, commodities and markets which Indian investors with an interest in African trade can benefit from.

³ Afreximbank held the Presidency of G-NEXID for five years.

Exim India's first mission to Africa covered countries including Mozambique, Rwanda and Tanzania in November 2014. The delegation closely coordinated with Indian missions, and held various rounds of interactions with government officials of partner countries, multilateral institutions, the business community, exporters, banks, members of the Indian business diaspora, and other stakeholders, to identify business, trade and investment opportunities for Indian entrepreneurs across the African continent. In Afreximbank Member Countries Exim India is working closely with Afreximbank, leveraging its knowledge of the country.

5.12 Exim India's Engagements in ITC's Supporting Indian Trade and Investment for Africa Project

On 9 March 2014, the Department for International Development, United Kingdom, mandated the International Trade Centre (ITC), Geneva, to design and implement a project "Supporting India's Trade Preferences for Africa", now called "Supporting Indian Trade and Investment for Africa" (SITA). SITA is a six-year (2014–20) project that aims at promoting exports from five Eastern African countries—Ethiopia, Kenya, Rwanda, the United Republic of Tanzania and Uganda—to India through investment and skills transfer from India. Exim India has a memorandum of understanding (MOU) with ITC, which enabled it to be associated with ITC's SITA. The implementation phase of SITA—March 2015–March 2020—was officially launched in New Delhi on 19–20 March, 2015.

5.13 Inter-bank Cooperation among BRICS Members

The BRICS are five major emerging national economies (Brazil, Russia, India, China, and South Africa) that came together to establish a formal

framework for cooperation. To develop and strengthen economic ties and investment cooperation between BRICS member countries, financial institutions in charge of development and export promotion of the BRICS nations signed an MOU in 2010, laying the foundation of the BRICS Inter-Bank Cooperation Mechanism. Exim India is the nominated member development bank under this mechanism, with other nominated member development banks from member nations of BRICS, namely Banco Nacional de Desenvolvimento Economico e Social (BNDES), Brazil; State Corporation Bank for Development and Foreign Economic Affairs—Vnesheconombank, Russia; China Development Bank Corporation, and Development Bank of Southern Africa. The inter-bank cooperation among BRICS countries is expected to facilitate trade and help raise the economic profile of member countries at regional and global levels.

India assumed the Chairmanship of the BRICS Forum for 2016, and Exim India, being the nominated member development bank from India, assumed the Presidency of the BRICS Interbank Co-operation Mechanism. The Bank organized a Technical Group meeting in Udaipur, on 10–11 March 2016, to discuss areas for furthering cooperation among member development banks. During India's Chairmanship, the Bank organized a series of events and seminars, including the Annual Meeting and the Financial Forum of the BRICS Interbank Cooperation Mechanism. Exim India organized the BRICS Financial Forum on 15 October 2016, as part of the events associated with the BRICS Summit held on 15–16 October 2016, in Goa. High-level delegations including chairpersons/managing directors from the development finance institutions of BRICS and selected Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) countries participated. This initiative also provides a platform to promote cooperation among members, including between Africa and



India.

In recognition of South Africa's role as an engine for extra and intra-African trade, endorsed by its membership of BRICS, Afreximbank is aggressively promoting trade between South Africa and the rest of Africa. To support this Afreximbank and the Export Credit Insurance Corporation of South Africa (ECIC) have entered into a memorandum of understanding (MOU) to launch The South African Trade and Investment Promotion Programme, a US\$1billion financing programme to promote and expand trade and investments between South Africa and the rest of Africa.

5.14 Partner in Institutional Building in Africa

As a partner institution in promoting economic development in Africa, Exim India shares its experience and expertise with countries in the African region in setting up institutional infrastructure

for enhancing international trade. The Bank has participated in the institution-building process in a number of countries in Africa. Besides being associated in setting up Afreximbank, Exim India undertook an assignment to design, develop and implement a programme on Film Financing for the Nigerian Export-Import Bank for expanding its exposure in financing films (under the Film Financing Programme) and is working with Afreximbank to develop a similar programme for other regions. Exim India has also been involved in the design and implementation of Export Finance Programmes for the Industrial Development Corporation of South Africa; a consultancy assignment for the government of Mauritius on "Projecting Mauritius as an investment hub for Indian Firms"; the establishment of the Export Credit Guarantee Company in Zimbabwe; and preparation of a blueprint for setting up the Export-Import Bank of Zimbabwe.

In 2015, the ITC, Geneva, under its SITA Project, awarded Exim India with Phase 1

of an assignment for Institution Capacity Building for Export Credit and Insurance to enhance trade competitiveness in Rwanda. The objective of the assignment is to establish a rationale and suggest a broad framework for establishing an Export Credit Insurance Corporation in Rwanda.

5.15 Institutional Linkages

Exim India has forged a network of strategic alliances and institutional partners in furtherance of economic cooperation with Africa. Towards this end, Exim India has taken up equity in Afreximbank, BOAD and the Development Bank of Zambia. These endeavours are supplemented by the various memoranda of cooperation/MOUs that the Bank has with key institutions in Africa including the AfDB; The Trade and Development Bank formerly (PTA Bank); Afreximbank; Banque pour le Financement de Petites et Moyennes Entreprises (BFPME), Tunisia; Banque Internationale Arabe de Tunisie, Tunisia; Board of Investment, Mauritius; ECO Bank (Pan-African Bank); Foreign Investment Promotion Agency, Tunisia; Industrial Development Bank of Sudan; Industrial Development Corporation of South Africa Limited; Nigerian Export-Import Bank; National Bank of Egypt; and Société Tunisienne de Banque, Tunisia.

5.16 Knowledge Building and Technology Transfer

In the area of knowledge and capacity building and technology transfer, Exim India's research studies have focused on potential areas for boosting India's trade

and investment relations with Africa and with its regional economic blocs, including the Economic Community of West African States (ECOWAS), Southern African Customs Union (SACU), Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), selected Western African and Southern African countries, selected Eastern African countries, LDCs and countries in the Maghreb region.

In a similar dimension, Afreximbank continues to provide learning and development as well as capacity-building events through its Annual Structured Trade Finance Seminars, Trade and Development Seminar Series, and Babacar Ndiaye Annual Lecture Series. In its continuing drive to build up trade finance capacity within Africa, Afreximbank conducts an annual training seminar and workshop on structured trade finance for African bankers and finance professionals. The annual series, which is in its 18th year, is attended by chief executive officers, managing directors and senior managers of banks, other financial institutions, and entities involved in promoting African trade, including with India. About 1,800 finance professionals have taken part in the seminars and workshops since they were introduced. Not only do these events provide a unique platform for knowledge transfer, they also create a conducive environment for business-to-business meetings between Indian and African counterparts, where deals are closed and strategic alliances built for promoting trade and investment between India and Africa. Exim India and Afreximbank have also engaged in a staff exchange programmes to build capacity and strengthen collaboration.

END

6

Chapter Six



Conclusion

This first joint report published by Afreximbank and Exim India analyses the dynamics of bilateral trade and investment between India and Africa. The study is undertaken at a time when trade between Africa and India has increased significantly and is likely to grow even more, especially with growth opportunities expected from the African Continental Free Trade Area. The study is also motivated by the commitment of Afreximbank and Exim India to the promotion of South-South trade and is particularly timely, especially given the growing role played by both Africa and India in the realisation of that agenda. Trade between Africa and India has evolved considerably over the years and, in the process, elevated the two partners amongst each other's leading trading partners. The bilateral trade development over the last two decades has also been accompanied by increased investment flows as India looks to tap into Africa's resource endowments to support the growth of its manufacturing industries.

The study also shows that even amid strengthening economic partnership, trade between Africa and India has remained highly asymmetrical, dominated by a limited number of products. Primary commodities and natural resources drive Africa's total exports to India, while India's exports to Africa comprise mainly manufactured goods, refined petroleum and pharmaceutical products. Notwithstanding these observations, findings of the study suggest that the potential for expanding

trade between Africa and India across a range of sectors is significant, and that Africa-India trade could double by 2021, especially if appropriate steps are taken by sovereign and corporate entities with a view to optimizing the full benefits of growth and the potential offered by the two trading partners. These involve bold efforts and undertaking initiatives to address infrastructural constraints that hamper the capacity of both partners to respond to growing trade and investment opportunities; stimulate interactions between Africa and India's private sector, policymakers and think tanks; increase the availability of information on markets and market opportunities; address market access constraints, including tariffs and other non-tariff barriers; and facilitate trade and investment through appropriate policies and regulatory frameworks.

The study showcases how Afreximbank and Exim India are working individually and together with other development partners to address some of these constraints and specifically highlights the efforts and initiatives undertaken to address the constraint of access to finance which remains a major inhibiting factor to trade and investment flows between the two regions. In the context of the mandate of the African Export-Import Bank and Exim India, it seems opportune for the two institutions to continue strengthening their collaboration and play a critical role in unlocking the enormous trade and investment potential that exists between Africa and India.

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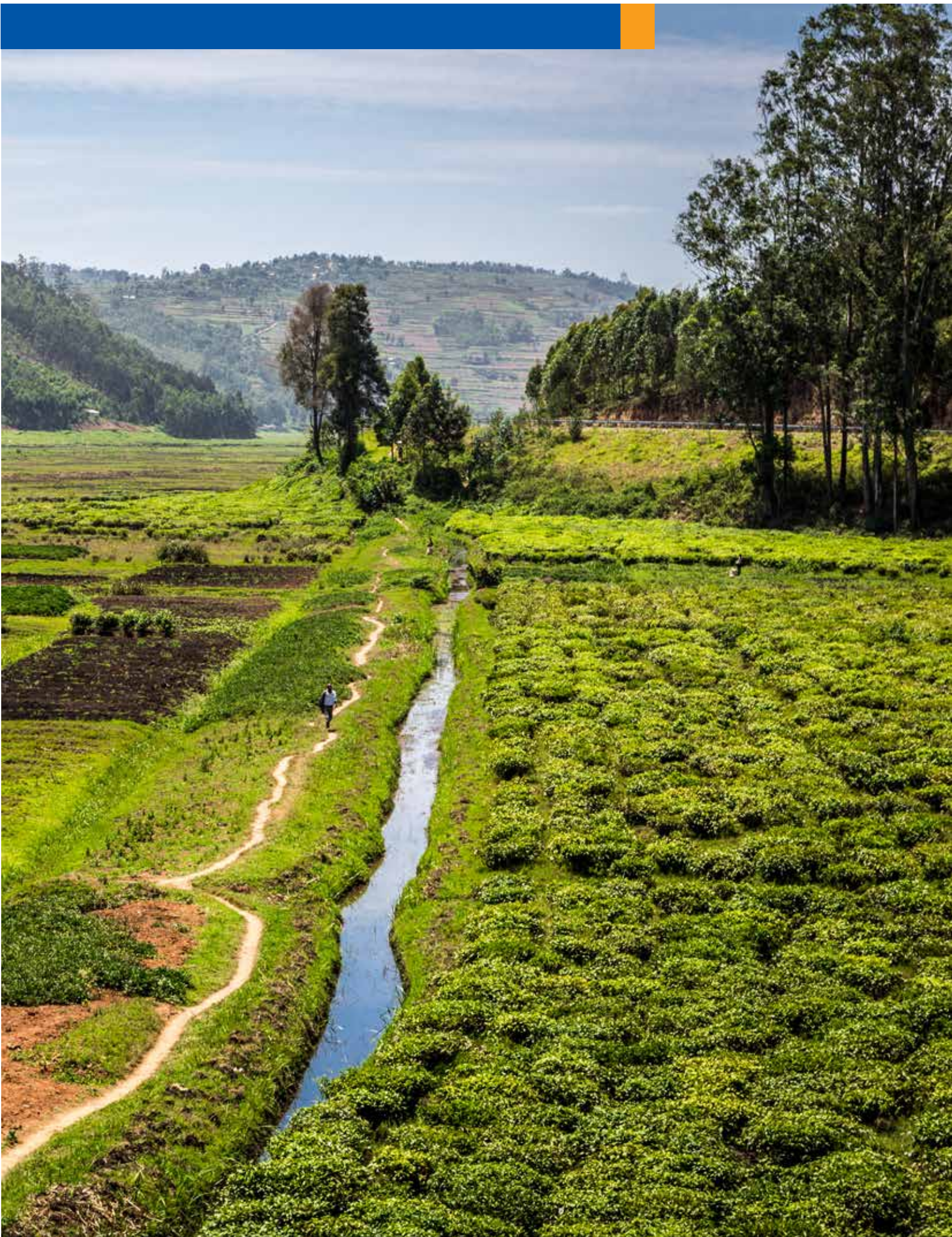
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An Analysis of Africa and India's Trade and Investment